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EDITORIAL

As We See It

Another national political campaign is now at long last a matter of history. The public is doubtless enjoying a rest from the tumult and the shouting, much of which was hardly enlightening. Any really careful and exhaustive appraisal of the results must wait time in which to look the situation over in a post-election calm and dispassionate frame of mind. As always there have been so many cross-currents running through the political stream, and so many prescriptions for the maladies which afflict us, and so many of these are so inconsistent, the one with the other, that one hesitates to reach broad conclusions without time to array the evidence in one's mind rather carefully.

There is, however, at least one aspect of the situation as it now presents itself which is at once challenging and amenable to very substantial comment without further ado. For a long while past the impression has prevailed in many quarters that somehow someone in Washington or elsewhere has been able to develop some sort of economic prophylactic by means of which it is now possible for "us" to prevent the development of any real depression in the future. That is to say in quite simple and popular terminology that "we now know how to prevent depressions," and if only there is an intelligent and courageous government in Washington we need never have another and will never have another. Strange as it may seem to the thoughtful observer, this general notion has permeated the ranks of professional economists in surprising degree.

Of course for a long time the Democratic party

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A Progress Report On Credit Inflation

By MELCHIOR PALYI

Dr. Palyi gives data on rapid credit expansion in all categories during recent years, and points out, despite credit controls there has been a lack of credit discipline. Questions how long this process of debt accumulation can go on without necessitating wholesale liquidation, which is the essence of a depression. Foresees world market prices taking a thorough beating if armament outlays are substantially reduced.

The following is a quotation from an article by the writer which appeared in the *Commercial and Financial Chronicle* of Dec. 13, 1951:

"Corporate debts may do this year (1951) nearly as well as last year (1950) in view of the facts that the dollar value of total inventories has not decreased to any appreciable extent, while bank loans and corporate bond issues keep expanding. Urban mortgages may be augmented by another $9 billion or so. A new addition of $25 to $30 billion to the net economic debt is a fair forecast for 1951. If the armament race continues, as it certainly will, business and individuals will be burdened with more and more debt."

Dr. Melchior Palyi

The Department of Commerce has just released the figures: in *1951, non-federal* — private, corporate and municipal—*debts increased by $33.4 billion*, or by 12.5%. (These are "net" figures, after eliminating duplications and refinancing items.)

Thus, the credit inflation rolls on. Quoting again: ". . . what matters is the inexorable trend. The liabilities of the economy 'must' keep mounting. Cheap money, government guarantees, accelerated write-off permits, etc., serve as incentives; high taxes help to force the corporations' hands."

Table I shows the general trend. Leaving aside the

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For a Comprehensive U.S. Foreign Economic Policy

By PHILIP CORTNEY
President, Coty, Inc.

Prominent industrial economist cites fundamental causes of permanent crisis in the foreign balance of payments and analyzes dollar shortage. To achieve equilibrium in international balance of payments Mr. Cortney urges worldwide curbs on inflation to restore internal monetary stability, expansion of raw materials output on economic basis, and abolition of present obnoxious U. S. tariff procedures. Denying argument that national wage differentials justify high American tariffs, asserts function of protectionism in an industrially efficient country is to mask inflationary effects of labor unionism.

The hesitant movement in the direction of freer trade between the countries of the free world has been not only halted but reversed. The recurrent crises in foreign payments of many countries reflect a dangerous international disorder.

Philip Cortney

Despite the progress in physical production, financial and payments problems of the most serious character continue to trouble Western Europe. The internal and intra-European financial and payments problems, serious as they are, nonetheless are overshadowed by the balance of payments problem of Western Europe vis-a-vis the dollar area.

Heretofore the recurrent crises in foreign payments were taken care of by means of costly expedients, costly mainly to the U. S. A. It becomes obvious that the world is drifting into a major crisis, which may well spell the breakdown of international economic relations, with serious political and social consequences for all free countries, including our own. Whether the development of this major crisis will be arrested or not depends

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NSTA CONVENTION ISSUE NEXT WEEK—The "Chronicle" will distribute along with its regular issue next week a special 80-page Supplement devoted to the recent Annual Convention of the National Security Traders Association.

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

Packard-Bell Company — Robert H. Huff, Vice-President, Conrad, Bruce & Co., Los Angeles, Calif. (Page 2)

Elastic Stop Nut Corporation — O. Benedict Zeman, Manager, Investment Dept., Hoppin Bros. & Co., New York City. (Page 2)

ROBERT H. HUFF
Vice-President, Conrad, Bruce & Co., Los Angeles, Calif.
Member Los Angeles Stock Exchange

Packard-Bell Co.

"The Security I Like Best" is one which enjoys a wide and well-deserved popularity on the Pacific Coast, yet is only now becoming known to Eastern investors. It is the stock of the Packard-Bell Company, one of the most interesting operations in the television-electronics field.

Because Packard-Bell restricts its activities to the 11 Western States and Hawaii, and neither displays nor advertises its products elsewhere, it might be hastily dismissed as just another of the small, local TV promotions. But it happens to be a highly reputable, 26-year-old company with an 18-year record of continuous profits; it has built, and sold to Western people, well over a million radios, radio-phonographs and television receivers; it is the largest manufacturer of television receivers west of Chicago, as well as a sizable producer of electronic equipment for the armed forces; it is a dominant factor in one of the nation's largest, richest, and most rapidly-growing television markets, and consistently outsells its big-name Eastern competitors in the major cities in that market; and furthermore, on the basis of pre-tax margins it is one of the strongest and most dependable profit-makers in the television industry.

Packard-Bell's unusual record is largely the result of competitive advantages gained through the policy of territorial concentration. This policy permits the company to style its cabinets exclusively for Western tastes, to engineer its receivers especially for Western broadcasting conditions, and to install and service its sets under direct factory supervision. It has made possible a more effective advertising program; and the development of a strong and compact sales organization, with direct coverage of, and close personal relationships with, the retailers. And very importantly, it has made possible prices which, for sets of comparable quality, average about 10% below those of its competitors.

Packard-Bell's ability to undersell its competitors and still enjoy above-average profits likewise reflects, in part, its policy of territorial concentration. Because of the proximity of its plants to its markets, a very large saving in shipping costs is effected. A close control and rapid turnover of inventories is made possible by a direct and constant contact with its markets. Its products are sold on practically a cash basis, thus minimizing credit losses and greatly reducing working capital needs. Its manufacturing operations are efficiently and economically conducted in modern plants designed especially for electronics production. Its cabinets, a major item in television production costs, are made in its own wood-working shops. And its distribution costs are exceptionally low.

Now for some figures. In 1948, when the mass-production of television receivers started, Packard-Bell's sales were $4,400,000, and its per-share earnings were $0.17 before, and $0.10 after, Federal taxes. 1949 sales were $5,436,000, the pre-tax profit was $0.57, and the net was $0.38; and in 1950 sales reached $13,895,000 with pre-tax and net earnings of $4.33 and $2.61, respectively.

When the television industry ran into trouble in 1951, the soundness of Packard-Bell's operations was clearly proven. While the sales for the industry were declining 33%, Packard-Bell's sales rose 35% to a new high of $18,773,000. Price-cutting was prevalent, but Packard-Bell prices were not lowered at either the retail or wholesale level. Inventory write-downs were general, and in some instances, very large, but neither Packard-Bell nor its dealers suffered inventory losses. And in contrast to generally lower earnings, and some substantial operating losses, Packard-Bell's pre-tax profit rose to an all-time high of $4.77 per share. Unfortunately, however, the company's tax burden, including a large E. P. T. levy, also reached a new high and cut the net to $1.73 per share.

While the final, audited results for the 1952 fiscal year will not be known for a few weeks, the preliminary figures show that the company is continuing to turn in an outstanding performance. They also show that it continues to be severely penalized by excess profits taxation; and they suggest that the management has been wisely building for the future with some of those 18-cent profit dollars.

Sales for the year were in excess of $22,700,000, a gain of 21%, and another new high. Despite the largest advertising expenditures in the company's history, and some unusual development costs, the pre-tax profits rose once again, to about $5.10 per share. But the tax man took 68% of those profits, and permitted the company to retain for its shareholders a net of about $1.63 per share.

Packard-Bell, in brief, is a sound, well-managed, and rapidly-growing company in an industry whose potentials have hardly been scratched. It is also one of those companies whose success has been rewarded by unreasonable taxation.

Its stock, accordingly, offers attractive profit possibilities based upon two expected developments: A very large expansion in the television-electronics business over the next five years; and tax relief. It also offers, on the basis of current market prices and the current $1 dividend rate, a very generous income return.

O. BENEDICT ZEMAN
Manager, Investment Department, Hoppin Bros. & Co., New York City
Members New York Stock Exchange

Elastic Stop Nut Corp. of America

Management should be the primary consideration in connection with the purchase of any equity shares. It is the accomplishment or failure of management that determines whether or not a company produces earnings and dividends and has any prospects for future growth.


O. Benedict Zeman

This thought brings into focus the Elastic Stop Nut Corporation of American whose directors and officers have done an outstanding job in recent years. Sometime around 1947, the controlling Swedish interests, in the Elastic Stop Nut Corporation, sold out to American capital so that since then, the present management has been responsible for the company's successful progress.

The company manufactures a wide variety of self-locking nuts which are used by aircraft manufacturers, the makers of automobiles and trucks, producers of textile and farm equipment, diesel locomotives, electrical products and numerous other industries where lock nuts of this type are a necessary requirement. These nuts, which have a red fibre insert, are sold under the trade names of "Elastic Stop Nut," and "Esna," and their main feature is that they maintain firm bolted connections under conditions of severe vibration.

Other products include an all metal nut for use under conditions of severe heat, and a self-anchoring shingle nail. This nail is used in attaching wood, asphalt or asbestos shingles to non-wood sheathing, and also is used in attaching simulated tile in the same manner.

Early in 1949, the company acquired from Mid-Continent Metal Products Co., all patents and other rights to manufacture and sell the "Rollpin." This product also is a self-locking vibration-proof fastener, and supplants the grooved, taper and straight pins. The Rollpin costs less than most other types and is installed for less than fasteners requiring auxiliary locking means. It is lighter, stays in, and thus reduces maintenance costs. In using the Rollpin, standard size holes are drilled, without additional reaming, through the parts to be fastened, and the Rollpin inserted. Friction is reduced to a minimum so that the pins may be used again and again. They also may be used in place of rivets, cotter pins, set-screws, stop pins, hinge pins, dowels, shafts, linkage pins and as special fasteners. Like the "Stop Nut" these pins are suitable to the needs of many industries.

Further evidence of the progressiveness of the company's management may be observed in the merger, in March of this year, with American Gas Accumulator Co. This company manufactures reflector signs for highways, bridges and tunnels. These are sold under the trade-name "Stimsonite," and are specified by most State Highway Departments. "Stimsonite" reflex reflectors are used for number markers on diesel locomotives, on switch targets, on railroad crossing signals, on bicycles, trucks and automobiles. As a matter of fact, some 80% of the automobile tail-lights now are equipped with these reflectors. Other important products of American Gas Accumulator include, marine lighting, such as beacons and buoys, airport lighting, runway lights and approach lights. In addition, the company manufactures rubber insulated transformers, and a time delay relay for control ignition and outfire cycle control. This relay is known as "Agastat."

The success of Elastic Stop Nut Corporation's management may

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Selecting Industries and Issues

By G. M. LOEB*

Partner, E. F. Hutton & Co., New York City, Members New York Stock Exchange

Mr. Loeb urges non-professional stock buyers to confine themselves to most prosperous companies, maintaining "the chances are that those that have in the past been successful are most likely to continue so." Maintains motors and electronics are now best situated industries, with Chrysler, Philco and General Electric most favorably regarded issues.

My subject is first how to pick your best buys among various industries and issues, and next, just what and which ones to buy now.

This is a subject for a professional. It is a subject for someone who makes it his major work.

G. M. Loeb

My best advice is to regard what you learn from this course as background information. Use it to help you select someone who is really able to help you. I think the chief value of financial education to those who can only make it an avocation is to enable them to better select professional investment advisors.

I am going to tell you a little of the principles of how to pick industries and issues. Picking them, by the way, is only half the battle. The other half is knowing when to get rid of them. It is always vital to remember that securities are meant to be bought and sold—not bought and forgotten, or bought and kept.

A simple way to go about it is to think of the companies which are household words to you and which you associate with success or prosperity. The chances are that those that have in the past been successful are the most likely to continue so. I am rather sure that among companies that probably occur to you are Chrysler and General Motors, DuPont, General Electric, Standard Oil (New Jersey), and Philco. That would be a very excellent cross-section of good issues in itself. It would naturally lead to thinking of the motor industry, the chemical industry, electronics and oil. There are, of course, others such as Johns-Manville in building, Dow and Union Carbide in chemicals, Aluminum Company of America in metals, Abbott Laboratories in ethical drugs, Amerada in petroleum, RCA in electronics, and International Business Machines in office equipment. In fact, these 14 companies are among the very best in America and they are all in industries that in the past have furnished a good background for growth. Their future looks equally bright.

To select such a group would certainly be a good start. If you follow my advice about going to someone for expert help, he would know from your conversation something about the type of investment you were after. Of course, I have hand-picked this list and the average person would include some issues such as American Telephone which would probably rarely be the choice of a professional. This would also be true of various food, clothing, gas and electric companies whose names might be more familiar to women. However, this would not make much difference because if you were fortunate in the choice of your advisor, he would point out the better holdings in your list and those with the least appeal.

Working in this way, one might of course pick good stocks which at the time were selling too high, or involved some other temporary drawback. One would never select minor companies or minor industries and, in that way, quite a few pitfalls would be avoided.

List Will Be Fluid

A list like this is not always going to stay the same. Neither will it be the same if made up at a later time. There will be some industries and companies that will keep on going along and some that will have to be dropped and others that will have to be added. Constant reappraisal is needed.

It will help to understand the future to review something of the past. We keep going through periods that favor certain industries and through periods that are unfavorable. These economic differences which help or hamper profits always seem to start or stop around the bottoms or tops of large stock market advances or declines.

For example, in recent years, the great bottoms of the market were 1932, 1938, 1942 and possibly 1949. The great tops were in 1929, 1937, 1946 and possibly 1952. At each of these tops, companies of some leading industries which previously had been very successful, either ran into real fundamental snags, or became so popular and over-valued they proved to be very poor purchases.

For instance, I would say that 1929 was the end of most railroads as prime investments. That is the year in which New York Central sold above $200 a share, earned over $16 a share and paid $8 a share. By 1932, it was earning nothing and paying nothing and selling under $9. Here, 20 years later, it is selling under $20. A few rails located in rapidly growing areas, principally in the west and south, have far better records and prospects.

The year 1937 was a very important top and the decline that

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*A talk by Mr. Loeb before the Federation of Women Shareholders, New York City, Oct. 31, 1952.

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Equities Tested by Fire

By IRA U. COBLEIGH

Author of "Expanding Your Income"

Giving a brief account of that rather generally neglected group of premium collecting enterprises—fire insurance companies.

The pall of smog that settled over the Atlantic Seaboard, from Maine to Georgia, last week-end, arising from brush and forest fires ranging over several thousands of square miles, gives a highly topical background to our subject for today. With rainfall in many areas in Sahara-like absence, and dangerous parched aridity causing the closing of Sylvan stretches in New York State to hunters and fishermen, we may all be led to ask ourselves if we have adequate fire protection. The current widespread fire threat, together with today's inflated costs of property replacement, may convince you that your present coverage program is out of date.

Ira U. Cobleigh

However that may be, insurance against fire is as sound as it is old, and some of the most ancient and impressive financial institutions in America are those whose earnings gain as burnings wane. For example, Continental Insurance has paid dividends for 99 years in a row, Fire Association of Philadelphia for 94 and there are eight other leading companies whose goal line, dividend-wise, has not been broken for 78 years or more. That's a pretty good ad for private enterprise in general and fire insurance shares in particular; and tens of thousands of investors might have benefited if they'd learned about these companies sooner.

Well, if they're so good, how do they work? They're really two-platoon companies. First they receive premium revenue on fire risks. Frankly, over decades, this underwriting business by leading companies has been profitable; but there have been some losing years. Like 1946 and 1947, when all the neglected maintenance, residential overcrowding, manpower depleted fire houses, and not enough fire engines, directly caused by World War II — all these things led to more fires and fewer of them put out.

There are two determinants of fire insurance rates. First is actual experience, compiled for a number of preceding years — usually five. In this manner the losses of one year may not be offset by higher rates till a year or two later; but in the long run the rates must be adjusted to profit-making levels, or the company would go broke. The second factor is competition — what the other fellow will charge on the same risk.

Investment Income

The second income source is investments. As assurance of ability to pay any and all claims, underwriting companies have very substantial capital and surplus funds which they keep quite fully invested. In the average case, perhaps 50% of such funds would be in cash, and solid interest bearing debt securities such as Governments and corporate bonds, and real estate mortgages. The other half is customarily in stocks, mostly common stocks, and shrewd portfolio management in this section has been one of the important growth factors in fire companies. Where U. S. life insurance companies and savings banks in certain states have in recent years entered the equity markets, fire companies have been buying commons for decades. For that reason, these companies have frequently been compared to closed-end investment trusts, and with some reason.

As a matter of standard pratice, it is the net return on investments which dictates the dividend policy of fire companies, the profits from underwriting being customarily kept for business development and fattening up the surplus. But since, through the years, there has been a steady inflow of underwriting profits, the surpluses, and thus the investment portfolios, have been expanding impressively. Above that, a high percentage of annual net earnings remains undistributed. For example, last year Hartford Fire earned $12.20 a share but paid only $3.00.

A Growth Industry

There are a lot of things suggesting that fire companies can continue to grow. Our rising population, 1,000,000 new homes a year, $23 billion in industrial plant outlay, 5 million new cars a year; and the higher replacement cost of almost everything — all these are persuasive to more premiums, more growth. If you could just rub out those bad fire loss years in the underwriting department, which have periodically recurred, then fire equities would be the perfect investment. Even as it is, they are, and have been, pretty solid performers, offering some hedge against inflation, durable dividend performance and steadily mounting liquidating value (or stockholders' equity, as it is frequently called). And today you can buy most fire company shares at a nice discount of 15% to 20% below liquidating value. Defensively speaking, this discount, the fat cushion of earnings over dividends paid, and the universal necessity of fire coverage, entitle conflagration equities to be considered, even if you think the general market may sag.

Representative Companies

Let's have a look at a few showcase samples of fire stocks.

Hartford Fire Insurance has had a terrific record. Smart underwriting, savvy investing and heavy annual plowback of earnings, have made this stock a financial fortress with equity at the 1951 year end of $160.50 a share. Underwriting department net of $7.08 was played back to back with net investment income of $6.89 to create (after taxes) $12.20 on each of the 1,600,000 outstanding capital shares. Combined with Hartford Accident and Indemity (almost entirely owned) and other controlled affiliates, Hartford collects more dollars in premiums than any other non-life company. Of overall underwriting, the largest is fire (25%), but auto liability (15%), auto physical damage (12%), and workmen's compensation (11%) — all 1951 figures — loom larger. Perhaps the most conservative, Hartford lodged (1951) 57% (consolidated resources) in Governments and only 14.6% in common stocks. Since 1937, stockholders' equity here has advanced majestically from $47.19 to 3½ times that today. The $3.00 dividend gives only about a 2% yield at 153 but some increase in cash distribution is surely not unjustified. Hartford Fire is a quality investment that's been growing like an oak.

Another front-line fire house equity is **Continental Insurance**, whose 2,500,000 shares of capital stock are listed on the N. Y. Stock Exchange and sell at $76 apiece. This company is the king pin of a group called **America Fore**, and along with its associate, **Fidelity-Phenix Fire**, shares fifty-fifty ownership in **American Eagle Fire, Niagara Fire**, and a casualty entry, **Fidelity and Casualty Co.** Of total premium intake, 34% was on fire risks (1951). Continental stresses less than Hartford, possession of government securities; rather, it has devoted itself to the selection and acquisition of one of the classiest lists of common stocks you might care to gaze upon, over 36% of portfolio falling into this category 12/31/51. Continental, a durable dividend distributor since 1853, paid $3 in 1951 and may exceed that this year. Stockholders' equity stood still in 1946 and 1947 but has advanced almost $40 a share since. If you're shopping for fire stocks, get the latest facts about Continental.

A higher yielding stock is **Hanover Fire** which also goes way back to 1853 with its unbroken skein of dividends paid. Great stress is laid here on straight fire risks, premium volume from such accounting for 55% of the total underwriting income in 1951. Lest a whacking loss louse up earnings, Hanover sets a $150,000 limit on any one risk, reinsuring the overage.

For the first half of 1952, combined net was $2.91 against $1.77 per share in the same 1951 period. The $1.60 dividend rate is thus well covered and might even be jogged up a bit. At the 1951 year-end, cash and governments combined were 54.6 and stocks 43.1 of portfolio. Underwriting profits seem on the upgrade. With but 400,000 shares outstanding, Hanover Fire sells at 38½.

Aetna Fire Insurance Co. of Hartford with 1,000,000 capital shares outstanding is, with its group, **World Fire and Marine, Standard Insurance**, and **Century Indemnity**, a leading company, collecting 40% of total premiums from fire hazards. Underwriting results lost 18 cents a share for 1951, but are much improved this year. Investment income from an elegant but conservative list (58.8% of consolidated resources in cash or governments) would have paid the present $2.25 dividend in any of the past 15 years. Ownership of Aetna Fire does not appear risky. Price about 56.

I'm sorry time does not also permit a vignette of a number of other distinguished fire enterprises, such as **Insurance Co. of North America, Home, St. Paul, Fire Association of Philadelphia**, and a few more. The selections offered were somewhat random to show variations in underwriting results and investment procedures. You must make your own study, and your own comparisons.

It is, however, nice to view here an industry where dividend increases are being made or are expectable, when many industrials have been dipping theirs. Further, fire underwriting should become more profitable with more and newer fire apparatus throughout the land, greater stress on fire prevention in home and school, and more effective proofing and extinguishing of equipment for structures. Equities tested by fire may well interest you if you're not yield-hungry, and seek a vista of solid growth, rather than market volatility.

Christmas Buying

By ROGER W. BABSON

Asserting now may be time to make Christmas purchases, Mr. Babson foresees little change in price level at end of year. Looks, however, for some slackening in employment during first months of 1953, and cautious persons now employed should not change jobs, since employers generally follow principle "last employed should be first to let go."

If Christmas had come last Spring or Summer when the steel strike was starting, it would have been a poor Christmas for manufacturers, merchants and the rest of us. Early in 1952, the public stopped buying. Television sets, washing machines, and other appliances were filling up storehouses; while the companies making these were discharging workers. A trip through our Great Central West makes me believe the above situation is changing. Wise buyers are making their Christmas purchases now—especially for the so-called hard goods, such as washing machines, refrigerators and appliances. Even automobiles appear to be selling well in most sections. They are now being produced at an annual rate of nearly 5,000,000 because the industry is catching up after the steel strike. However, for the same reason, full-year 1952 will not show such a total.

Roger W. Babson

Probably most textiles can be bought for less now than they can in December. Sheets, blankets, and other household goods will become scarcer as Christmas approaches, although there will be the customary "sales" in January. Carpets, including wool and the blended types, are moving well now even though they were a drag on the market early this year.

New Houses in Demand

New houses, the sale of which fell off badly during the summer, are again in demand due to the relaxation of credit controls. There is, however, only little demand for large houses—though they are much better built. When well located, with land available for building small new houses, many of these larger old places are better buys than small ones. This is especially true where zoning permits larger houses to be used by two families.

Rents are sure to advance during 1953. This may once again make it profitable to build houses to rent. People have money; and they first want a home. Next, a television set! These are again moving and it is better to buy one either now or wait until after Christmas. They will be higher in December than just now.

What About Prices in General?

Wholesale prices have been declining for some time, and now consumer prices are moving very slightly lower. The Labor Department living cost index for September shaded off to 190.8% of the 1935-39 average. That was against 191.1% in August. The immediate prospect is for foods, rents, utilities, and miscellaneous consumer goods and services to show little further change. Apparel may move down slightly. House furnishings will be unchanged. All in all, little change in the consumer price-index is expected for the rest of the year. Food prices, on the average, appear to be declining a bit. The general uptrend in the cost-of-living seems to have been broken. Any change between now and the end of the year probably will be too moderate to be felt by the average family.

The above outlook is due to full employment in all but a very few sections. Contractors are again seeking workers; the utilities are employing more people; and most people willing to work can get a job. Stenographers, typists, and other office and store help are now in great demand. The situation may be a little less optimistic after Christmas with a chance that there then may be greater-than-usual seasonal unemployment. The best way for manufacturers and merchants to help prevent this—and thus save their own skins—is to spend more on advertising and selling—but keep prices down.

How to Hold Your Job

A number of persons now employed will be let go during the first few months of 1953, barring war. Defense work will not slack off, but there usually is a general reaction after Christmas. When reducing employees, manufacturers and merchants too often go on the principle of "last employed should be the first to be let go."

The above means that readers should not now change to some other job just to temporarily get more money. Stick where you are and do better work than you have ever done. Remember that Christmas — like other good things — may have an unpleasant "hangover." Play safe and don't be blinded by tinsel and candles.

Joins Collin, Norton

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, Ohio—Frank I. Safford has become associated with Collin, Norton & Co., 506 Madison Avenue, members of the New York and Midwest Stock Exchanges.

With Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — James P. Rowan has joined the staff of Walston, Hoffman & Goodwin, 621 Southwest Morrison Street.

Greene & Ladd Add

(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio — Robert A. Girard is now associated with Greene & Ladd, Third National Building.

The State of Trade and Industry

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

Over-all industrial output for the nation last week approximated that of the previous week and continued perceptibly higher than in the similar week of last year. Further, it held close to the highest level attained since the close of World War II. Little effect was noted on aggregate production as a result of the brief coal stoppage. In the over-all picture of industrial effort, defense output, according to estimates, accounts for about 15% of total output.

On Tuesday of the current week the American people decided that the country needed a change and at the National elections swept the Republican Presidential nominee, Dwight D. Eisenhower, into office by a landslide. General Eisenhower ran ahead of his opponent, Adlai Stevenson, the Democratic candidate, in both popular and electoral votes, bringing to a close a 20-year period of Democratic control in Washington.

The employment situation relative to the country-at-large reveals that joblessness was at the smallest point during the last seven years.

Employment in manufacturing industries in September rose to a post-World War II high of 16,300,000, the United States Department of Labor reported. The layoff rate during the month was only seven per thousand factory workers compared with 14 per thousand a year ago, it stated. Hiring in September was also good, it continued, with manufacturers adding 57 employees for every 1,000 employed. However, the rate of total "separations" of employees from their jobs for all reasons rose to 49 per thousand in the month from 46 in August. Largest gains in hiring in September were made by the consumer goods industries, notably apparel and leather products, the Department observed.

Steel ingot production last week declined 1 point from the record level of 106.9% of capacity reached in the preceding week.

The outlook this week is for capacity operations at least through the first quarter of next year, according to "The Iron Age," national metalworking weekly. During the second quarter most steelmakers expect supply and demand to move into reasonably good balance for most products. It will take longer to whittle down order backlogs on heavy plates and structurals, large sizes of bars, and oil country goods.

New steel production records are being set almost every week. This is expected to continue as additional new capacity is brought into production. Output currently is at an annual rate of more than 116 million tons. Record high for a year is 1951 when 105.1 million tons were turned out, states this trade magazine.

The terrific production pace is rapidly overcoming the handicap of 19 million tons of production lost during the strike last summer. Steel for the entire industrial expansion program (as now outlined) is expected to be fully delivered during the first quarter of 1953. 80% of that program is taken care of now. The industrial expansion program is not that near completion, but, as far as steel producers are concerned, demand has been met when the steel is delivered, it adds.

The Government is already under pressure to further relax construction curbs, so that other projects can take up the slack as industrial building tapers off. Some construction projects which lacked high priority have been gathering cobwebs ever since Korea. It will take time to get these out and make necessary revisions before they can be reflected on steel order books. If these pent-up programs are given the green light in time, steelmakers believe construction business should remain good for many months, continues this trade authority.

Despite the fact that auto makers are battling the National Production Authority for more steel during the first quarter, there are signs of some easing in demand for flat-rolled products. Wire products are in good supply now. As additional products move into balance, already-strong pressure for decontrol of steel will mount even higher. Many steel consumers, and even some Washington officials, are becoming convinced that whatever reasons there might have been for installing controls are rapidly evaporating, declare "The Iron Age."

Military orders delayed by the strike are by the end of this month expected to be on a current basis. In addition to taking care of current military production needs, the steel industry has been furnishing additional shipments to bring inventories of military items up to desired levels.

The end of this military catch-up will release additional steel production to civilian users, concludes this trade weekly.

Car production last week reached its highest figure in 16 months.

There were 116,488 autos assembled or about 9% more than the 107,129 in the preceding week and some 30% more than the 89,443 for the like week last year. "Ward's Automotive" reports, statistical agency, said the past week's total was the largest since the week ended June 30, 1951, when 118,297 cars were assembled.

October car production—488,000—topped every month since June, 1951, when 506,545 units left the United States assembly lines, said "Ward's." Auto output for "Ward's" anticipates 426,000 cars will be made in November, when there are three less working days.

But the agency cautioned that "ambitious" plans for record final quarter production in the auto industry may be out of reach because of a "lack of steel."

"Ward's" further stated: "Schedules calling for addition of second assembly shifts and expanded overtime production have been mothballed until the required steel is available. A lack of manpower in the Detroit area is complicating the situation."

Consumers added $284,000,000 to their obligations in September, the Federal Reserve Board disclosed. This brought consumer

Continued on page 32

It's Ike!

What's Ahead for Business and Finance

By A. WILFRED MAY

In deducing the economic implications of the election results, we must above all divorce judgment from sentiment. Furthermore, realizing that pre-election platforms and candidate speeches are, as cynically written off by Wendell Willkie, mere "campaign oratory," we must weigh other elements. (At least we can do no worse than the expert pollsters' 1948 and 1952 records.) More specifically, in appraising our likely station on the road to socialism, and its by-paths, we must never lose sight of the basic truism that under our present-day technique of political democracy, the normal desire for re-election will cause *any* administration to foresake the free market at the first indication of unemployment, depression and deflation. This conclusion is not endemic to the U. S., nor is it even invalidated by reason of the landslide repudiation of the *New* and *Fair Deals*.

A. Wilfred May

While the villification of the Republicans as the "Depression Party" during the late campaign was not effective enough to defeat it, and although the forecasting test of the three Cornell professors that "the all-powerful forces in American elections are not the candidate nor the issues, but the price level" is now disproved. Yet General Eisenhower found it necessary to promise the workingman that in case of depression "full power of government will be instantly marshalled"; at Lawrence, Mass., he promised "you can come down to my office and there you will be put in touch with the proper people."

A Better Santa for the Farmer

Similarly, in his attitude toward the farm vote, President Eisenhower will disdain the Santa Claus role. "I firmly believe that agriculture is entitled to a fair, full share of the national income—and a fair share is not merely 90% of parity—but full parity."

And surely in Congressional handouts and pork-barreling it cannot be maintained that either party has had a monopoly. It seems to be mainly a matter of minor degree, and that we can expect a better *climate*. The keynote to a government's economic policy is its administration of the Employment Act, whose research and discussion provisions the new Republican officials will utilize in a manner constructive for the free market—in lieu of harpings on *expansionism-a-la-Keyserling*.

We cannot overlook the recent course of British socialism under the return to power of Mr. Churchill and his Conservatives, under whom there has occurred a bare watering-down of the preceding Labor government's doctrinaire policies and practices. While, there, the frequently offered excuse is balance-of-payments crisis, here, compromise will be ascribed to "Cold War." The assumed analogy between the two national situations, it is to be pointed out, must be limited by the quite overwhelming size of the Eisenhower mandate—partly, at least, a repudiation of pressure groupism, including the pandering to the politically appealing full employment slogan.

Realism dictates another fundamental qualification to all our estimating—namely the future of the overhanging war and balance of the international political situation. This will continue as the major influence but not—as would have continued under a Democratic victory—as the only determinant of, and alibi for—the state of the budget. Thus the war temperature will fix the size of the overall tax levy; and will similarly pervade other areas of the fiscal picture, running the gamut from loans to business—both small and large—to the future of interest rates, and bank and insurance company earnings.

Difficulties of Early Retrenchment

Despite Tuesday's mandate-for-retrenchment, it should be realized that balancing of the budget must at least take time. To get on an even basis in 1954, heavy cutbacks in *already-committed* appropriations and contract authorizations would have to be made. With little prospect of cutting defense outlays by more than $10 billion to a $60 billion aggregate, and nondefense expenditures to below $20 billion, it seems that at best balancing at $70 billion—and that without tax reduction—could be achieved only in 1955.

Within this framework the political slogan-serving Excess Profits Tax will most probably be allowed to die next June, with its revenue loss compensated for in other levies.

Business and the Stock Market

In appraising the business and stock market outlooks particularly is it constructive to separate logic from sentiment. Under such caveat, this writer looks forward to a period of business *uncertainty* followed by an era of self-reliance and freedom from the bureaucrat's tune-calling. But, here too, the return-march will be halting and fraught with compromise, for it cannot wholly detour Ike's evident predeliction for such facets of interventionism as expanded social security, farm propping and the like. And relevant and important, too, is it that his present lieutenants from "big business" predominantly come from the "liberal" sector like the Committee for Economic Development. While the Paul Hoffmans and Walter Williamses will pump some air into our industrial corpse, they will not completely de-fumigate it.

The stock market's course, as we have often insisted in our writings on investment principles, is distinctly "another matter." Entirely without implying a forecast of any kind, we append the movement of stocks and bonds in Great Britain since the return of Mr. Churchill and his Conservatives. Certainly, in view of current American *values* as judged according to foreseeable average long-term earnings, dividends and corporate strength, as well as to the higher yields ruling here, no inference of a pattern for us therefrom is warranted.

Great Britain's Security Market Experience After the Conservatives' 1951 Victory

(Oct. 25, 1951 was Election Day)

Ordinary Shares		Fixed Interest	
Oct 4, '51	[illegible]	Oct 24, '51	115.9
Oct 25, '51	138.3	Oct 31, '51	114.8
Oct 31, '51	132.7	Nov 30, '51	111.02
Nov 30, '51	126.3	Dec 31, '51	105.7
Dec 31, '51	121.9	July 3, '52	100.7
Jun 24, '52	103.1	Oct 31, '52	105.9
Oct 31, '52	111.3		

SOURCE: The "Financial Times" Index.

The volume of new capital issues during this interval has approximated that during the previous twelve-month period.

At this crucial moment we are pleased to publish the following prayer "The Need of the Hour," penned by J. G. Holland, sent to us by one of our readers.

"God give us men! The time demands
Strong minds, great hearts, true faith, and willing hands;
Men whom the lust of office does not kill;
Men whom the spoils of office cannot buy;
Men who possess opinions and a will;
Men who have honor; men who will not lie;
Men who can stand before a demagogue
And damn his treacherous flatteries without winking;
Tall men, sun-crowned, who live above the fog
In public duty and in private thinking.
For while the rabble with their thumbworn creeds,
Their large professions and little deeds,
Mingle in selfish strife, lo! Freedom weeps!
Wrong rules the land, and waiting Justice sleeps!"

In line with our article's theme, we would respectfully ask whether Holland's God-given men **could be re-elected.**

Our analysis of the election results will be continued in next week's column.

Two With White Co.

(Special to THE FINANCIAL CHRONICLE)

BLOOMINGTON, Ill.—John A. Freeze and Maynard P. Yocom are now with White & Company, Livingston Building.

Needling U.S. to Raise Gold Price

By HERBERT M. BRATTER

Mr. Bratter gives data on "Higher Price" campaign under way abroad to force United States to increase the price of gold. Lists completely-free and internally-free gold markets, and reveals activities in gold trading in Far East and elsewhere. Says issue for higher price is quite active in Britain and Commonwealth countries where there is considerable gold mining.

For persons interested in keeping up with gold developments we review below some items of news which, being buried among discussion of other matters, may have escaped attention. Chief among these developments is what may be the intensification of a campaign of needling the U. S. into raising the price of gold with the purpose of helping the rest of the world.

Herbert M. Bratter

Among other developments of recent weeks is the agitation of Philippine gold producers for government relief from the economic pressure of rising mining costs. Prominent among the plans which have been submitted for consideration there has been one to set up in Manila a gold bullion exchange.

Uruguay has been getting into the gold picture in a little more conspicuous way and has hung out a welcome sign for foreign gold hoarders looking for a place to keep their metal.

These and other developments are the subject of this report.

The "Higher Price" Campaign

The campaign for a higher price for gold is at a virtual standstill in the United States. At the recent annual meeting of the World Fund in Mexico City the issue was raised by South Africa and Australia, particularly the latter, but aroused no formal support among other delegations.

Australia's activity at Mexico City is attributed to a supposed deal between that country and South Africa. Both are represented on the IMF's board by a single executive director. Reportedly the South Africans agreed to the selection of an Australian for the post, on the understanding that Australia would vigorously support the South African campaign for a higher gold price. This Australia certainly did do at Mexico City.

South Africa's Finance Minister Havenga, en route home from the Mexico City meetings of the IMF, stated in London that two factors had served to bring about a change in the outlook for a higher price of gold. One was that, without an increase in gold reserves, there is no hope for achieving exchange stability and eliminating discriminatory trade restrictions. The other was that gold would continue to flow to private hoards as long as governments keep its price pegged at an artificial level.

Mr. Havenga's encouragement was expressed against the background of news that the price of gold had been showing an easier tendency for several weeks. The "Financial Times" attributed the tendency to waning hopes that the official price would be raised. Moreover, with the relaxation of virtually all restrictions on the marketing of newly-mined gold for dollars on world markets, the movement of such gold had come to assume substantial proportions, estimated at as much as 12,000,000 ounces per annum.

The point we wish to emphasize is that the issue of a higher price for gold is by no means dead across the Atlantic. It is quite active in Britain, where a considerable stake in South African and other Commonwealth gold mining is held. This may help explain why so many Britons see in a higher gold price so many and varied advantages. It may be educational here to quote some of the things that are being said about a higher gold price in Britain and the Continent. The quotations suggest a needling campaign, which is apt to be reflected in the coming U. S.-British high-level talks under the next Administration, if not sooner.

During the economic debate of the Consultative Assembly of the Council of Europe, Lord Layton drew attention to the "insufficiency" of the world's gold reserves. The world has been building up an increased production on a falling margin of gold, he said. *Ergo*, Lord Layton advocated a rise in the price of gold.

The "Daily Mail" of Sept. 20, reporting on the South African effort at Mexico City, commented: "The logic of the South African case was strong and convincing." For the first time—the paper added—South Africa had obtained the support of the United Kingdom on this issue, Britain's delegate at Mexico City, Sir Arthur Salter, having promised that the price of gold would find a prominent place on the agenda of the Commonwealth Conference.

An editor of the London "Financial Times," whose chairman is also chairman of the gold-mining Union Corporation, in the issue of Sept. 4, 1952, wrote hopefully:

". . . It is interesting to note, however, that as part of the drive [sic] to interest the next American Government in the campaign for a higher gold price attempts are now being made to demonstrate that such an adjustment would provide one of the most effective ways of bringing about the desired expansion in the production of uranium, the latter material being produced in South Africa and some other parts of the world as a by-product of gold."

The same paper published an editorial on gold in its Sept. 5 issue.

The London "Economist," not the newest recruit for the "drive," and one with a considerable following in influential American circles, dropped into a discussion of sterling and statistics (Aug. 23, 1952, p. 445) this suggestive idea:

"This heavy former reliance on gold sales underlines one of the main reasons for the sterling area's unfavorable experience since the war—the fact that the dollar price of gold is about the only price that has not gone up since the 1930's. [Alas!] The stock of the "Economist" is 50% owned by the "Financial Times."

R. F. Harrod, joint editor of the "Economic Journal," concludes his article on the role of gold in international trade ("Optima," Johannesburg, March 1952) with the observation that the premium on gold against the dollar is likely to remain until the U. S. restores gold convertibility:

"But as a preliminary to doing so, they would need, if they wanted to prevent a considerable dissipation of their reserves, to revise the dollar price of gold."

Excerpts of opinions similar to the British views quoted above could be assembled from the Continental press, especially the French.

Foreign Counterfeiting of Gold Coins

The counterfeiting of old gold coins in Europe has some American numismatists worried. In August the decision of the Swiss Federal Court, refusing the Italian Government's request for the extradition of two alleged counterfeiters because the French napoleons, British sovereigns and Mexican gold coins they had manufactured were no longer money within the terms of international law, drew attention to the peculiar situation.[1] Gold coins, even though containing the full amount of gold they purport to contain, are from the coin collector's viewpoint nonetheless counterfeit. Not only private parties but Governments themselves have been issuing such "counterfeits." The Bank of France, through its intervention in the French free gold market, is the channel for marketing at premium prices French gold coins recently minted with old dates. The British mint also has been striking what have been described as small amounts of sovereigns. According to press reports, these all bear the date 1925.

It was recently reported that 60,000 counterfeit but full-weight sovereigns had arrived in Saudi Arabia.

What about American gold coins? Are they being counterfeited abroad? There have been reports during recent years that bogus American gold pieces of full gold content and excellent quality have appeared abroad. No actual specimen of such a counterfeit has reached the American Government, so the stories must be filed as rumors. But, suppose they turned out to be true; would the Secret Service get busy and try to stop the counterfeiting abroad, as it does when it hears of foreign counterfeiting of American paper money?

Gold coins of the United States have ceased to circulate here as money since they were called in as one of the first acts of the New Deal. Whether a $20 gold piece is still money of the United States may be arguable by the layman. No one in his right mind would take $20 for it from a fellow citizen, when it contains nearly $35 worth of gold at the official price and is worth still more to coin collectors. From the numismatic standpoint, any U. S. gold coin issued abroad, whether by private or government parties, is counterfeit.

United States statutes provide for counterfeiters of gold coins a fine of not more than $5,000 or imprisonment of up to 15 years. These penalities would be applied to anyone in the United States foolish enough to manufacture imitation U. S. gold pieces. But U. S. law does not reach foreigners abroad. What action, if any, the U. S. Government would take, in the event that it became known that bogus U. S. gold coins had appeared abroad, the American authorities have not disclosed.

Should coin collectors have definite knowledge of counterfeit U. S. gold coins appearing on the markets abroad and thus threatening the value of collections, they should bring it to the attention of the United States Secret Service. But Uncle Sam can do nothing to prevent foreign counterfeiting of foreign gold coins, even though in some cases the value of present coin collections is adversely affected. An official U. S. Customs list of suspect foreign gold coins was published in this writer's article in the "Chronicle" of Oct. 2, 1952.

Illustrative of the effects of current counterfeiting of old gold coins abroad was the heavy slump in the price of gold sovereigns in Greece during October. Greek gold hoarders were turning to bar gold, in view of the growing supply of gold sovereigns recently made in Italy and smuggled out of that country.

Notice to Travelers

In the "Chronicle" of Oct. 2, 1952, the writer called attention to the fact that gold coins may be imported by Americans. Returning travelers would be well advised, however, not to attempt to bring in gold coins without declaring them on the Baggage Declaration and Entry form along with any other foreign acquisitions. Failure to make the declaration may result in trouble and expense, including loss of the coins.

It should also be noted that to qualify as "rare coins" the gold pieces must not be mutilated, defaced, fused, plugged or the like. A coin with a hole in it, to enable it to be worn as a charm, does not qualify as a numismatic piece.

Visitors to Mexico need a special word of caution. There is still in force in this country an instruction sent by Secretary of the Treasury Henry Morgenthau, Jr., to collectors of customs in March, 1937, with the purpose of aiding the Mexican Government control a flight of capital which was then taking place from that republic. The instruction requires American customs officials to refuse entry into this country of Mexican gold in any form unless accompanied by a Mexican Government certificate authorizing the gold's exportation from Mexico. There have been cases of American travellers returning from Mexico with gold *centenarios* unaccompanied by such a certificate. In such cases the coins have had to be returned to Mexico. When accompanied by the proper certificate, which is now easy to obtain in Mexico, the *centenarios* are admitted to the United States.

Free Gold Markets Listed

Gold movements and trading are completely free in only eight centers about the world. In at least 22 additional places internal trading in gold is free, but international movements of the metal are subject to license. For the lists, as well as the comments which follow, the writer is indebted mainly to the National City Bank of New York and to press reports.

Completely free gold markets:

Beirut
*Curacao
Goa
Jeddah
Kuwait
*Macao
*Montevedio
*Tangier

Free internal gold markets:

Algiers
*Bangkok
Bombay
Brussels
Cairo
Casablanca
*Hong Kong
Istanbul
Karachi
Leopoldsville
Lisbon
*Manila
Mexico City
Panama
*Paris
Rangoon
Rome
Saigon
*Santiago
Taipeh
Teheran
*Zurich

See comments below.

Individual Markets Described

The following notes relate to the marketing of gold in certain individual markets abroad. While the information has been taken from the best sources at hand, its accuracy cannot be guaranteed.

Australia—Since Aug. 5 newly-mined gold sold on the world's free markets no longer needs to be converted into industrial form but may be sold as ordinary bullion. Newly-mined gold now sold abroad at premium prices is handled by a single organization representing all Australian sellers. The metal is sold by tender to the highest bidder. Bids are received and accepted by cable, with instructions for the deposit of the dollar proceeds with the Federal Reserve Bank of New York. Oversea buyers find it desirable to have an agent in Australia. This service is being provided by banks.

Canada—There is no gold market in Canada, except that Canada now sells a portion of its gold production for export at premium prices. This is in the form of 22-caret gold for delivery at the airport, for export to countries where its importation is permitted.

Canada still has a subsidy program based on production costs, but mines electing to sell for export are not entitled to receive a subsidy.

Gold may be held in Canada for safe keeping. No license is required to import the gold into Canada; but an export license is required and, while export licenses are readily granted, the Canadian authorities will not give any assurance that an export license will be granted at some future date.

The Bank of Canada buying rate for gold from the producers is based on U. S. $35 per fine ounce at the average rate for Canadian currency for the week.

Chile—Imports require special license by the National Board of Foreign Trade. (Applications have been denied.)

Exports prohibited except through Banco Central de Chile, Caja de Credito Minero or Casa de Moneda de Chile.

Colombia—Exports and imports may be made only by the Banco de la Republica with the previous consent of its board of directors and the approval of the Exchange Control Commission and the Minister of Finance.

Curacao — Gold imported into Curacao for safekeeping may at all times be reexported, provided that a necessary license has been obtained from the Foreign Exchange Control.

France — (See "Chronicle" of Aug. 21, 1952.)

India — The chief gold trading organization in India is the Bombay Bullion Association, which in 1949 replaced the 25-year-old Bombay Bullion Exchange. The Association is government-sponsored and controlled, being the sole such organization in Bombay Province. Its existence is con-

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[1] New York "Times," Aug. 20, 1952: "2 'Counterfeiters' Held Pure as Gold."

The Dilemma of Fire And Casualty Companies

By SHELBY CULLOM DAVIS*
Shelby Cullom Davis & Co., New York City
Members of New York Stock Exchange

Mr. Davis notes anomaly of property insurance companies, in contrast to other investing institutions, pursuing more cautious policy during present inflation than during past drastic deflationary periods. Asserts "exposure" to common stocks is importantly determined by their quality. Urges fire and casualty managements, with implementation of additional capital funds where necessary, to regain their freedom of investment action and join universities, savings banks, and trust funds in seeking protection against ever-menacing inflation thru equities.

We are today in the midst of the greatest inflation this country has ever seen. Since the prewar 1935-39 period commodity prices both at wholesale and retail have increased 112%, the consumers' price index has increased 92%, the money supply as represented by bank deposits and currency outside of banks has risen 226%, gross national product has gained 310% and the U. S. Government debt has skyrocketed 651%. Yet property insurance companies are pursuing a more cautious investment policy than 20 years ago when there was no inflation but the very opposite, the most devastating deflation this country has ever seen. This anomaly becomes even more startling when it is recognized that to the best of my knowledge all other investing institutions have pursued a policy entirely different from the fire and casualty companies.

Shelby Cullom Davis

A recent study of a large group of college endowment funds, for example, indicated that 40% of their assets were now invested in common stocks compared with 15% 20 years ago. In state after state legal restrictions against investing in common stocks by banks and their trust departments have been eliminated in favor of the so-called "prudent man" rule. In 1950 our New York law was changed to permit legal trust funds to invest up to 35% of their assets in common stocks. Last year the Insurance Law of the State of New York was changed to permit New York life insurance companies to invest the lesser of one-third of surplus or 3% of assets in common stocks. And this year the savings banks in New York State have been given permission to invest in common stocks. The movement is nationwide, as a protection against the steadily declining purchasing power of the dollar, for all sorts of fiduciary funds.

*An address by Mr. Davis before the Insurance Institute of Nebraska, Lincoln, Neb., Oct. 31, 1952.

Less Common Stocks Than 20 Years Ago

And yet fire and casualty insurance companies had a lesser percentage of their assets invested in stocks at the end of last year than 20 years ago. To be sure, the figure is not sharply lower; but nevertheless it is lower. 30.9% of assets invested in stocks at the end of last year compared with 33.6% at the end of 1931. It is not the magnitude of the difference but the change in trend contrasted with all other investing institutions that makes one wonder why.

It is not because the investment managers of the fire and casualty companies are not aware that, If I may paraphrase on expression of a few years ago, "There's an inflation on." The inflation is something we all know about. Every housewife meets it face to face everyday at the grocery stores. Nor do these investment managers entertain doubts that stocks represent better protection than bonds during an inflation. Dividends received from the 30 stocks comprising the Dow Jones Industrial Averages, for example, have increased 159% from prewar and their prices have risen 87%. Corporate bond yields, as represented by Moody's Composite Average, actually declined 21% during the same period. There is no question that stocks represent a better haven than bonds during an inflation.

Watchdogs of Solvency

I know most of those running the investment portfolios of the fire and casualty insurance companies in this country, and I can assure you that they are not obtuse fellows. The reason they have invested a lesser percentage of their assets in stocks than in 1931 is that they are not primarily investors of funds or protectors of the purchasing power of their companies' dollar. They are watchdogs of company solvency first and investors of funds second. That is the first important point I wish to make to you.

Why should not the two objectives — maintenancy of solvency and purchasing power of the dollar—be the same? They are for most funds. I don't know what some of the privately endowed institutions in this country would have done these past 20 years if they had continued to invest largely in bonds. You recall that bond yields have actually declined 21% from prewar whereas dividends from stocks have increased 159%. That can be the difference between solvency or bankruptcy of an institution dependent upon investment returns such as an endowed university or charitable foundation.

Fire and casualty insurance companies are different from these other investing institutions because they are not primarily investing institutions at all — but insurance companies. Above everything else therefore the investment manager must follow the insurance operations. He must know what the underwriters are doing. He cannot operate in a vacuum; he must always keep an eye peeled, and a sharp eye at that, on the underwriters. In fire and casualty companies it is the insurance tail that wags the dog.

I can illustrate this very easily. Let us suppose a fire and casualty insurance company was just organized and it had lots of enthusiastic agents and friends. These agents and friends gave the company a lot of business — and since "a lot" is hardly a scientific term and since everything is relative, we shall say "a lot" of business means that the company's premium volume was 10 times as large as the capital and surplus of the company. For purposes of illustration let us say that 100 represented the number of premiums the company wrote in one year and that 10 represented its capital and surplus. Why is that "a lot of business"? Simply for this reason. If the company should sustain a 10% underwriting loss —and that has not happened infrequently — then the company would lose 10% of 100 in one year or 10—and that would wipe out its capital and surplus which was only 10. The company hence would be bankrupt.

Suppose on the other hand that this new company was much more conservative—or that its agents and friends were less enthusiastic. Its capital and surplus was still 10. But is premium volume was only 10—exactly equal to its capital and surplus. A 10% underwriting loss in one year would be a loss of 1, and 1 subtracted from 10 still would leave 9 of capital and surplus. The company would still be in business. The investment officer of the second company can therefore feel free to pursue a more aggressive investment policy for his company does not have as much at risk in the insurance business. This brings me to my second point.

Investment policy in fire and casualty insurance companies is determined by the relationship of insurance exposure to investment exposure. Those fancy terms require further elucidation.

Insurance Exposure

Insurance exposure simply means what is at risk in the insurance business; and investment exposure what is at risk in investments.

There used to be an old saying that one of the conservative Hartford companies would only insure against loss by fire of a steel safe—and provided it was submerged in water. You can see the possibility of an insurance loss in this type of insurance exposure would be very remote. A company which only insured steel safes, submerged in water, against loss by fire could therefore pursue an aggressive investment policy — provided it did not underwrite too many of them.

On the other hand take a company which specializes in insuring fleet taxi cabs, and there have been some companies that have done this to their sorrow in the past. At least around New York taxi cab drivers are more noted for their speed than for their safety. Furthermore they use to have to dodge in and out of the posts in the middle of the streets which supported the elevated trains which is not conducive to the long lives of the cabs or their occupants. Consequently the accident rate of taxi cabs was very high and companies which specialized in writing them, if I may use the vernacular, "lost their shirts." An investment officer of one of these companies had a very simple job. His wisest course was to keep all his assets in ready cash—for he would need it to pay losses.

Insurance exposure therefore is not only a measure of the amount of premiums written—be it 100 or simply 10 as in the example mentioned earlier—but the quality of the business underwritten. High quality business, safes submerged under water, permit a more aggressive investment policy—and a combination of the safes under water and an amount of premiums written in the amount of 10, rather than 100, would give the investment manager more leeway still. He could even then begin to use a good deal of judgment on purely investment problems rather than worrying about safeguarding the solvency of the company—saving the underwriters, as my investment friends frequently put it, from themselves.

There is a third and final factor in the insurance exposure of a fire and casualty company which the investment manager must understand and follow. That is the reinsurance arrangements. Take our taxi cab fleet example again. Suppose that a reinsurer could be found who for some inexplicable reason was very optimistic on the taxi cab fleet business. Maybe a vision had come to him that taxi cab fleet underwriting was suddenly going to become very profitable—and he wanted to get as much of that business on his books as possible. He would therefore offer to reinsure the company specializing in underwriting taxi fleets—and reinsuring means to relieve the company of liability—on all losses above a certain amount, say $1,000. Thus the liability or insurance exposure of the fleet taxi cab company would be extremely limited. Of course one has to pay for this reinsurance protection and in a risky field the premium is apt to be high. Nevertheless if the direct writing company is "stopped," to use an expression in the trade, for any losses above a certain modest amount, then the investment manager can also pursue a more aggressive investment policy, and worry less about the company solvency.

These three factors therefore combine to make up insurance exposure: amount of premiums written in relation to capital and surplus; quality of the business; reinsurance arrangements. There is no hard-fact formula in determining the inter-relationship of these three factors. It has to be done by hard common sense, by "feel" in which an appraisal of the future is fully as important as knowledge of the past.

Now let us relate this understanding of insurance exposure to the fire and casualty companies and see if it can explain their more cautious investment policy today compared with 20 years ago, their reluctance to assume investment exposure.

In 1931 premiums written by all fire and casualty insurance companies were approximately the same as capital and surplus. Premium volume represented 108% of capital and surplus; or, in the language of our previous example, premiums written were 10.8 compared with 10 for capital and surplus. That represented a conservative position. What a change, however, had taken place by the end of the last year. Premium volume had jumped to 160% of capital and surplus or 16 compared to 10. Obviously this represented a much less conservative position. How and why did it happen to occur?

Rise of Premiums

A hallmark of an inflation, of course, is rising prices; and since prices rise the premiums which come from insurable objects also rise. From 1931 to 1951 premiums written by fire and casualty insurance companies rose from $1.9 billion to $8.2 billion, an increase of 331%. Capital and surplus during the same period increased from $1.7 billion to $5.3 billion at the end of last year (including more than $100 million of new money raised through selling stock to stockholders). This represented an increase of only 212%. Consequently the safety factor which the investment manager of a fire or casualty insurance company must watch deteriorated. He became less of a free agent in the exercise of his own judgment and more concerned with company solvency, upon what the underwriters were doing.

Secondly underwriting is apt to be less profitable during an inflation because of the lag in the rate structure; it simply does not prove feasible to increase rates as fast as prices increase. In this sense the insurance companies are in the unenviable position of being short the commodity market, paying claims at a higher price level than they collected their premiums and figured their costs. In casualty claims in particular (where the time lag is greatest) the companies will be paying in 1952 dollars for an accident which may have happened in 1950, the premiums on which policy having been collected in 1949. Underwriting losses in fire insurance have been as high as 8.7% of earned premiums in 1946 and in casualty losses on automobile lines since Korea have been catastrophic and have amounted to more than $200 million. It has not only been the amount of business which fire and casualty companies have written in relation to capital and surplus but the relative unprofitability of this business during the inflation which has made investment managers more cautious than 20 years ago. Two of the three factors previously described as representing insurance exposure have been unfavorable.

Investment Exposure

Now let us come to the other side of the equation—investment

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A Higher Rate Needed for VA and FHA Mortgages

By SAMUEL E. NEEL*
General Counsel, Mortgage Bankers Association of America

Mr. Neel discusses increasing infiltration of government in mortgage financing, which, he contends, is creating new problems for mortgage bankers in carrying out their middleman functions. Attacks refusal of Secretary of Treasury to increase maximum rate on VA and Federal Housing loans from 4% to 4½% as demoralizing market for these securities. Points out creation of Federal National Mortgage Association by government which buys VA and FHA mortgages, has caused abandonment of private credit in this field. Says Federal Government's policy is not based on sound economics, but on politics.

Until some years ago, the problems faced by mortgage bankers in carrying out their middleman functions were largely those resulting from the operations of the financial business community as a whole, without particular regard for what happened in Washington.


Samuel E. Neel

But whether we like it or not, this situation is certainly not true today. Today, a very large part of our business is controlled and governed by the rules laid down by the various agencies of the Federal Government which deal with housing. This is particularly true since the making and sale of loans that are either guaranteed by the VA or insured by the FHA has grown to constitute such a substantial part of our day-to-day business.

Federal influence on the supply of mortgage funds for the construction of privately owned housing involves the chartering and supervisory functions of the Home Loan Bank Board, the mortgage insurance and guarantee functions of the Federal Housing Administration and the Veterans' Administration, the loan purchase functions of the Federal National Mortgage Association, and the credit control functions of the Federal Reserve Board and the Housing and Home Finance Agency.

It is almost impossible to discuss the major conflicts of Federal Government policy in this area as they affect mortgage bankers without at the same time discussing the **organization** of the above agencies.

The Federal Housing Administration was created by the National Housing Act of 1934 to provide a system for insuring the payment of residential mortgages **made by private lending institutions.** Today the insurance fund, as well as expenses of FHA's operations, is provided entirely by premiums and fees paid by borrowers.

The Home Loan Bank System provides a reserve system, mainly for Savings and Loan Associations, which now wholly own the stock in the regional Home Loan Banks. It is therefore a privately owned system.

In 1949, these two agencies, dealing solely with private credit, were placed, along with the Public Housing Administration and the Federal National Mortgage Association, under the jurisdiction of the Housing and Home Finance Agency.

The mere fact that both public subsidy and private credit deal with housing was, and still is, in my opinion, an unwise basis for their combination into a single agency, and a large part of our industry's present problems results from the fact that economic thinking which may be necessary and appropriate in dealing with welfare matter is 100% wrong when carried over into credit functions, yet that is exactly what has happened.

The welfare function and the credit function are as different as it is possible to be. The first depends for its operation on an individual, official judgment of need. It is entirely apart from the market economy. The second depends upon the operation of market forces and is itself an important element in the market economy.

Mortgage credit is a part of the general credit and monetary system of the country. It is activated in the same way as other credit operations are activated—by an evaluation of risk and a payment of interest, with the interest rate fluctuating according to the estimate of the risk and the availability of funds. **In a private market economy, the only way that an adequate supply of mortgage money can be assured is to permit mortgage borrowers to compete freely for funds with other borrowers.**

These principles were originally recognized by the Federal Government. But despite these characteristics, neither FHA nor the Bank System, as presently organized in the HHFA, has any direct relationship with the general credit and monetary authorities such as the Federal Reserve Board. Instead, they are combined with a distinctly welfare function—public housing—and they are operated mainly from a welfare point of view rather than from a credit point of view. That is to say, a measurement of risk tends to be replaced by an official judgment of need; and effort is made to determine interest rate and other mortgage terms not by what is necessary to attract private investment, but by an official judgment of what an interest rate ought to be, irrespective of market conditions.

This thinking has even infected agencies outside the organization of HHFA. For example, the major argument in the field of veterans' housing in recent months has been over the rate of interest a GI loan is to bear. Congress originally set the maximum rate at 4%. Later, Congress gave the VA Administrator the right to raise the rate, if necessary, to 4½% with approval of the Secretary of the Treasury. The rate has never been raised. During 1951, the 4% rate (resulting in a net yield to investors of about 3.30%) became uncompetitive as investors could get plenty of other investments of similar quality with better yields. Veterans generally became unable to get VA loans. The situation has not improved in 1952 as many people thought it would; in fact, it has even worsened.

Instead of facing the issue and permitting mortgage rates to find their own level (which I believe would have been not higher than the 4½% permitted by law), the Federal Government substituted first a program of VA loans made directly by the VA, and second, a program of purchasing VA loans with Federal funds made available through the Federal National Mortgage Association. Thus, the private credit system was effectively abandoned.

This same expedient and philosophy were adopted later when the designated interest rate for FHA defense housing loans proved to be too low to attract private investors.

The only way that a credit system can be operated on a welfare basis is to substitute government support for market appeal. The result, as is now rapidly becoming evident, is a public credit system, operated independently of the financial market, in which funds are not bid for but are distributed according to official decisions as to who ought to get the money. Followed to the end, this kind of credit system could become a tremendous drain on the Federal Treasury as well as a political instrument of a powerful and dangerous sort.

It is my belief that the present credit policy of the Federal Government should be completely revised in order to allow fullest possible scope for private investment. This can only be done if, among other things, interest rates are free to move both down **and up** according to market requirements.

To accomplish these changes will not only require a change in "policy" but also a change in "organization that have sought our as FHA and the Home Loan Bank System are restored to their original concept and status.

The statement of general principles I have outlined above is one which we in MBA have continuously for the past few years laid before Congressional Committees, Federal officials, and all other organizations that have sought our views on problems in financing housing.

I cannot say that we have so far been too successful with our arguments. There is not much glamour in mortgages.

It is still difficult for me to understand how the Federal Government can consistently keep a fixed and unmarketable rate of interest on FHA and VA loans while at the same time recognizing in its other financing the fact that the market must determine rates. As an example of this, I cite to you the following facts:

(1) When the Public Housing Administration seeks a market for housing authority bonds, It asks for public bids on the bonds, and it accepts whatever rate the market requires. In its latest issue of $170 million, it accepted an average rate of 2.54%, which was almost ½% higher than the rate for which it had sold its previous issue.

(2) The recently issued United States Treasury 14-month notes sold at an average rate of 2⅛%, which was the highest rate in 14 years.

(3) The recent issue of Treasury Tax Anticipation Bills (5-month maturity) sold in October, 1952—this month—at an average rate of 1.72%, which contrasts with an average rate of 1.49% when such Bills were sold in November, 1951.

(4) The Reconstruction Finance Corporation recently increased its rate on State, City, and County loans to 4¼%.

Thus we see that the **financial** agencies of the Federal Government apparently recognize present conditions in the money market and have increased the rate of return on the products which they wish to sell in order to market them effectively.

Yet, we still find the **housing** agencies stubbornly insisting on

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*An address by Mr. Neel at the 50th Anniversary Convention of the Savings Banks' Association of Connecticut, Waterfield, N. H., Oct. 15, 1952.

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.

Bearings Industry in Japan—Analysis—Nomura Securities Co., Ltd., 1,1-chome, Kabutocho, Nihonbashi Chuo-ku, Tokyo, Japan. Also in the same brochure is a discussion of the expansion of Japanese **corporate bond** issues.

Fire and Casualty Insurance Stocks—Analysis—White & Company, 506 Olive Street, St. Louis 1, Mo.

Income Tax Pointers Affecting Securities—Brochure—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a bulletin on **Dome Mines.**

Japanese Dollar Bonds—Reappraisal—Richard E. Kohn & Co., 20 Clinton Street, Newark 2, N. J.

Metals for the Atomic Age—Bulletin—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.

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

Rails—Discussion of underlying values in current issue of "Market Pointers"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. In the same issue is a survey of **Road Construction,** a discussion of **Transamerica Corp.,** and a list of 42 companies selling at or less than six times earnings. In "Gleanings" is a brief analysis of **Rome Cable Corp.** and a portfolio of **Canadian shares.**

Steel Companies—Data—Stern, Frank, Meyer & Fox, Union Bank Building, Los Angeles 14, Calif.

Tax Saving Possibilities—Leaflet—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

* * *

American Hospital Supply Corporation—Analysis—First Securities Company of Chicago, 134 South La Salle Street, Chicago 3, Ill.

Avon Products—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available is a memorandum on **Purolator Products.**

Bank of Manhattan—Analysis—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill. Also available is a memorandum on **Snyder Tool & Engineering Co.**

Bettinger Corp.—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

Cinerama—Analysis—Holton, Hull & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Circle Wire & Cable Corp.—Bulletin—de Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

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

Family Finance Inc.—Memorandum—City Securities Corp., Circle Tower, Indianapolis 4, Inc.

General Public Utilities—Memorandum—Josephthal & Co., 120 Broadway, New York 5, N. Y. Also available are memoranda on **Kentucky Utilities, Northern Natural Gas, Public Service of New Hampshire,** and **Standard Power & Light.**

Haile Mines, Inc.—Analysis—Butler, Candee & Moser, 44 Wall Street, New York 5, N. Y.

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

Iowa Public Service Co.—Memorandum—H. M. Byllesby & Co., Inc., 135 South La Salle Street, Chicago 3, Ill.

McGraw Hill Publishing Co.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available are memoranda on **Pennsylvania Railroad, Public Service Co. of Indiana,** and **Pure Oil Co.**

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

Montana Power Company—Analytical brochure—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

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How Good Are Paper-Dollar Company Reports?

By FRANZ PICK*
Publisher, Pick's World Currency Report

Warning that today's financial thinking is largely based on fiction of paper dollar rather than on real value of deflated money, Mr. Pick states there is not one published private or public balance sheet that has met facts of depreciation or devaluation. Maintains 90% of all today's value figures used in financial circles are meaningless, including those bearing on capital return. Urges Dow Theory in stock market be reformed on index of real instead of paper dollars.

You are analysts. Translated from the Greek, analysts means "people who break up anything into its elements." Therefore, I hope you are broadminded enough to consider—not to accept—another point of view than yours. While my point of view might not convince you, it might give you a few new ideas and perhaps bring you a little nearer to the truth, which we all continue to search for.


Franz Pick

I would like to start by tearing a big hole in the green curtain of paper money behind which you live, think, work and earn.

The final result of all your analytical activities is invariably molded into dollars and cents. Your profession demands that you dig out so-called investment possibilities, follow trends of production and sales, yields and returns, coupons and arrears, deal with stocks, bonds, credits and debts, all of which have a price. A price which again is expressed in terms of currency—in this case, our dollar. And it is the problem of currency which is your most important hurdle on your road to financial analysis.

You are all methodic people. You know how to handle figures. You have all necesary statistics on our economic and financial facts at your fingertips, and very often you use them brilliantly.

Figures Rendered Meaningless

But, did you ever think how meaningless the figure material you use is. Have you ever realized that nearly 90% of all figures of value that you use are merely phantoms, pipe dreams of opium smokers? That you would never accept these values again if you could be psychoanalyzed by a currency psychiatrist?

Suppose your car's speedometer indicates that you are driving 50 miles an hour. But you somehow feel that the car is only doing 25. A checkup by an expert proves your hunch was correct and so you certainly would have the speedometer repaired immediately. Or suppose your pack of cigarettes only contained 11 cigarettes instead of 20, would you try to convince yourself that you actually smoked 20 after you finished the package? Certainly not.

Yet in terms of currency, you still bow to the fiction of the dollar. And I cannot understand how you can do precision work with rubber tools or build financial opinions and constructions on the quicksands of the most tragic inflation of the richest and most powerful country of the world.

Let us look at the setting of the stage.

The United States dollar of 1952 is a paper currency. It was the object of a state bankruptcy in 1934, and had a stable value of only six years. Since 1940, we have entered practically unopposed inflation and since 1945 the dollar became seriously infected by currency cancer. Today, exactly 48% of the 1940 purchasing power of the dollar has been irrevocably destroyed by this cancer and there is, unfortunately, no hope whatsoever for any durable rise of the dollar's value. On the contrary, presently there is only a chance for a further and perhaps dramatic depreciation.

"Nothing Done About It"

The constant decline of the dollar's purchasing power has certainly become as popularly discussed as the weather. Yet, nothing is being done by the people whose professional duty it is to warn and to show the public what has happened not only to the country, but to the security trade. Huge amounts have been spent to analyze distribution of corporate stocks or other securities by states, sex of ownership, etc. But, to my knowledge, there is still no grant for a full time course of currency theory in any one of our colleges or universities. There has been no standard work published which would enumerate the losses suffered by all bondholders, purchasers of annuities or owners of life insurance policies since 1940. All financial publications, from the Statistical Abstract of the U. S. to the monthly publications of stock prices and dividend payments from 1929 to 1952, carry figures in paper dollars only. We face in all these columns of figures basically the fantastic elements of an irresponsible philosophy of escapists, who cannot or do not want to see the brutal facts of currency life.

The dollar of 1940 was, according to official sources, worth 100 cents. The dollar of 1945 was worth only 78 cents and the present dollar is worth only 52 cents of 1940's purchasing power. There is not one published private or public balance sheet in the United States which has coped with these facts. You can go through all the corporate yearbooks without finding any computation in other than paper dollars. Disregarding the facts of financial life has become standard practice. Analysts of nationwide repute do not blush, in writing that the ABC Corporation has paid a $9 dividend since 1929. They simply forget to add that the same dividend was only six real dollars in 1945 and is worth only four and three-quarter real dollars today.

Corporate presidents, inexperienced in the approach of currency depreciation, do not hesitate to accept the balance sheets which their comptrollers prepare, and their famous accounting firms approve—in paper dollars of annually diminishing value. And none of our leaders of industry seems to be aware of the fact that their costly annual reports are really not more than financial comic books!

These financial comic books, juggling with already half empty figures, constitute the most important material of information for the misinformed stockholder and for the financial analyst who does not hesitate to perpetuate such paper figures in write-ups, in sales literature and often in his own thinking.

Knowing how unpopular the word "deflation" is—because it means unemployment—I have at least to try to deflate a few of the major illusions which surround the general financial thinking.

Let us demolish first the fiction of capital return.

Era of Negative Interest Rates

Do you know that we live in the era of negative interest rates?

Let us have a look at the facts. An amount of $1,000 invested at 3½% compounded interest in 1940 has grown to $1,465 at the end of 1951. If you compute the paper figures into real dollars, you discover to your dismay that the amount of these 1,000 real dollars you invested in 1940 has, in spite of the compound interest, dwindled to $765 of the same purchasing power. The unfortunate investor lost exactly $235, or 23½%.

I do not want you to consult the books of ethics which St. Thomas Aquinas or Baruch Spinoza wrote many centuries ago, before you again recommend the purchase of any fixed interest security. But, I want to tell you that according to historic records, never has a government repaid its debts in the same purchasing power as they were contracted.

Let us now examine a few of the nominal dollar obligations on which our economic system is based. Here is a chart which will tell you another story. It shows you the paper value of our bank deposits and their value in real dollars. The difference between fiction and truth is only $88 billion, more than the U. S. Government spent in the record cold war budget of 1951!

And the balloon of illusions showing a record Gross National Product, immediately shrinks to much smaller proportions, if reduced to the pityless size of real or 1940 dollars. We then discover, to our dismay, that 1952's Gross National Product was only $10 billion higher than 1944's results.

If you will be good enough to follow me on this day-dream-destroying walk through the ruins of costly illusions, let us penetrate into the highly controversial moves of stock index theories. As I have no preference whatsoever for any one of these indices, I have used, with thanks to Oppenheimer, Vanden Broeck & Company (members of the NYST), a new compilation of the monthly highs and lows of the Dow Jones Industrial Index which I was privileged to create for this firm last year.

Tying Dow Theory to Stable Currency

As any one of the expert chart readers present can see from this chart, the whole Dow theory, based on stable currency, has to be revised or to be rebased on an index of real dollars instead of paper dollars. If such a reform does not take place chartreading will become related to techniques of tea leaf interpretations through romantically dressed gypsies or to the famous Rorschach test in which the individual's interpretations of inkspots reveal not the spots, but his own character.

It would not be fair to demolish prevailing and government sponsored illusions, without presenting constructive suggestions for a number of remedies which would enable you to return from the palm-tree-shaded beaches of financial illusion to comfortless cold water flats of deflated realities.

You would have to base your thinking, your analytical activities, as well as—and this is probably the most difficult decision—your writings and sales talks—on the 52 cent, or perhaps better, the 50 cent dollar.

Adjusting Company Statistics

Whenever you analyze government or corporate statistics, be sure to translate them into the respective real dollar value for the year they were published.

If you analyze, for instance, the volume of chain store sales, which I took recently from a Stock Exchange Letter, and replace the 1951 paper figures given by real dollars, you will get to know the harsh facts of the drug addict without a hypodermic needle in his possession:

(In millions of Dollars)

	Paper Dollars	
	1940	1951
H. L. Green	47	106
S. S. Kresge	158	311
S. H. Kress	88	172
G. C. Murphy	53	169
F. W. Woolworth	335	684
		Real Dollars
H. L. Green		56
S. S. Kresge		164
S. H. Kress		91
G. C. Murphy		90
F. W. Woolworth		362

Don't read annual reports of corporations. Have them translated into real dollars, and use only the "translated" figures. Disregard the charts they contain. Force yourself to make your own pictures of development of Sales or Working Capital in real dollars. Throw away these 10-year statistical summaries, published in good faith by corporations or their financial executives. These figures are meaningless and can be compared only to the concave and convex mirrors in Coney Island which distort your reflection in the most ridiculous way.

In proceeding on this logical way of balance sheet techniques, you will need a lot of patience, training and quite some knowledge of currency theory. But, the new technique will give you many, many rewards.

You will begin to see another and unfortunately much shabbier world. It will not be easy to switch from projections of truffled filet mignons and baked alaskas to the realistic food of hamburgers and ice cream cones.

But if you want to hear about the techniques which a few of our large corporations have already adopted, I will gladly give you a short outline.

I cannot, in the short time at your and my disposal, give you a real course of what to do—only outlines of fundamentals can be mentioned. And they are simple enough.

Take the year 1940 as a starting point. It was the last year of dollar stability. Do not give more than ornamental value to pre-1934 corporate statistics. They are established in bygone gold dollars and will only tend to confuse you.

Computing Corporate Results in Real Dollars

Then start to compute your principal corporate results from paper dollars into real dollars. Take 1940 as 100 and with the help of the Index of the Cost of Living, published by the U. S. Bureau of Labor Statistics, it will be rather easy to get your real dollar values for every year until you land at the 52-cent dollar of 1952.

Having established your new measuring rod, you may begin the easy way and find out what the dividends of the old XYZ corporation look like, if you free them from the uplift of paper support.

Then proceed with profits before taxes the same way. If you want to advance further, compile the net profits after taxes in real dollars. You might discover a few unknown facts which will change your former and perhaps present points of analysis.

But, don't become discouraged. On the contrary, analyze the figures of total sales in real dollar value and have a look at the receivables. Naturally, liabilities of corporations have to undergo the same recomputation.

Once your skill in this kind of down to earth fiscal arithmetic has increased, you will not have to revise your thinking. You will find that the revision has taken place by itself. And, you will finally—after many fights and endless discussions with comptrollers or financial vice-presidents—discover that you really came out all the wiser. You will suddenly understand that the classic superstition of blue chip corporations has often only one leg to stand on.

You will discover that corporations with sensational debts have—under the pressure of inflation—prospered to a much higher degree than those who were liquid and had large bank balances. You will lose your complexes of preferred stocks and their solidity. And you might, endowed with ability of real dollar judgment, also try to find out for yourself how the myth of so-called productivity faces the hard and pityless facts of the real dollar.

Ladies and gentlemen, I have tried to give you a few ideas. But, I have no hope whatsoever that you will accept my suggestions.

*An address by Mr. Pick before New York Society of Security Analysts, New York City, Nov. 3, 1952.

The Investor Looks At Today's World

By DR. WILLIAM W. CUMBERLAND*
Partner, Ladenburg, Thalmann & Co.
Members New York Stock Exchange

Economist, commenting on flight of investment capital from United States, declares despite big government, big labor, big taxes, and extensive controls, she still offers more favorable possibilities than are available in other countries. For investors on home front, he advocates giving preference to those industries based on ample natural resources, and comparatively low labor factors. Urges gearing portfolios to potential scientific development in order not to miss great opportunities.

From the time of the industrial revolution to 1914 trade and investment throughout the world was dominated by Great Britain. Stability in the pound sterling subsequent to Napoleon's defeat caused that currency to be adopted as the accepted unit for world trade and investment. There ensued the longest period of peace and prosperity which the world has known in recent centuries.


W. W. Cumberland

World War I was followed by prosperity which carried standards of living, international trade and foreign investments to higher levels than had previously been known. Subsequently, largely as a result of mistaken credit policies, both domestic and international, most of the world suffered a decade of depression, with the United States making one of the worst records among major countries.

New Deal remedies had not only failed to provide prosperity in the United States but were about to be discarded when the Second World War broke out, but this conflict also was succeeded by a prolonged period of prosperity in the United States. In many other, parts of the world, however, recovery failed to be as vigorous as after the First World War. This was probably due to inept governmental policies and to communist pressure. Of utmost political interest to Americans is whether the present postwar boom will be followed by depression, as was the case after the First World War. There is no necessity of a great bust if we apply the knowledge which we should have acquired from previous experience.

Worldwide Impacts on Investors

Certain tendencies are present in the world as a whole which affect the position of investors, whether in the United States or abroad. Among these are persistent and widespread currency depreciation, accompanied by huge and probably unpayable public debts. A wave of nationalism has swept the world, resulting in efforts by many countries to establish uneconomic manufacturing industries, when such countries are more adapted to the production of farm products or other raw materials. Both political and economic instability have been evidenced by widespread disregard of contractual obligations, by arbitrary trade and currency controls and by failure or even refusal to give proper protection to foreign interests. Finally, there has been tremendous expansion in the role of government as related to investment, production and exchange. Price and wage controls are the order of the day, quotas are established in connection with foreign trade, currency restrictions are rampant, government agencies in many countries have taken over the functions of private traders and even of manufacturing enterprises.

Discouragement to Foreign Investors

All of these developments add up to an unfavorable climate for foreign investments and to discouragement in the expansion of industry, agriculture and commerce. Certainly in historic times there has not been a period when there have been fewer countries in which experienced investors would wish to place their capital.

Turning to the United States, several of the trends which affect the world as a whole are also applicable in our own country. For example, government has vastly expanded its scope and functions and exercises wide influence on wages, prices and even upon the kinds and quantities of goods which are produced. Furthermore, there is direct competition by government with private industry in utilities, and in extension of credit, with the possibility that this direct competition may be extended. Not only in connection with foreign loans and investments has government supplanted individuals and private institutions to a major degree, but government is important if not dominant in this country in such important areas as new construction, public utilities and agriculture.

Another striking change concerns the methods by which corporations obtain funds for expansion. Instead of placing their plans before the judgment of the market, most corporations now obtain a large part of their own funds through depreciation reserves, through retained earnings and through certificates of necessity for defense projects. By reason of this alteration of methods, corporations avoid the acid test of investor approval for proposed expenditures, and there is little doubt that some projects which have been financed through internal sources would have failed to meet such approval.

Nationwide labor organizations have enormously increased their size and importance during recent years. They have been consciously supported by government agencies in industrial controversies, with the result that the proportion of national income going to wages has considerably increased, whereas the proportion going to investors has contracted. Only time will tell whether this innovation is constructive or the opposite. If the result should be inability of business to expand, and at the same time afford employment to our increasing labor supply, together with more and better goods for our consuming population, then it will be clear that too high a price has been paid to labor organizations and that stagnation and unbalance has been introduced into the economy.

Population Increases

In contrast to the predictions of the apostles of gloom during the dreary '30s, great increases have recently occurred in the American population, to the point that population students are now convinced that the lowered birth rate of the '30s was merely a phenomenon of depression. At the moment there is a tendency for rapid expansion in the nonproductive age groups, such as those less than 18 years of age and those above 65 years of age. This is due to the huge baby crop on the one hand and to a decline in mortality rates, both during the very early and very late years of life. Vast adjustments will have to be made in the American economy and in the calculations of investors because of these changes in the size and age distribution of our population.

Inflation has been a major problem in the United States since the advent of President Roosevelt. There is no present evidence that inflation has run its course, as a huge Federal deficit is forecast for fiscal 1953 and as the American dollar is still divorced from the gold standard. Under these circumstances prudent investors are well advised to give preference to those industries which are based upon ample natural resources, as well as those which have comparatively low labor factors.

Finally, this is an age of technology. At no time has research been so widespread, so generously supported with funds or so productive of new products and new processes. For example, the electronics industry had gross volume of $1.4 billion in 1947, is estimated at $4.5 billion for 1952 and is predicted to have a volume approximating $20 billion by 1972. Investors who do not gear their programs to possible scientific developments will probably miss some of the greatest opportunities.

In spite of big government, big labor, big taxes and extensive controls, the United States offers today more favorable investment possibilities than are available in other countries. Europe, Asia, Africa and Latin America can be dismissed because of bad government, nationalism, and irresponsibility in regard to contractual obligations. Canada is responsible, but the flood of foreign capital to that country has driven the price of securities to unattractive levels. Population growth, lower taxes and less government interference, combined with our magnificent technological equipment, should assure expansion of the American economy over a period of years, although it cannot be asserted that the usual postwar depression will be avoided.

*A talk by Dr. Cumberland before the Federation of Women Shareholders of America, New York City, Oct. 17, 1952.

From Washington Ahead of the News

By CARLISLE BARGERON

There are many interesting things about the campaign just concluded which, because of the propaganda columnists and commentators, you will be surprised to hear.

First, there was the steady drumbeat on the part of these propagandists that Eisenhower's association with Taft, Jenner and McCarthy was a great cross for the General to bear. The facts are, concerning Taft, he relied upon him most heavily, became quite annoyed at the stuff his "chief of staff," Governor Sherman Adams, was passing out to newspapermen on the Eisenhower train and finally consigned him to other places, Washington and New York. It was Adams who used to tell the pinko columnists and correspondents that Eisenhower's "embrace" of Taft, to say nothing of his later acceptance of McCarthy and Jenner, was a great "ordeal," something he despised, just something he had to do to be President. Adams was quite honest in this; he thought it was necessary if Eisenhower was to carry the East. But nationally speaking, Adams was not a very smart politically minded man. Eisenhower got onto this. Secondarily, he got onto the appointive Nebraska Senator, Fred Seaton, who was having his first venture in the National political arena and taking it as quite a fling. Seaton also left the train.


Carlisle Bargeron

The plain facts are that until Bob Taft went to work the usual Republican purse strings were tied down. It came to be Taft's task to call up all around the country and loosen them before the Republicans could get to work. There was not a week since Bob Taft returned from his Murray Bay vacation and had his meeting with Eisenhower and pitched into the campaign that Eisenhower did not call him at least three times. On each and every problem that Eisenhower posed, Taft went to work for him to do something about it.

One of the most amazing stories of the campaign was that of the importunities of Henry Cabot Lodge, seeking reelection as Senator from Massachusetts, for help. At the organization of the 82nd Congress, ambitious young Lodge challenged Taft's leadership in the Senate, Taft's position as Chairman of the Republican Policy Committee. He got his ears pinned down then, but he became foremost in the movement to nominate Eisenhower to head Taft off for the Republican Presidential nomination "because Taft was an isolationist" and his nomination under these circumstances would be a calamity to the free peoples of the world and young ambitious Cabot Lodge was very much against such a calamity happening to these people.

Along with Dewey, he managed Eisenhower's preconvention campaign. Along with Dewey, he concocted the story of the "Texas Steal" and finally nominated his man.

Well sir, after Chicago, if there ever was a young man going places it was Cabot.

But young Cabot's own campaign had not long been underway when he unashamedly sent out distress signals. There was the question of getting a certain newspaper editor to endorse him. Whom does Cabot implore to get this editor to do that? Why Bob Taft. And Taft did the best he could; I am not sure how he came out.

The darndest thing, though, is that Cabot wanted Joe McCarthy to come to his rescue. Cabot, the "liberal," the man who despised McCarthyism. On this, too, he importuned Bob Taft. The last I heard of this particular endeavor of Cabot Lodge's was a proposition Joe McCarthy made to him. It was to the effect that: (1) Cabot Lodge had to make public a letter asking McCarthy to come in and help him; (2) Lodge had to appear with McCarthy wherever he appeared in Massachusetts, and (3) Lodge had to sign an agreement that once the election was over he would never again in his life mention the name of McCarthy.

A lot of people were worried about the outcome of this campaign for various reasons. There were those who thought that a Stevenson victory would mean the advancement of the socialistic state; the continuation of the war in Korea, inflation and high prices, in short, the practical end of the world.

For my own part, I prayed for an Eisenhower victory—mostly because I didn't think I could take for the next four years the propaganda that, defeated, he would have won, had he been himself and not embraced such "reactionaries" as Taft, Jenner and McCarthy. That nonsense would have, I am quite sure, been too much for me to bear.

And you can see from what I have been telling you just how much nonsense it would be.

Outlook for the Dollar

By RAYMOND RODGERS*
Professor of Banking
Graduate School of Business Administration
New York University

Asserting there is little in the Washington record to give aid and comfort when weighing future of the dollar, Dr. Rodgers, however, points to basic political and economic factors which can support the dollar's value. Holds total currency today is no greater in relation to physical production than in middle and late 30's, and concludes that outlook for the dollar is brighter than it has been since 1940. Urges opposition to philosophy that money debasement can keep economy stable.

For better or worse, America has turned from the rigidities of the 100% gold standard to the flexibility of a managed money. This change is a very important part of our effort to secure maximum employment and greater stability in the economy.


Raymond Rodgers

Now, however, the view is beginning to develop that, to accomplish these, money management will have to be a one-way affair. The claim is advanced that the American economy is so productive, it will be necessary for industry to reduce prices to ruinously unprofitable levels to sell output, or reduce output to maintain prices, either of which, of course, will cause unemployment. In other words, it is asserted that high level employment and economic stability are incompatible—that one must be sacrificed. Proponents of the ever-shrinking dollar seem to forget that ever-lower prices through increased productivity of both capital and labor have solved this problem in the past so well that today we enjoy the highest standard of living in the world!

Although any fair-minded person must admit that some adjustments will be necessary in the future, it is certainly unfair to force the holders of dollars to make all of the sacrifice through an ever-shrinking dollar. **Not only would this be unfair, it is unnecessary.** That it is unfair is so obvious to a banking audience, that no argument is needed. That it is unnecessary, however, is quite another matter.

Certainly, the behavior of the dollar since the early 30's has given ample cause for concern. In fact, in 17 of the past 19 years, the dollar has lost value. This long decline has caused many observers to feel that the reversal of trend of April, 1951 is but a slight hesitation on the downward path. They fear that the road traveled by the government since 1932 has taken us to a point of no return.

As they point out, on top of a growing public debt of more than a quarter of a trillion dollars, commitments unprecedented in scope—in fact, so great that they even tax the imagination — have been made by our government in several directions. For example, commitments which cost around $6 billion a year have been made to 15 million war veterans—and, the amount of money and the number of veterans are steadily increasing. Commitments which total more than $200 billion have been made to 62 million of our people under Social Security, and benefits are already being paid to 4.4 million of them — benefits which, incidentally, were increased on October 1—in ample time for the election! Commitments under the Employment Act of 1946 contemplate large scale government support of the economy in the event recession threatens. And, finally, commitments direct and implied, voluntary and involuntary, to the rest of the world for mutual aid and mutual security will be a real burden in the years ahead.

Certainly, there is little in the Washington record to give aid and comfort when weighing the future of our dollar. For explanation of "what makes the dollar tick" we must look elsewhere, as the strength of our dollar is largely in spite of, rather than because of, Washington. There is so much argument and confusion on this point that it will be worth while to analyze the non-governmental forces—the economic and social pressures — which determine the value of our monetary unit.

Our Past Dollar

Before doing so, however, the idea that the dollar was stable in the good old days when we were on the gold standard should be given short shrift. The boom of the 20's and the depression of the 30's, both of which were record breakers, were not prevented by a 100% gold standard. Gold or not, our dollar has always had its ups and downs. So, there is no historical justification for the view that its decline in value since the 30's is a one-way phenomenon.

Our Present Dollar

In the same fashion, some of the mistaken impressions about our present dollar should be cleared up. Now that we are no longer on a 100% gold standard, it is particularly important that this be done with respect to the gold underpinning of our dollar. At the risk of being considered *advocatus diaboli* in Republican circles, I submit these facts on the absolute and comparative gold quality of our dollar today!

(1) We have 3½ times more actual gold today than we had in 1929 when we were on the 100% gold standard.

(2) We have 15 times as much gold as England, the country nearest to us among all the Western nations (and, as you know, England wouldn't even be in the race without our assistance)!

(3) We have nearly 100% of gold for each dollar of currency in circulation (gold $23.5 billion; currency outside banks $16 billion).

(4) We have a ratio of gold to currency and **total** bank deposits (demand **and** time) of 12%, as compared with only 7% in 1929.

(5) We have a ratio of gold certificate reserves to the deposit and note liabilities of our Federal Reserve Banks of 47.2%, which is nearly 100% greater than the legally-required reserves of 25%.

(6) We have $11.6 billion of "free" gold, that is, gold which could be used to support additional reserve balances of the member banks. This mean that the Federal Reserve Banks, if necessary, could, under the present law, discount eligible paper, or purchase government securities and expand reserve balances of member banks $46.4 billion **more** than the present $22.8 billion. On the basis of this primary credit expansion, the commercial banks could then expand loans or invest some $232 billion **more!** So, we aren't down to our last **legal** dollar, by any means!

As a matter of fact, it is in part this extremely strong gold position that causes many people to urge a return to the traditional gold standard. They fear the vast credit expansion potentialities of this great holding of "free" gold, and are not willing to rely on monetary management to keep it in control. Certainly, it places a great responsibility on money management which, of course, includes the banks as well as the monetary authorities.

With this grave responsibility in mind, it is proper to inquire as to how well it has been carried out in the past. In view of the great amount of talk about inflation of the money supply in recent years, it will probably come as a surprise to many of you to hear that **total demand deposits and currency outside banks nowadays is about the same in relation to physical production and prices as in the middle and later**

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*An address by Prof. Rodgers at the 58th Annual Convention of the Kentucky Bankers Association, Louisville, Ky., Oct. 21, 1952.

Whither Business and Banking

By C. A. SIENKIEWICZ*
President, Central-Penn National Bank of Philadelphia

After reviewing economic and business developments, prominent Philadelphia banker, in mentioning fears of another wage-price spiral, points out factors, such as greatly increased capacity, increasing competition and cautious buying, together with a better monetary policy, can avert the evil. Calls attention to heavy demands for bank credit and says big question is, will it ease off or go too far. Attacks "Mills Plan," which increases tax payments in first half of year, as creating working capital shortages, and holds mounting public debt is "biggest financial headache we have." Scores centralization of government's powers and controls.

The subject of our discussion is where we now stand and where we are going from here. What lies ahead of business and banking? What lies ahead of our system of private economy?


C. A. Sienkiewicz

You are representative business men, bankers and professional men of Virginia. You have made vigorous progress and are doing well in your area. But, like many other thoughtful men and women in other areas, you are probably baffled and harassed by many drifts, undercurrents and new uncertainties in the economic and political environment both at home and abroad. Certainly I am. Both you and I want to know just where we are going and how to shape our plans for the future.

Let us, therefore, review and consider some of the elements and developments that are influencing our life and activity, and that are likely to affect our business policies and action.

Current Business Developments

First let us take a look at the business situation to determine where we now stand and where we are going.

Our gross national product—the value of all goods and services—this year will probably average $344 billion, the highest in history. It is likely to continue stable into 1953, although present indications point to some decline by the end of that year. But no serious recession in the next 12 months can be foreseen at this time—just a high level of activity with the usual ups and downs in various sectors of the economy.

Industrial production has snapped back from the low level caused by the steel strike. The Federal Reserve adjusted production index rose from 190 in July to a new high of 223 in September and for the year as a whole will probably approach the high level that prevailed in the previous 15 months. Output of both consumer durable and non-durable goods has turned up noticeably, following a downward trend since the spring of 1951.

You will recall the prediction in some quarters a year ago that we were heading for a business recession in the second half of this year. This prediction was largely based on the embarrassing accumulation of inventories which depressed prices in 1951 and early 1952. But this situation has been eased greatly, and now purchases of goods for processing and distribution have been increased to a rate which is in line with current sales. Business men are extremely cautious in their inventory policies, and this attitude alone is a restraining factor of considerable importance.

Retail inventories at present are the lowest since late 1950. Substantial reductions have been made at all major types of stores, so that the relationship between sales and stocks of goods has again become more normal. Book value of inventories at manufacturing establishments, on the other hand, continues high, and some estimates indicate that a further reduction by $3 billion or so would bring these inventories more closely in line with sales. And this adjustment now is taking place gradually. Many mills, which a year ago were operating on a hand-to-mouth schedule, now have comfortable backlogs of orders. Consumer demand certainly has picked up, and the consumer ability to buy continues to be substantial. While still price conscious, consumers are becoming reconciled to the current price levels which reflect high and rigid costs of everything.

Our civilian employment continues at peak and, obversely, the number of jobless is the smallest since the end of the last war. Well over 62 million or two-fifths of the population are working and earning income in a free, growing economy.

American business this year is spending the unprecedented amount of almost $28 billion on new plants and equipment, or twice as much as before Korea. This is a great factor in sustaining the present high level of economic activity. But it is also a vulnerable factor. For two years we have been expanding our productive capacities and we may now be approaching a period of some letdown when the demand for brick, mortar, structural steel, machinery, tools, and the like would decline. Some estimates already point to a drop of 10 to 15% in private capital expenditures by the end of next year. Such a downward turn, of course, would have a decided effect on general activity and national income, although much of it could be offset by public expenditures for building schools, hospitals, highways, and all types of needed public works. Defense spending also would be an offsetting factor since it adds about 15% to the purchase of all goods and services.

Personal income is running at a peak annual rate of $267 billion. Over two-thirds, or about $180 billion of it is disbursed in wages and salaries. This money income is from three and one-half to four times as large as it was in the prewar year 1939. With a reasonable degree of stability, the present rate of income indicates a tremendous buying potential even at current prices of goods and services.

It is very difficult to obtain satisfactory data on personal savings. The official estimates show that in 1951 people saved $17 billion of their income, nearly $6 billion more than in 1950, and thus far this high rate of savings continues. The trouble with this figure is that it covers more than personal savings; it includes the saving of unincorporated businesses, farmers, and professional people. The amount of personal savings also is influenced both by what is included in after-tax income and by what is counted as consumer expenditure.

Mixed as these figures are, however, they do show that personal holdings of liquid assets—currency and bank deposits, government and private securities, savings and loan shares, insurance and pension reserves—have grown to be very large; that home owners' equity has increased; and that investments of unincorporated businesses and farms have been expanded. While these savings may have kept cash from the immediate spending on consumer goods, they apparently have been put back into the spending stream through investment. Such a disposition of savings is anti-inflationary and is helpful to the financial position of the consumer. It should also be beneficial both to the banker and to the distributor and manufacturer of goods, certainly in the longer run.

Personal indebtedness and service charges thereon, incurred in the purchase of homes and durable goods, have increased substantially since 1946. But such indebtedness represents for many consumers a real means of acquiring tangible assets that would not have been possible to acquire out of current income or accumulated liquid asset holdings. Availability of credit to consumers thus has been a great force in sustaining business activity. It has enabled many confident families to possess their own homes and equip them with modern tools—refrigerators, washing machines, cooking stoves, and the like. These are personal benefits of our material progress. They add much to our opportunity for intellectual and spiritual growth.

High costs and prices have haunted all of us—business managements and housewives alike. They skyrocketed after the Korean outbreak to the highest peak in years early last year. Fortunately, the general level of wholesale commodity prices has been fairly stable in recent months, following a drop of 3½% since February last year. Prices of industrial raw materials have moved more evenly, while those of livestock and meats have declined, reflecting increased marketings of cattle.

The consumer price index, which is always lagging behind the wholesale price level, has already dropped a little and will probably decline further or flatten out in the coming year chiefly because of decreases in food items, which make up over one-third of household expenditures. This anticipation will be a wholesome development for business; it will lessen the pressure for a new round of wage increases and arrest the rapid rise in costs. Any sign of softening or levelling off in prices usually is a warning to processors and distributors to watch their purchases, sales, costs and profits or losses.

Nevertheless, apprehension still exists in some quarters that we may experience another recurrence of the wage-price spiral which characterized the early postwar years. If this were to happen, it would greatly aggravate our difficulties. Increases in prices of some important raw materials, in wages in basic industries, in freight costs, taxes and overhead expenses have already piled up heavy and rigid costs of doing busines, so that the break-even point is very high and profits are narrowing. This is becoming particularly oppressive to smaller and medium-sized industries. There are present, however, several factors that would seem to militate against the return of earlier inflationary spirals. These are: greatly increased capacity to meet both defense and civilian demands; increasing competition; the continued cautious buying by

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*An address by Mr. Sienkiewicz before Fall Conference of the Bank of Virginia, Richmond, Va., Oct. 29, 1952.

Distribution's Role in Higher Living Standards

By T. V. HOUSER*
Vice-Chairman of the Board, Sears, Roebuck & Co.

Holding public must look to distribution for further efficiency and costs reduction, large retail organization executive classifies trends to reduce distribution expense as: (1) customer self-service; (2) better location of retail stores; (3) lower warehousing and packing costs; (4) more convenient business hours; (5) closer integration between manufacturing and distribution, and (6) decentralization of manufacturing by locating in small communities. Says retailers have made creditable showing in coping with inflation, and attacks laws impeding cheaper distribution.

One hardly needs to emphasize the importance of distribution in our national life to an audience called together on this very subject. When we start making comparisons with the cost of actually producing the variety of goods which enters in the nation's everyday living, one gets an even greater appreciation of its relative importance. The production function can be divided into two categories:

(1) The manufacture of usable materials out of nature's raw materials.

(2) The fashioning of these materials into consumer's goods, both durable and non-durable.

We all know that a certain amount of labor cost and other expenses are involved in coverting iron ore into steel shapes, sheets or wire; bauxite into aluminum sheets or ingots; natural gas to synthetic rubber; or pulp wood to paper, rayon fiber, or plastics. If we will start with raw material as the manufacturer knows it, the textile mill, and shirt manufacturer, the plumbing goods foundry, or rug manufacturer, it can be established that more costs are incurred, more individuals employed in distributing the products from point of manufacture to ultimate consumer than were involved in the manufacture of the articles in the first place. For example, I took a group of important items of wearing apparel, home furnishings, home building, and sporting goods, and the average of these items would indicate that the amount paid by the consumer, omitting the value of raw materials purchased by the factories, would divide 31% for the cost of producing these goods, including factory profit, and 69% for distribution costs, including distributors' profit. If we include the value of raw materials purchased by the factories, the division would still be 47% for cost of production versus 53% for cost of distribution.

Under the American competitive free society, engineers and scientists backed by business management have worked steadily to improve efficiency in all operations of production and to lesser degree of distribution.

Improvement in the efficiency of producing goods came through the application of power to automatic or semi-automatic machines, and of organizing the flow of materials and of work through a factory. From the very beginning, the reductions in cost, resulting from greater output per man-hour, were reflected in lower selling prices of the product. Some of the gain went directly to the workmen in higher wages, but the greater part went to the public at large in the form of lower prices and better quality.

Illustrations of this process are too familiar to all of us to require further comment. As this process spread throughout all manufacturing industries, the factory employe segment of our population secured two benefits:

(1) Somewhat greater direct earnings as their unit production per man increased—

(2) The lowered price they had to pay as consumers for all manufactured goods.

The rest of the population, white collar, professional and service workers, and farmers, secured the benefit of lowered prices.

There seems to have been no important criticism of this economic trend. There were no Federal Laws regulating the ability of a manufacturer to give the benefit of cost savings to the public in the form of lower prices. In fact, the Sherman and Clayton Acts were concerned with preventing collusion to keep prices up. There were no discriminatory state taxes based upon the size of a given manufacturing corporation. True, there was a running suspicion from organized labor of so-called labor saving developments, and at times and in certain places this developed into outright opposition. Broadly speaking, however, the development of this process of first cost cutting and then price cutting resulted in a constantly expanding demand from the public, an expanding labor force with greater output per person. Today the attitude of labor leaders is to see that the machine operator gets most of the benefit from more efficient equipment. In fact, wage demands are probably beyond the point of being offset by immediate technological improvement. So factory management can look upon such improvements merely as a brake on rising prices instead of permitting an expanding market through lower prices. I recognize the influence of Federal fiscal policy upon this situation, but this does not alter the relationship between the production worker and the rest of the population just described.

Economies in Distribution

This leads to the conclusion that the remaining public must look to the field of distribution for further efficiency and cost reduction, and thereby improvement in living standards. Now if we are at the point where the economic power of organized labor, backed by coercive law, is such as is to appropriate largely to its members alone the benefits of managerial and engineering improvements in production, then consumers can be very critical of any impediments in the way of reducing distribution costs. Moreover, the field is fruitful as I indicated in comparing production versus distribution costs, and the subject so far has received inadequate attention by the engineer and technician. In short, referring to my 31% for manufacturing process and 69% for distribution, we have a field of 31 acres which has been farmed very hard for many years, and another of 69 acres of rather virgin soil.

Let me first demonstrate that improvements in the field of distribution are just as important to the public as some invention in a

*An address by Mr. Houser before the 24th Annual Boston Conference on Distribution, Boston, Mass., Oct. 20, 1952.

factory which would produce goods for less money. Suppose we take a typical television set, selling to the consumer for around $340.00 to $350.00. The cost of production, including manufacturer's profit, would probably be around $165.00 to $170.00—taxes and royalty around $20.00—and the manufacturer would spend around $15.00 to $25.00 for his part of the distribution cost. The remaining $135.00 to $150.00 represents distribution cost, which added to the $15.00 to $25.00 the manufacturer has already incurred for this purpose, means that total distribution cost will approximate $150.00 to $170.00, practically the same as manufacturing the set itself. It must be obvious that any procedure which would lower this distribution cost would stretch the consumer's pocketbook the same as a technical cost reduction through scientific improvement in the factory.

As I see it, efforts to reduce distribution cost can be roughly classified into four kinds.

The first and most obvious lies within the four walls of the Retail establishment itself. Most dramatic, of course, is the swing to self-service units, so well worked out in the super-markets of the food field. It is surely but a question of time before the application of these techniques can be developed for many of the non-food lines. Many problems lie within this field. Nearly every line of merchandise contains items which can be prepared strictly for consumer selection without the introduction of personal selling help or influence. On the other hand, the conventional classification of merchandise is such that customers have come to expect other kinds of goods within this same department or merchandise classification, where personal salesmanship is important, both to the customer and to the store. This fact probably imposes the most difficult problem in this field, namely how to have the cost advantages of customer self-service where that is sufficient, and yet introduce salesmanship where that is necessary.

The growing tendency to locate stores near where people live is another step toward efficiency; even though operating costs may not be lower, the convenient location is important to the customer in terms of time and transportation saving. The introduction of greater telephone selling is another step in this direction, again imposing a cost to the store, but an even greater corresponding saving to the customer in time and travel. There has been great progress in the efficiency of display facilities to the degree that a modern display unit and store layout will average 40% more items per hundred feet of selling space than a few years ago. All sorts of mechanical equipment has been introduced, from conveyors handling goods through the various processes of delivery, inspection, marking, and transport to the sales floor, as well as in the assembly of goods in the shipping room and sorting for delivery to the customer.

Warehousing costs have been reduced through high ceiling space, using modern mechanical equipment, such as forked trucks with merchandise on pallets. For instance, costs of unloading and stacking roofing, washing machines, tires, furniture, etc., can be reduced 50% or 60%. Modern warehouse practice permits 100% to 165% more goods to be carried per square foot. Facilities to match an increasing use of modern motor truck transportation are important, including reusable packing and crating materials. Pre-printed ordering forms, scheduled ordering dates lead to

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What Are We Doing About World Trade?

By MICHAEL A. HEILPERIN*
Writer on International Economics,
Economic Adviser of the U. S. Council of the International Chamber of Commerce

International economist, noting Santa Claus period of postwar history is finished, sees only two likely alternatives: (1) expanding exports, thereby achieving world trade equilibrium, or (2) persisting in our present mistaken commercial policies and seeing our exports shrink to level of our imports; which would lead to major world economic crisis and play into Stalin's hands. Concludes we must reduce our tariff barriers by various means, and devise healthy foreign monetary policy to reestablish currency convertibility throughout non-Soviet world.

As 1952 is nearing its end, the economy of the free world is entering into a peculiarly crucial period. Recovery from the damages brought about by the last war has made very substantial progress. Except for rearmament, Western Europe is close to standing on its own feet. Monetary and economic sanity is once again prevalent throughout the countries of NATO and the OEEC.


Michael A. Heilperin

Rediscovery of Money

Western Europe has "rediscovered money" as well as the importance of sound economic policies and of balanced budgets. It has rediscovered that a country's external solvency depends very largely on the nature of internal policies. Should the countries of Western Europe be in a position to restore currency convertibility and to remove exchange controls and import quotas, this would affect the position of the Sterling Area and of the entire African continent. The position of Latin American countries would then also be likely to improve and the non-Soviet world be safely launched on the road of economic expansion and of increasing economic and political cohesion.

Is all this now a hard-headed realistic possibility, or is it a daydream? The answer depends primarily upon the quality of America's leadership in the next few months and upon the nature of the foreign economic policies of the new Administration.

Gifts and Grants No Solution

The monetary reconstruction of the western world and the liberalization of international trade hinge alike upon the nature of America's commercial policy. So long as we maintain an export surplus of considerable size, the solvency in terms of dollars of our foreign friends depends upon the continuation by the United States of a policy of gifts and grants. Such a policy, however justified it may have been for a time, cannot solve anything from now on. Our taxpayers are restive under the heavy load they are carrying, while our foreign friends would rather earn their upkeep then be dependent on American grants-in-aid.

In other words, the Santa Claus period of postwar history is now finished. What is to take its place? There are only two possibilities: one is to expand our imports, thereby achieving world trade equilibrium on the basis of a growing volume of international transactions; the other is to persist in our present commerical policies and to see our exports shrink to the level of our imports. The latter course would result in a contraction of world trade all around and probably lead to a major world economic crisis, an event anticipated and hoped for by Stalin and his cohorts. It is essential that they must be proven wrong.

What, then, are we to do about world trade and, first of all, what are we doing about it right now?

The second of these two questions is easily answered. We are not doing anything sensible about it. We have been increasing restrictions against the entry of foreign goods and keeping up our exports by means of foreign aid. Our consumer has been getting fewer goods at a higher price and has been paying more taxes than he would have to in the absence of such contradictory and self-defeating policies. If there is no basic change in our foreign economic policy, the pay-off will be extremely harsh and expensive: either a depression or more and more handouts at the taxpayer's expense.

What to Do About It

What, then, is the answer to our problem? First and foremost, we must place world trade on a solid basis: we must look upon it as a two-way movement of goods and services. If we wish to keep world markets for our most efficient industries, we must accept a larger volume of foreign goods than heretofore. Some of these expanding imports will run into the opposition of certain categories of our home producers, both in manufacturing and in agriculture. They are the least efficient high-cost producers, afraid of foreign competition. To these we must say: If a more liberal import policy should cause you damage, then a proper Court of Claims should award you proper compensation. Arrangements should be made for the establishment of such a Court of Claims as a part of a new overall policy of lowering obstacles to our imports. There is no "Painless Parker" method of expanding a country's imports from the rest of the world. But the pain need not be excessive and such as it is, it can be attenuated by proper compensation.

Subject to that very important innovation in our foreign trade policies (for the Reciprocal Trade Agreements program instead of compensation provided for escape clauses), our foreign trade policy should be governed by considerations of public interest and not of the interests of particular groups of producers. And that means the interest of American consumers and taxpayers.

Concretely, if we are to provide the right kind of leadership to the nations of the free world in the months ahead, the new Administration and the new Congress should act along the following lines:

(1) The passage of the Customs Simplification Bill now pigeonholed in a Congressional Committee.

(2) The repeal of the Buy American Act.

(3) The binding of our tariff rates in relations with friendly nations.

(4) The elimination of the use of import quotas against foreign goods.

(5) The development of a more effective procedure for reducing our tariff barriers than the present version of the Trade Agreements Acts.

(6) The establishment of a Court of Claims to compensate *bona fide* damage suffered by both business and labor in consequence of the reduction of trade barriers.

At the same time, we must devise an appropriate foreign monetary policy which would help reestablish currency convertibility, first in Western Europe and the Sterling Area and later in other parts of the non-Soviet world. Monetary reconstruction will not only facilitate international trade but also encourage an expanding flow of private investments throughout the world, a vital contribution to world prosperity.

*Summary of address before the Annual Statewide Program Conference of the League of Women Voters of Illinois, Chicago, Oct. 27, 1952.

Graham to Discuss Investing Techniques

Benjamin Graham, Visiting Professor at Columbia University, President of Graham-Newman Corporation (a mutual fund), and author of "The Intelligent Investor" and "Security Analysis," will speak on "Planning Your Investing Program" at the New School for Social Research, 66 West 12th Street, New York City, Thursday, Nov. 6 and Nov. 13 at 5:20 p.m. Mr. Graham is guest lecturer in the series "Investing Today" given by A. Wilfred May, economist and editor.


Benjamin Graham

At the School's dinner forum on the subject "Can the U. S. Economy Stand the Cold War?" to be held Nov. 9, speakers will include Eliot Janeway, consulting economist and writer, business trends consultant to "Newsweek"; Edwin G. Nourse, former Chairman, President's Council of Economic Advisers; Mr. Graham and Mr. May.

Reynolds Opens New Uptown Branch Office

Reynolds & Co., members New York Stock Exchange, announce the opening of a new office in The Biltmore Hotel for the convenience of investors in the midtown area. George C. Schubert will be manager of the new office, and will have associated with him as registered representatives—Robert S. Ayers, Edward H. Hill, William Leary, John J. A. McNamara, and William C. Plessmann.

CORRECTION

In the "Financial Chronicle" of October 30, it was reported that George R. Liddle, formerly of Walston, Hoffman & Goodwin, had become associated with Dean Witter & Co. in San Francisco. This was in error in that Mr. Liddle is still associated with Walston, Hoffman & Goodwin as Manager of their Pasadena office. His son, George R. Liddle, IV, has joined the Dean Witter firm.

Property Rights Are Human Rights

By BEN H. HAZEN*
President, United States Savings and Loan League

Mr. Hazen scores present day phrase-makers, who seek to destroy rights to private property. Warns depriving people of right to own property would destroy a fundamental human freedom and people suffer degradation and slavery where private property has been seized under high purposes and charitable intent. Expresses opposition to government responsibility for private welfare.

Benjamin Franklin lived a lifetime of demonstration that thrift pays out. His paying out was as full of inspiration as the early groundwork for his business achievement. He proved so successful at his printing business, originally acquired with savings and with borrowed money, that at the age of 42 he sold out to a partner for an income which averaged $5,000 a year for the next 18 years.


Ben H. Hazen

His right to be named our Patron Saint was all the greater because in addition to example, he expressed the principles of thrift and common sense in a fashion that influenced the lives of others. Mixing humor with sermonette, he popularized truths which you and I are still trying to promote—not always with as complete success.

Much as I would prefer not to, I must leave the subject of Benjamin Franklin for a reminder of our own stake in the lesson of his life.

In recent years, clever phrasers have used a technique similar to Franklin's, but for a different purpose. "Human rights above property rights" has been an appealing slogan, because it seems to come from the heart, and it implies shame for those who believe that property rights are human rights, and that their destruction would be the greatest of injuries to the common people of our nation.

You and I represent those common people. We are part of them. We know that to deprive them of the right to own property would destroy one of their most important freedoms. We see them suffer degradation and slavery in the nations where their private property has been seized under the pretext of high purposes and charitable intent.

Based on Right to Own Property

For our business rests upon the right to own property. Our borrowers own real estate. Our savers are capitalists, accumulating personal wealth for tomorrow's opportunities. Destroy the right to own property, give even the President of the United States the right to seize it without due process of law and adequate compensation, and you abolish what we have described as the right to pursue happiness.

Very little is said in the Declaration of Independence and the Constitution of the United States about that essential freedom. It is understood. The purpose of our country's founders was to encourage the acquirement of property as one of the sources of personal happiness. They honored those who did it honestly, and you and I are the beneficiaries of the great services contributed by the owners of property down through the years.

It would be a waste of your time for me to reiterate these obvious facts, if they were wholly obvious. But they are not. There has crept into the thinking of our people a new philosophy, under the guise of social and liberal interest. Its appeal to the heart has been capitalized by those who seek power over others, through governmental controls. It has weakened character by promising property values at the expense of others. We have been urged to believe that government can create values out of nothing, that citizens have rights to the privileges which only property can buy, and that such interest birthrights entitle them to the property of others. We are told that every person is entitled to food, clothing and shelter, with no mention of his obligation to contribute to their production. That means that they must be furnished by those who do produce. We have even, in some places, succumbed to a philosophy of "production according to ability and distribution according to need" which is nothing more than an invitation to do less and take more than the other fellow.

Private Enterprise Is Our Party

There is no room in our business principles for Socialism, Communism or Statism. Our function is to promote thrift, self-reliance and the acceptance of personal responsibility. We oppose on principle, the philosophy of government responsibility for private welfare. We question the merit of public housing, social security for all, frozen prices and highly graduated income and excess profits taxes, because we represent their victims—the common people.

Our very daily experience teaches us that the example of Benjamin Franklin can be multipled indefinitely—that the individual can build his destiny by observing the practical rules of the private enterprise system. We oppose limitations on success, because we believe that rewards to individuals are incentives to others, and examples to prove that opportunity is better than charity or regimentation.

We hurry home soon to cast our votes in a national election. Some will vote one way, some another. But in this home city of our Patron Saint, and before this audience of people whose lives are dedicated to promoting the acquirement of property and the right to use it for the pursuit of happiness, let me assert that Democrat or Republican, private enterprise is our party. We are life registrants.

*Excerpts from an address by Mr. Hazen at the Convention of the Pennsylvania Savings and Loan League, Philadelphia, Pa., Oct. 28, 1952.

G. H. Walker Adds

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Irvin G. Boudreau is now with G. H. Walker & Co., 111 Pearl Street.

Courts Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Mrs. Margaret Y. Garner is now with Courts & Co., 11 Marietta Street, Northwest, members of the New York Stock Exchange.

"The Power to Destroy"

By BENJAMIN F. FAIRLESS*
Chairman of Board and President
United States Steel Corporation

Leading steel company executive, asserting growth of American business is being seriously stunted by fiscal policies of the Federal Government, points to high taxes as killing incentive and otherwise handicapping economic expansion. Says burden is becoming intolerable to business of every size, and it is particularly hurtful to new enterprises. Holds profits constitute the food which supports growth of business, and calls excess profits tax destructive. Claims corporation tax is nothing more or less than a hidden sales tax, and power to tax is power to destroy, when used in this deceptive fashion.

The only reason why people work on this earth is to gain a reward for their labor.

If they work for other people, that reward is called a wage or salary. If they set up a business of their own and work for themselves, their reward — when they get it — is called a profit. And just as wages are the source of all work, so profits are the source of all business enterprise. Without the hope of profit, no business would ever be established; without the realization of profit no business can continue to live; and without an adequate profit, no business is able to grow.

Benjamin F. Fairless

Since the end of World War II, more than half of all the profits which American industry has earned have been plowed back into the business to support its growth; for growth is as essential to enterprise as it is to humans—particularly in infancy. That is why the mortality rate among new businesses it so enormous. Most of these establishments die in the early years of their lives, because they have not been able to earn the profit they needed to grown on.

Thus we may say that profits are the food which supports the life and growth of our business population, just as wages provide the food which nourishes our human population. And if too much of that economic food is taxed away, those populations will sicken and wither from malnutrition.

Our Present Business Taxes

So with these simple and very elementary facts in mind, let us look for a moment at our present business taxes.

The Government levies a normal tax of 30% on our very smallest businesses—on establishments with taxable incomes up to $25,000. On businesses with larger earnings it levies a surtax which brings the rate up to 52%. Then, under present law, it also imposes a so-called "excess profits tax" of 82% on business growth.

If a business grows—if it increases its efficiency, its production, and its service to the nation—the Government says: "That's just too bad. It'll cost you a penalty of 82%."

And if a business does NOT grow—if its earnings are just what they averaged several years ago—it still must pay the Government that 82% penalty tax on one-sixth of its normal, peacetime profits.

So I submit, that the so-called excess profits tax is a destructive tax, dishonestly named. It is not — as its name implies — a tax upon excessive profits. It is an excessive tax upon normal profits, on business efficiency, on industrial growth, and on public service!

Now our Government has got to collect taxes, of course, and business ought properly to pay its fair share of those taxes, but let us remember that Government does none of the work, provides none of the tools, takes none of risks, and stands none of the losses.

So it seems to me that when Government takes 30% of the earnings of a $25,000 business it is laying a very large tax on a very small enterprise — a tax which may prevent growth, destroy the business, and discourage others from going into business at all.

That in itself is dangerous enough. But when the Government takes 52% of your earnings, then my friends, I contend that it is no longer taxing you — it is muscling in on your business; and when it starts to raise the ante to 82%, it is no longer muscling in on your business — it is squeezing you out completely!

My colleague, Van Voorhees, who is Chairman of our Finance Committee up at U. S. Steel, has put it this way. He says:

"Suppose you wanted to hire a field hand to pick cotton, and suppose you offered to pay him $1.00 for the first hundred pounds that he picked, 70 cents for the next hundred pounds, 48 cents for the third hundred and 18 cents for the fourth. How much cotton would he pick, and how much of your crop would ever get to market?"

Yet that is exactly the way our present tax structure operates on our business system. The more we produce, the smaller the incentive to do so—and this at a time when industrial expansion and increased production are vital national necessities. I just don't believe it makes sense!

Now I realize perfectly well that the gentlemen who defend and support the present fiscal policies of our Government will accuse me of crying "wolf." They will argue that business is booming, and to prove it, they will cite some of the very statistics which I myself have used earlier in these remarks to show the explosive growth of industry in the South and the rapid increase in the per capita income of the people. They will say: "What is he kicking about? Business is doing swell."

Well, I am an amiable man and quite willing to agree—as Congressman Hugh Scott puts it—that we never had it so good—before taxes. But whenever someone defends our fiscal policies on the ground that they have not yet reduced us to a state of total bankruptcy, I can't help thinking of the group of paratroopers who were taken aloft for their first practice jump.

All of them got away in good shape except the very last man to leave the plane. His parachute failed to open and he went whizzing down past his companions at a terrific rate of speed. As he did so, one of his buddies saw him and called out:

"Howya doin,' Al?"

"Well," said Al, "I'm all right so far."

Now that kind of optimism is all very commendable, no doubt, but when someone starts assuring me that I'm all right so far, I start wondering where I can find a nice, soft, springy haystack to land on.

Business Effects of Present Fiscal Policies

The truth is, of course, that under our present fiscal policies, business has been able to survive and grow only where it has managed to pass the burden of these ruinous taxes along to its customers; and the extent to which it can do this, in turn, depends upon its ability to meet its competition pricewise in the market place.

Here again, the old established businesses which have gained a high degree of efficiency through years of experience have a better chance of survival under the crushing weight of these taxes than does a newly-founded business which has yet to get the "bugs" out of its operation; for if the new business cannot add the tax to the price of its product and still meet the price levels of its competitors, it will soon have no profit left to grow on, and it is through.

So the time has come, I think, when our Government must face up to the fact that its so-called corporation tax is nothing more nor less than a hidden sales tax which is concealed in the price of everything we buy, and which is merely collected by the corporation from its customers and passed along to the Government, instead of being paid directly by the customer to the Government.

I have often wondered, therefore, why the economists who are most vigorously opposed to a Federal sales tax are so often the self-same men who call, unceasingly, for higher taxes on business. A direct Federal sales tax would certainly exempt food, medicine, and other necessities of life from its operations, but a corporation tax applies to everything—food, clothing, shelter and all.

Bread is the staff of life, but hidden within the wrapper are 151 separate and distinct taxes on every loaf of it. When we buy a loaf of bread, more than one-third of the price we pay consists of taxes which go to various governments—Federal, State and local.

Milk is our most essential food in millions of homes; but about 40% of the price of every bottle of it goes to nourish some government agency. Meat is becoming a luxury, and the price of the cow has jumped over the moon. But one third of the cost of every pound of beef you buy is taxes.

To us unfortunate Yankees, coal is another great essential of life; but when we buy a ton of it, the price we pay for the coal itself is actually smaller than the sum total of the taxes that are hidden in it. The taxes, of course, provide no heat; but they do burn us up considerably.

To build a house today, you must pay 475 different taxes on the materials and the construction costs that go into it. Perhaps that is why many of our people can no longer afford decent shelter. This in turn has led the Government to provide that shelter for them through a huge, multi-million dollar housing program; and this in its turn, has led to more and higher taxes, thus completing the vicious circle.

And so it goes. There are 116 taxes on a man's suit. There are 150 others on a lady's hat, and 65 of those are Federal taxes.

When you buy a $2,000 automobile, you are actually paying

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*An address by Mr. Fairless at the Fall Meeting of the Georgia State Chamber of Commerce, Atlanta, Ga., Oct. 30, 1952.

Less Government Spending And Our Standard of Living

By ARNO H. JOHNSON*
Vice-President and Director of Research
J. Walter Thompson Company

Asserting consumer holds key to higher living standards, and therefore advertising should play major role in guiding consumers' decisions, Mr. Johnson maintains more advertising and selling pressure are required to offset effects of slackening in defense outlays. Says living standards can be further increased while maintaining a strong defense, and people can consume one-third more than at present.

Advertising faces a major job in 1953 — that of selling a higher standard of living in the United States during a period when government expenditures for defense are expected to pass their peak and start to decline with resultant grave fears of depression and unemployment.

Arno H. Johnson

In preparation for this period of transition from rapid expansion in government expenditures to a leveling or declining of defense needs advertising and selling plans should be re-examined now. Civilian markets must be expanded to offset drops in defense expenditures. Are present advertising plans adequate in terms of the opportunities that exist for an expansion in our standard of living and for expansion in sales of goods and services to consumers? It is a time for careful analysis of fundamental facts on productivity and purchasing power, and then for courageous action in pressing hard on the opportunities that do exist.

It is a time for expansion of advertising and selling pressure—by at least 10%, since 10% greater sales to consumers will be needed when defense slackens off.

A Drop in Defense Spending Can Be Offset by Higher Consumer Demand

Why must we fear depression and unemployment when government expenditures for defense drop? Why not look forward to the opportunity that we have for an unequalled peacetime prosperity based on an increasing standard of living, backed up by our proven ability to produce?

My analysis will show that we Americans could live at least a third better than we now do and could continue a strong defense, too, if we just utilize our proven productive ability.

Further, that an increase of only 10% in the civilian standard of living could more than offset the drop of over $20 billion in government defense expenditures which may take place late in 1953 or 1954.

One political party based much of its campaign on the level of prosperity that we had reached based on war and defense expenditures. They say "we have never had it so good." Actually an analysis of our proven productive ability and the opportunities we have for a higher civilian standard of living indicates "that **we haven't had it good enough.**" We should right now be living one-third better than at present and, at the same time, be maintaining a strong and adequate defense.

Unfortunately many economists and government officials now seem to base their projections of the future on the rate of government spending—as if government spending were the assured way to prosperity.

Through years of insidious propaganda we have been taught to believe that only through expanding government expenditures — and war — accompanied by increasing controls and restrictions on private initiative can we have prosperity and full employment. And even our business leaders have fallen increasingly into reliance upon government rather than upon their own initiative and ingenuity to increase production at lower costs and to increase markets for their production. We are led to fear depression and unemployment if these government expenditures for defense are cut back. The probable cut of some $20 billion from a peak of $60 billion to $40 billion in 1953 or 1954 is looked upon with fear and as a cause for present retrenchment in investment programs or civilian production plans. Yet it would take only a slight increase—a 10% increase—in the standard of living of the American people to offset completely a cut of $20 billion in government spending. A further increase in the standard of living through a minimum utilization of our proven productive capacity—which would mean at least a one-third higher standard of living—would so broaden the base for taxes that there could be a 25% cut in tax rates without lowering the total revenue for government and defense.

In other words, the present high level of income in the United States, resulting from war and defense stimulation, along with inflation, has obscured the opportunities for a still higher real standard of living based on our proven productive ability. The level of prosperity may appear high, but it is not nearly as high as it should be or could have been under proper leadership.

The consumer holds the key. The level of living he chooses from now on can mean either a depression or an advancing, dynamic economy. And advertising will play a major part in guiding his decision.

Expert Opinion Vacillates

Our judgment and our advertising and selling plans have been warped by the vacillating opinions of the economists and government officials. This spring we were in the midst of gloom—sales were making poor comparisons with the scare buying and inventory building spree of February-April 1951—and few dared plan beyond the middle of 1952. Now there is far too great agreement among economists that we are in for an expanding government expenditure boom to the middle of 1953, but then we are told to expect depression.

This vacillation of expert opinion is bad for advertising plans. Management hears now that no great effort will be required to sell during the next six months—but then management fears to make commitments for the following six months because of the

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*Part of an address by Mr. Johnson before the Dotted Line Club, New York City, Oct. 29, 1952.

Filming Facts About Flames – Moving pictures like these – taken with a high-speed camera through a quartz window set in a test engine – help GM engineers probe for further facts about fuels and engines. It is typical of the pure research which has led to such advances as knock-free gasoline and high-compression engines.

Which comes first — Engine or Fuel?

To answer that question, we need first to ask what kind of engine you have in mind:

An engine for low-octane fuel – or an engine for high-octane fuel? An engine for the fuel of tomorrow – or the fuel of today?

The fact is, General Motors engineers are continually studying engines of all kinds, and meeting the challenge that each presents.

The Diesel, for example, is a very high-compression engine, using kerosene-type fuel oil. The challenge is to build a light, compact engine that develops high efficiency from this kind of fuel.

Jet engines will burn a wide range of petroleum fuels. The challenge is to improve their design and efficiency and bring down their production costs.

In automobile engines, we work first of all to give you a balanced combination of high performance and maximum miles per gallon from present fuels – and at the same time we work with dream jobs which use fuel so far beyond present standards that it must be laboratory-made.

The point about engines and fuels is – neither comes first. The job is to bring the two together, with the best results and that is just what General Motors engineers have been doing, year after year.

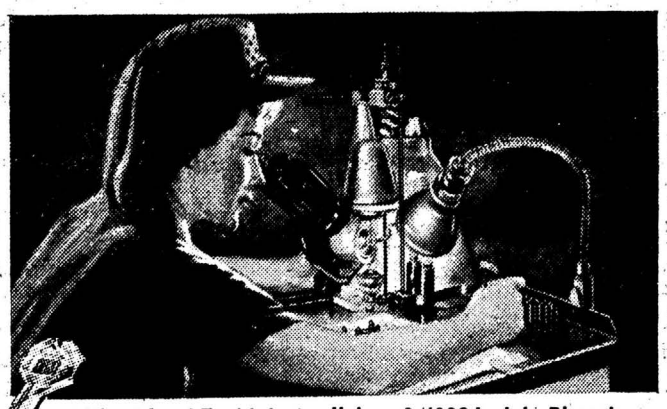
All of which adds another reason why the key to a GM car is your key to greater value.

GENERAL MOTORS

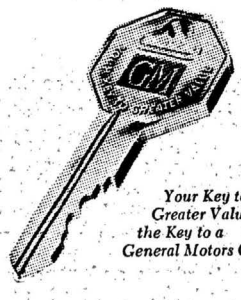
"MORE AND BETTER THINGS FOR MORE PEOPLE"

CHEVROLET • PONTIAC • OLDSMOBILE
BUICK • CADILLAC • BODY BY FISHER
GMC TRUCK & COACH

30 Tons of Engineering Enterprise – To produce the new four-barreled carburetor now available in several makes of GM cars, our engineers came up with this ingenious 30-ton machine that drills, reams and taps them out with automatic precision.



Drilling Diesel Fuel Injector Holes – 6/1000 Inch in Diameter – Fuel is forced into the combustion chamber of a Diesel engine through tiny holes. To drill them – GM production experts have developed this highly sensitive machine that insures precision work.



Your Key to Greater Value – the Key to a General Motors Car

Hear HENRY J. TAYLOR on the air every Monday evening over the ABC Network, coast to coast.

Business Prospects Affecting Commercial Banking

By SHANDOR M. ZINNER*
Chairman, National Conference of Commercial Receivable Companies, Inc.
Vice-President, Walter E. Heller & Company, Chicago

Prominent finance company executive, pointing out we are prosperous only "on the surface," warns finance companies business recession may be in offing, and more careful scrutiny of market trends and liquidity of underlying collateral is desirable. Cites higher break-even point in manufacturing and shortages of working capital, and calls attention to increasing use of credit in purchase of machinery and other equipment. Says interest rates temporarily may go higher, and attacks tax structure as retarding growth of small business.

Being neither prophet nor economist, it would be presumptuous to attempt predictions; however, I do want to be realistic—neither alarmist nor optimist. We are living in a period of grave economic uncertainty affected by cross-currents whose true direction is difficult to determine. My purpose is to attempt to appraise the possible effects on our own operations of the conflicting factors which create marked diversity of expert opinion. But when leading economists can't agree, how can a mere layman chart his course? In September one published his opinion that businessmen have only 12 months to put their houses in order and to batten down the hatches to withstand the blow that is inevitably coming. The following day another declared there is no prospect of depression or even of appreciable recession for years to come. There does seem to be general agreement that for the immediate future—six months or even a year, depending largely upon defense production—we shall continue to enjoy business volume at high levels, although we have observed that some lines have not been as active as others.


Shandor M. Zinner

It is to be hoped that the near future will mark the reversal—or at least the checking—of the inflationary spiral which could have disastrous results if permitted to carry on. Permit me to make clear that I am well aware this in no sense is a political forum; hence none of my remarks should be construed as politically biased. No matter who or what is responsible for the debasement of our dollar, it must be rejected by thinking-men as an evil thing which saps the substance and the vitality of our economy. There is nothing to be gained here by an effort to analyze the underlying conditions which cause it. The only reason it is mentioned at all and at the beginning of this discussion on trends is because, in my opinion, it is the most important single factor in the broad picture presently affecting not only our industry, but all industry.

One's views and reactions are usually influenced by his experiences. Probably much of my aversion even to the thought of extended devaluation is the result of what I witnessed in Germany in 1921 and 1923, the closing period of that country's great financial debacle. This country is not in the position of Germany in those years, and it is to be fervently hoped that it never will be. Neither is there any basis for comparing the resources, spirit, ambitions, or desires of the peoples of the respective countries then and now. On the other hand, it must be recognized that the buying power of our dollar has shrunk to somewhere close to 50% of what it was a few short years ago; that the public debt is constantly on the increase with no indication of a balanced national budget in the near future. If this means more deficit financing through sale of government bonds to banks, it also means continued inflationary pressure.

Just to illustrate what can happen under extreme inflation, it may be interesting to hear a few of my experiences in Germany during the years mentioned. The country was bled white by an invasionary horde of foreigners because they could live luxuriously and buy merchandise at ridiculously low prices based on the currencies of their native lands. I lived in the best rooms in some of the finest hotels for a dollar and a half a day; for a suite, I paid three dollars. I bought prime merchandise at 20% of its cost in this country. I saw workers, paid off at the factory door each night, rush to the nearest shop to spend that day's wage for anything available, knowing that it would cost more the next day. Rents were frozen, anti-eviction laws were strictly enforced, and taxes were confiscatory. The public was on one grand spree — spending every last mark as soon as received. If they couldn't buy goods or other necessities, their money went on travel or other pastimes. I had a shopkeeper boost by 20% the prices of some household linen while it was being wrapped, based on advice by telephone that there had been a further substantial drop in the value of the mark. I hired a taxicab for an entire day for a dollar and a half and paid two thousand marks (equal to four hundred dollars in prewar times) for a newspaper. Suffering was widespread as the advancing cost of living was always far ahead of rapidly rising wages. To relate other experiences would be redundant.

We Are Prosperous "On the Surface"

Despite inflation or, more accurately, because of inflation, our country is extremely prosperous—at least on the surface. We have the world's highest living standard and almost full employment, public savings are increasing, and the profits of industry are satisfactory even after taxes. So far as dollar profits are concerned, our industry too has shared in the general prosperity of the past half decade and the demand for its services continues unabated. However, consternation can be the only reaction to realization that the value of the dollar we loan today will be lower when it is repaid; for that reason, the profits that swell our balance sheets—despite high taxes—are a delusion. It behooves us, therefore, to use whatever persuasive powers or influence we have to stem this destructive tide if we are to make secure the future of our children and our grandchildren and assure continuance of the healthy growth and development of our country. After all, ours is fundamentally a commercial nation and nothing is so important to its welfare as a free and stable economy.

Due to unprecedented expansion of production facilities and volume and because it requires two dollars to produce the same number of units that could be produced for one dollar in 1941, many enterprises are short of operating cash. This is confirmed by recent large expansion of the funded debt of our major industries. It is further evidenced by the mounting loans and discounts of banks and by the increasing demand of business — large and small — for the services of those engaged in commercial financing. Almost every commercial financing institution of which I have knowledge has been trying to increase its borrowing base in order to meet the demands not only of present customers, but of new ones. Companies that have not already augmented their base by new capital, subordinated notes, or similar devices are giving it serious thought. Parenthetically, in view of this upsurge of new capital base, I sometimes wonder whether the finance business as a whole may not find itself with an excess of capital funds at some point along the way. Most companies are concerned with more pressing problems at the moment and will certainly be able to meet this one when it arises. So much for the effects of inflation.

Is Recession in the Offing?

Now let's look at the other side of the picture. As I said before, it is worthy of note that even at this peak in the cycle some economists have sounded sharp warnings of a decline or a recession by the end of 1953. They point to statistics indicating that the expenditure of the average family already exceeds average income, and we have learned that with reduced buying power come lower prices and sharper competition for the consumer's dollar.

Since World War I we have gone through a veritable procession of conversions and reconversions, and now that we are within reach of the peak of defense production we must contemplate the disturbing effect of another reconversion. No other country in history has created anything comparable to the productive plant this country presently has available. If and when orders for defense purposes are curtailed, industry will take steps as rapidly as possible to convert to consumer products the equipment purchased for military production. The result will be an oversupply of consumer merchandise that can only be absorbed by increased buying power, expansion of foreign trade, and lower prices. The latter alternative, of course, would tend to reverse the present inflationary spiral and set in motion a deflationary trend. This problem of oversupply would be aggravated by the fact that some foreign countries, until recently importers of large quantities of our product, have now become exporters and cannot be expected to buy as much of our goods.

In such circumstances, radical changes would be inevitable in a number of industries. Even in our business, clients with large government contracts may no longer need our funds and will have to be replaced by others. Some business failures would result, and collections would slow down. That some such adjustment is ahead of us seems likely; its extent depends on what will eventuate to accelerate or retard the trend. The all-important question is timing—when will it come? Of course, aggressive action by Russia or a large public improvement program could be important influences. It seems both strange and inconsistent to think or speak of a deflationary prospect at the very peak of the inflationary development which the Korean incident has accelerated. And yet this school of economic forecasters cannot be ignored. They tell us that, despite all planning and efforts to control them, economic cycles are still with us and that business cannot possibly go on expanding indefinitely without intervening set-backs.

The Risks of Credit

Accustomed as we may have become in late years to small credit losses and the rare incidence of fraud, each of us is aware that we and all other lenders are in a risk business and that a loan desirable at one point in the economic cycle becomes untouchable at another. There is evidence that some commercial lenders have already taken a precautionary attitude and are at least giving consideration to an adjustment of their sights, especially in connection with inventory and chattel loans. More careful scrutiny of market trends and liquidability of underlying collateral is desirable. While consumer retail buying appears to be accelerating at the moment, reversal of this trend could bring rapid accumulation of surpluses with corresponding price deterioration in the markets available for inventory liquidation. A conservative loan on machine tools today may not be readily liquidable 18 months or two years hence. The reproduction value of the security may be substantially higher than the balance then owing, but buyers may be few and actual realization disappointing. Remember the old saying that unused equipment "soon eats its own head off."

Operating figures furnished recently by manufacturers indicate a steady rise in the break-even point of most operations. This is giving lenders some concern — and justly so. Higher labor, overhead, and selling costs, the necessity for larger depreciation reserves on added plan and equipment all contribute to the problem. The most serious aspect of this trend is that it seriously interferes with the capacity of business to make price adjustments should this become necessary to stimulate trade.

All the foregoing sets up the obvious—that there is conflict of opinion among top-grade economists as to whether inflationary or deflationary trends are likely to prevail. I have wondered what effect our tremendous national debt, for which we have no precedent, is likely to have. Is it possible that while there is a cessation in the progress of inflation in the sense of too many dollars chasing too little merchandise we can still have a continuance of dollar devaluation in world markets, and that the long-term trend will continue on the inflationary side even though there may be occasional deflationary intervals?

A Program to Conserve Working Capital

These days every business man perks up his ears at the mere mention of a program which will add to or conserve working capital or reduce income taxes, or both. Leading industries have sold large properties to insurance companies and given long-term leases, thus augmenting cash, and the rental paid becomes a tax deductible expense item. Probably taking their cue from such procedures, manufacturers of heavy equipment—rolling stock and the like—have conceived the idea of leasing it to users on a monthly payment basis, using the argument no cash need be invested and rental payments are tax deductible. These leases, I am told, are then offered to finance companies for purchase. In some instances these companies are asked to purchase the equipment first and become an actual lessor. The underlying benefit urged upon finance companies as an inducement in either case is that whatever they receive in excess of their outlay may be treated as capital gain.

Here we have a new trend in selling and financing. Sometimes these leases include an option whereby the lessee may acquire title after expiration of the lease upon some sort of payment, but in any event the obvious purpose of the transaction is to benefit the lessee because the rental paid is deductible expense.

Should such paper be offered you, it would be well to have your counsel analyze it carefully; several questions need to be determined. If the lessee finally acquires full title, is the instrument a lease, or would it be construed as a conditional sales contract or chattel mortgage, and, if so, have all filing and other legal requirements been followed? Does the finance company acquiring the lease thus become the lessor in fact and the legal owner of the property? In this event, do not ALL rental payments become taxable to the finance company, subject only to deduction of the normal allowable depreciation, especially as the payments made by the lessee are treated as expense items? If a finance company has a number of instances in which it becomes a lessor, may this not necessitate changes in charters to authorize this new line of endeavor?

We have been offered paper of this type on trucks, air-conditioning units, and heavy machinery.

The Trend of Interest Rates

The trend of interest rates is important to all of us. If loan demand continues to expand as it has during the past few months, it seems to me that slightly higher rates may be expected—but only for a short period. On the other hand, since the rate of demand for loans on housing and other construction and for expanded production facilities seems to be declining, the long-term trend is likely to be downward.

There have been two interest rate increases since October a year ago; in addition, wages, general overhead, and operating expenses have continued to climb and are at an all-time high. Up to now full employment of funds has compensated to some extent in our earning figures for the higher interest charges on borrowed funds. While I am not aware of a great trend toward higher rates within the industry, these factors are certainly making it more difficult for concerns whose receivables consist of a multitude of small items to obtain financing. The cost of handling, per item, must obviously be given greater consideration than ever before.

At our convention here a year ago the economy was definitely in an ascending zone. Defense industries were still in the period of engineering and preparation; maximum production seemed a long way off. In contrast, today we find ourselves at a peak, with predictions by those in authority and by some economists that in the not too distant future the trend will be downward. Strangely, the commercial finance business has never been affected to the same degree as have other types of industry by downward cyclical swings. There has usually been a valley of comparative inactivity of short duration. Thereafter, experience has shown that as one client finds himself requiring less operating cash because of lower inventories and receivables arising from reduced

*Excerpts from an address by Mr. Zinner at the 8th Annual Convention of the Commercial Finance Industry, New York City, Oct. 27, 1952.

volume, another prospect comes into the orbit of our operations as a result of changing conditions and resultant loss of credit, or for any one of many other reasons. It has been said that, to a large degree, ours is a depression-proof business, and we sincerely hope that it will continue so to be.

The Tax Structure and Business Growth

In passing, I am impelled to mention one critical matter to which I have alluded in previous years. That is the quandary of that segment of profitable small business whose possibility for rapid growth is retarded by the limitation on capital accretion inherent in our present tax structure. While some minor tax adjustment has been made, it is not enough. This situation creates customers for commercial finance companies but is much too serious in its impact on the future economy for this benefit to be of the least comfort. These small enterprises are being grievously stifled for lack of growth capital; hence there is grave cause to wonder whence the big business of the future will come—the Fords, the du Ponts, the General Electrics, and the like. This situation is worthy of much thought and action.

High Level Business Maintained!

However, Business Survey Committee of National Association of Purchasing Agents sees production leveling off, with back orders continuing to increase, though at slower pace.

A composite opinion of purchasing agents who comprise the National Association of Purchasing Agents Business Survey Committee, whose Chairman is Robert C. Swanton, Director of of Purchases, Winchester Repeating Arms Company, Division of Olin Industries, Inc., New Haven, Conn., reports October business remains at the high level reached after the steel strike. Order books continue the increase, but at a slackened pace. Production shows an inclination to level off. Last month, these buyers predicted good business would continue through the middle of December. The majority this month extend that forecast well into the first quarter of 1953, with the usual lull for holiday and inventory taking. Prices show a tendency to flatten out or decline, as foreign and futures markets register lower prices. Many believe a buyers' market is in the making. Industrial materials inventories hit a new low and are coming into better balance. Employment remains high, as holiday and Winter goods production reaches its peak. The brief coal strike had no retarding effect on industry. Buying policy is in line with orders on the books and production schedules, and is conservative.

Robert C. Swanton

The election appears to have had little bearing on current business, the report states. Some comments indicate contemplated expansion and replacement programs have been deferred until a clearer view of the future can be had.

Commodity Prices

October reports indicate the price push following the steel strike has spent itself, and the current trend is to level off or decline a bit. While "pass-through" increases result from the steel advance and a three-price copper market, the pressure on the low side from sharp declines in lead and zinc are balancing factors. More salesmen are calling. Competition is increasing. Supply is catching up with demand, and Purchasers are expecting a steady movement toward a buyers' market.

Inventories

Industrial materials inventories continue the downtrend reported for many months. More materials are in easier supply, including many items of steel; so, inventories are reaching better balance. Current production schedules are high, but of short range, which is limiting stocks and commitments. There is nothing in the present industrial picture that would lead to scare buying or speculation in commodities.

Employment

October employment records show a leveling off at the high pay rolls reached since the steel strike. More overtime is being used to accelerate production of holiday and winter goods. Skilled mechanics are scarce in most areas, as are qualified office workers. Many strikes are scattered across the country. No serious effect from the coal strike has been seen.

Buying Policy

Forward commitment range is still predominately within a 90-day coverage, 91% holding to this conservative policy. There has been a slight increase in the number in the 120-day bracket, the first such movement noted since last January, and supporting their forecast of high-level business into the first quarter of 1953.

FHLB Notes on Market

Two new note issues of the Federal Home Loan Banks aggregating $230,000,000 principal amount were publicly offered by the Home Loan Banks on Nov. 5 through Everett Smith, fiscal agent. The issue comprise $90,000,000 Federal Home Loan Banks 2.20% series D-1953 non-callable consolidated notes, to be dated Nov. 17, 1952 and to mature May 15, 1953, and $140,000,000 of 2.30% series E-1953 non-callable consolidated notes, to be dated Nov. 17, 1952 and to mature Aug. 17, 1953. The notes are priced at par.

Proceeds from the offerings will be used to provide funds for the payment at maturity on Nov. 17 of $100,000,000 of 2.15% series H-1952 consolidated notes, and for making additional credit available by the Home Loan Banks to their member institutions.

Upon completion of the present financing and the retirement of the maturing notes on Nov. 17 outstanding obligations of the Home Loan Banks will total $448,550,000 compared with $318,550,000 at this time.

Delivery of the notes will be made either at the Federal Reserve Bank of New York or the Federal Reserve Bank of Chicago, or both, at the option of the subscriber.

With Inv. Securities

(Special to THE FINANCIAL CHRONICLE)

JACKSON, Mich. — Charles C. Campbell has been added to the staff of Investment Securities Co., National Bank Building.

Lewis & Co. Formed

Lewis & Co. has been formed with offices at 114 East 32nd St., New York City to engage in the securities business.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market still holds to the favorable line in spite of upside spurts as well as backing and filling, which has been brought about mainly by professional operations. The market continues to be a relatively thin affair which makes it rather susceptible to easy movements in both directions. Money is still tight, and this appears to have influenced the short end of the list a bit more adversely than was looked for in some quarters. Nonetheless, there seems to be a fairly important amount of maturity lengthening still being done by certain of the commercial banks despite the somewhat more cautious attitude that prevails in the market here and there.

Accordingly, the movement into the higher income Treasury obligations by the deposit banks appears to be a little more of the scale down variety now than was the case a short time ago. Tax switching is still mainly a commercial bank operation, even though other institutions appear to have taken a larger hand in the situation.

The eligible obligations are still the market leaders and that goes pretty much for the entire list, even though the tight money conditions does have an adverse effect upon some of them now and then. The restricted bonds have had only a passing amount of attention because non-government investments are still more important to non-bank investors than Treasury obligations.

A Professional Market

Professionalism continues to rule the government market, and the shorter end of the list had been a bit on the sloppy side because of a minor surplus of Treasury bills. Evidently certain holders were not able to get out of their positions of bills as readily as had been expected and this created a cautious attitude throughout much of the list. There had been reports of sales of other Treasury securities, in some instances in order to protect the holdings of bills. However, others held off selling because they knew that the Central Banks could come into the picture and straighten it out. This is what did happen and it took very little on the part of Federal to relieve the short-term market of much of its temporary indigestion.

However, because of the clouded position of the near-term market there has been a somewhat lessened interest in the other Treasury obligations especially in the intermediate and longer term obligations. Commercial banks have shown an inclination to be not so vigorous in their purchases of selected issues because they believe that it might be possible to acquire them at a bit more favorable prices. The purchases by these institutions have not been heavy but they have been fairly sizable in a thin market.

There is still a good demand, nonetheless, for the 2⅜s of 1958 and this issue continues to have a good following. The out-of-town banks appear to be the principal operators in this bond as they have been in the recent past. Apparently there has been a modest improvement in the demand for the 2⅛s due 1953, with both the large and small institutions competing to a degree for this obligation. There has also been a moderate amount of purchases of this issue, as a result of tax switching operations.

Long Eligibles in Demand

According to reports, there has been a somewhat enlarged interest in the 2½s of 9/15/62-67, which is attributed to the maturity lengthening operations by the smaller deposit banks. It appears as though these institutions have seen fit to give up some of their near-term obligations in order to make way for the longest eligible issue. Scale purchases of the September 1967/72s, it seems, have worked out rather well because the amounts involved in anyone of these transactions have not been large, which fits in very well with the thin market and the limited size in both directions.

Commercial banks in the Southwest, according to advices, have been among the leading operators in the higher income eligible issues, both from the standpoint of new purchases, tax swops and maturity lengthening. The Middle West institutions have also been active in these same kind of operations with a few of the Southern and Eastern banks providing not too important competition. It is reported that the 2½s of 1962/67, has been the important issue among the Southwestern banks, with the September 1967/72s and the 2¼s of 1959/62 following in order.

Market Briefs

Savings banks continue to be mainly on the sidelines, although there have been a few instances in which there has been a modest amount of selling by these institutions. Insurance companies continue to report commitments outside of the government bond field, to be so large that they will not be interested in Treasury obligations for some time yet. There has been cases where small amounts of the shorts have been let out by these institutions.

The ineligible bonds, it seems, have had a bit more interest, but not from any new sources. State funds continue to take limited amounts of the longest maturities and run the market up, with private pension funds making a few commitments here and there. Fire insurance and casualty companies, it seems, have taken on a few of the June and December 1967/72s.

Tax switching continues to gain in importance as far as being a market factor is concerned. It supplies a considerable amount of the volume and activity in a thin market. While this kind of operation has been largely with the commercial banks, there seems to be other institutions now that are doing some tax loss swooping also.

Tax anticipation bills appear to be on the demand again with corporations showing an increasing interest in this obligation. Commitments, in this security, have been rather sizable in the last few days according to advices.

Marshall Wood With G. C. Haas & Co.

G. C. Haas & Co., 63 Wall Street, New York City, members of the New York Stock Exchange, announce that Marshall H. Wood is now associated with the firm in the bond department. Mr. Wood was formerly with Schwamm & Co. and prior thereto was with Tripp & Co. Inc.

Marshall H. Wood

Walter Gorey Forms New Partnership

SAN FRANCISCO, Calif. — Walter C. Gorey and Charles B. Kane have formed a partnership to conduct a general investment business under the name of Walter C. Gorey Co. with offices in the Russ Building. A branch is maintained in the Van Nuys Building, Los Angeles under the management of A. W. McCready.

The firm acts as wholesale and institutional representative for Geyer & Co., Incorporated.

New San Francisco Exchange Member

SAN FRANCISCO, Calif.—The Governing Board of the San Francisco Stock Exchange announced the election of James M. Stewart to membership in the Exchange. Mr. Stewart, general partner in the firm of Wilson, Johnson & Higgins acquired the membership formerly held by David Monasch, Jr., for $12,800.

The general partners of Wilson, Johnson & Higgins are: Russell H. Wilson, James M. Stewart, Quillen L. Thom and Nicholas de John. Limited partners of the firm are: William N. Barlow, Aylett B. Cotton, Richard H. McCarthy, Jr., The Moreheads, Gwendoline R. Sanders and Zella A. Skanderup.

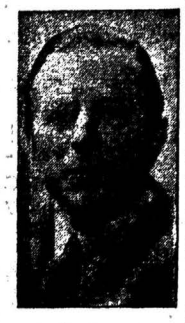
Branch offices are maintained by the firm in Chico and Oakland, California and in Reno, Nevada. Representatives of the company are in San Mateo, Santa Rosa and Woodland.

Exchange Control Evasion in England

By PAUL EINZIG

Dr. Einzig points out, despite efficient enforcement of exchange controls by Great Britain, there is still considerable evasion. Cites circumvention of the limit of £25 per head per year imposed on spending by British tourists abroad, and loopholes afforded for evasion of exchange controls through use of transactions in tin.

LONDON, Eng.—Britain is in a comparatively favorable position from the point of view of the enforcement of exchange restrictions. It is easier to control the traffic through the ports than across long land frontiers, and the British Civil Service is traditionally efficient and incorruptible. This was the reason why throughout the Middle Ages England was in a better position to defend her currency than most Continental countries and there was no need for her to resort to debasements as frequently as in France, Spain, and other countries. Although the bans on the export of bullion had been far from watertight they were much more effective than in other countries which had no alternative but to resort to debasement as a means for discouraging the outflow of bullion. In modern conditions, too, Britain's insular position helps to some extent in the enforcement of exchange control. But not to a sufficient extent. In the meantime human inventiveness has devised methods of evasion which do not necessitate the physical transfer of bullion, notes, or securities across the sea.



Dr. Paul Einzig

The circumvention of the limit of £25 per head per year imposed on tourist spendings on the Continent appears to have assumed considerable dimensions this year. Only a small fraction of the lawbreakers can be caught, even though the British authorities are well aware that many thousands of British visitors in France and elsewhere have been spending considerably more than their official allowance. This type of evasion has become much more prevalent since the reduction of the limit to the very inadequate figure of £25. Many people find it impossible to keep within that limit and once they have decided to overstep it they feel that they might as well be hanged for a sheep as for a goat. Many people who were law abiding when the limit was £50 are spending considerably more than £50 now that the limit is £25.

A much more important loophole through which the control is evaded is provided by the tin market. After considerable hesitation it was reopened for free dealings some time ago. The authorities did not realize that in reopening it they provided a channel for large-scale evasion. It was only quite recently that they discovered the full extent to which exchange control has been evaded through the tin market. On Oct. 17 members of the Metal Exchange were requested by the authorities not to transact business in tin for account of clients suspected of being engaged in the evasion of exchange control through use of restricted sterling in payment of tin purchases.

The method employed is that tin bought by Continental firms in London or in the States is paid for in transferable sterling. The tin thus bought is reexported or redirected before its arrival, to the United States where it is sold against payment in dollars. The proceeds are used for the repurchase of transferable sterling at a considerable discount and the transaction can be repeated again and again. Six months ago transferable sterling was quoted at about $2.50 to the pound and this secured a reasonable margin of profit. In the meantime the rate rose to $2.70 to the pound, largely the result of demand for the purpose of the tin transactions described above. Even at the present rate it seems to pay to continue the transactions. Were it not so the British authorities would not have considered it necessary to intervene at this stage.

Metal brokers were requested by the authorities to give a verbal guarantee that they knew the final buyer. A written guarantee is required from buyers outside the market. Needless to say it is often very difficult to give such guarantee in good faith. This means that conscientious firms are gravely handicapped in their business dealings, while unscrupulous firms can get away with it because no evidence has to be submitted in support of their guarantee.

It is estimated that in recent times about half of the tin sold in the Singapore market has been sold against payment in transferable sterling. The amount involved runs into tens of millions of pounds, all of which represents a dead loss from the point of view of the Sterling Area gold reserve. Against this there is the advantage of the reduction in the amount of transferable sterling and the rise of its quotation. If the tin transactions were allowed to continue, or if they should continue in spite of the official action, a stage may be reached when they come to be quoted in the vicinity of the official rate. That would bring the transactions to an end and would restore a more normal situation in the international market in sterling.

Arguments in favor of allowing the tin transactions to continue on the above grounds appear to be unconvincing. If the authorities wanted to raise the rate of transferable sterling they could do so by means of direct intervention in the unofficial markets in such sterling. Evidence of official buying would cause a rise even in the absence of really substantial purchases. It would entail a sacrifice but the amount of gold lost would be smaller than it is through the tin transactions.

The experience of the tin market shows that Britain is still far from having reached the stage at which she could afford to restore convertibility without running grave risks. Even the limited convertibility of transferable sterling is misused by smart Continental firms which take advantage of it at the expense of the British gold reserve. It is easy to imagine what would happen if sterling were made fully convertible. So long as both dollars and raw materials remain scarce there would be inevitably a run on sterling the moment it is made convertible, especially as, judging by past experience, Continental countries would assume that convertibility would not last and would hasten to take advantage of it while the going is good. It would be of little use if Britain were to receive a large loan to enable her to face the first onrush. In 1947, when the onrush was met out of the proceeds of the dollar loan of 1946 the net result was that foreign countries got the benefit of that loan and Britain was landed with its burden. The experience of 1947 discredited the idea of convertibility for fully five years. It is only recently that there have been indications that British opinion is getting over the reaction that followed the failure of the 1947 experiment. Should a second experiment meet with a similar fate it would take at least 10 years before anyone could mention convertibility in Britain with any chance of convincing the public that it could and should be undertaken once more.

FIDC Banks Place Debs.

A successful offering of $72,215,000 of debentures of Federal Intermediate Credit Banks was made on Oct. 16 at par, by Macdonald G. Newcomb, New York fiscal agent for the banks. This consisted of an issue of 2.25% consolidated debentures dated Nov. 3, 1952 and due Aug. 3, 1953. The proceeds, together with other funds, were used to retire $107,580,225 of 2.25% bonds and $29,180,000 of 2.05% bonds which matured on Nov. 3.

On Sept. 23, another sucessful offering was made of $79,445,000 2.30% consolidated debentures dated Oct. 1, 1952 and due July 1, 1953 at par. The proceeds from this offering, together with treasury funds, were used to retire $101,985,000 of 2.20% bonds and $29,680,000 of 1.90% bonds which fell due on Oct. 1, 1952.

As of the close of business on Nov. 3, 1952, the total amount of debentures outstanding amounted to $766,185,000.

Edwin Jacobs Joins Steele and Company

Edwin Jacobs

Edwin Jacobs has become associated with Steele and Company, 52 Wall Street, New York City as manager of the trading department.

Spencer Trask Branch In Nashville, Tenn.

NASHVILLE, Tenn. — Spencer Trask & Co., members of the New York Stock Exchange have opened a branch office in Nashville under the co-managership of Martin B. Key and Robert S. Stempfel. Also associated with the new office are Eugene B. Bendict and Sol Stern. All were formerly with J. C. Bradford & Co.

Temporary offices are located in the Third National Bank Building. On or about Jan. 1, headquarters will be moved to 329 Union Street.

Midwest Exch. Member

CHICAGO, Ill.—The Executive Committee of the Midwest Stock Exchange has elected the following to membership: Meyer Buchman, Shaskan & Comany, New York, N. Y.; John C. Schutz, Chiles-Schutz Co., Omaha, Nebraska; and Frederick J. Winckler, Shader-Winckler Co., Detroit, Michigan.

Continued from page 2

The Security I Like Best

be measured since 1947 by the continous increase in sales from $2,810,000 in that year, to $12,150,000 at the end of November 1951. Further increase may be expected this year. Unfilled orders at the end of last August were $11,219,357. After all charges and taxes, net income rose from a deficit of $180,000 in November 1947 to a profit of $913,000 in November 1951. Earnings per share and dividends paid in the five-year period 1947-1951 have been as follows: 1947 earned a deficit paid nothing: 1948, earned 57c paid 55c; 1949, earned 79c paid 70c: 1950 earned $1.34 paid $1.15: 1951, earned $1.99 paid $1.00; earnings are for the fiscal years ended November 30, while dividends paid are for the calendar years ended December 31.

Because of the company's strong financial condition, resulting in adequate working capital, the dividend policy has been to pay a substantial part of earnings to the stockholders. It is estimated that earnings this year after charges and taxes will be in the neighborhood of $3.00 per share. This seems a reasonable expectation inasmuch as earnings of $2.20 per share were reported for the nine months ended August 31, 1952, as compared with $1.08 per share for the like 1951 period. Should the estimate of $3.00 per share for the 1952 fiscal year be realized, an extra year-end dividend in December would seem to be a reasonable expectation.

The stock recently reached a high of 17 for this year, and earlier established a low of 12¾. Currently it is selling around 16. On the basis of the indicated annual dividend of $1.00 the yield is 6.2%, and will be more in the event of a year-end extra dividend. Nevertheless, the regular return is satisfactory, and considering the company's outlook, based on a continuous broadening of its products and services to many industries, its stock has considerable appeal to those interested in growth and management.

Heavy Credit Demands Inflationary!

November issue of "Monthly Bank Letter," published by the National City Bank of New York, says basic question for new Administration and Congress is what means should be taken to curb trend.

Commenting on the current rise in demands for credit, the National City Bank of New York, in the November issue of its publication, the "Monthly Bank Letter," sees in this development a "tilting of the scales" toward further inflation, and states it will be a basic question for the Administration and Congress taking office in January.

"With Federal deficit-financing superimposed on other credit requirements, the money and capital markets this year," the "Bank Letter" points out, "are experiencing what may prove to be the heaviest aggregate demands since war financing was completed in 1945. On the other hand, the supply of savings, encouraged by higher interest rates, has been good and the degree of reliance on bank credit expansion has been less than in 1950 and 1951. Nevertheless, the tilt of the scales remains on the side of inflation, which will be a basic question for the new Administration and Congress taking office in January. One point of attack is via Federal Reserve credit policy. Another is via the application of a judicious pruning knife to programmed Federal Government expenditures. Both Presidential candidates have advocated budget balancing and, as conditions permit, tax relief."

Continuing its analysis, the "Bank Letter" states:

"Although aggregate credit expansion may make a new record for the postwar period, it is impossible to make any close estimate at this time of what the figure will be. Neither is it possible to state with any assurance how much more the expansion might have been if the government bond market had not been unpegged in March, 1951, restoring to the Federal Reserve a discretionary control over its loans to the Federal Government in the form of Treasury securities purchased in the open market.

"The unpegging, which took guaranteed floors out from under government bond prices and allowed them to find their own levels in a free market, had a considerable shock effect. The unpegging had no sooner been completed than it became apparent that inflation had taken a respite, and Federal Reserve policy entered a phase of so-called neutrality. The discount rate was left undisturbed at the 1¾% level established six months earlier in August, 1950.

"Open market operations conducted by the Federal Reserve since the unpegging, however, do not fit any simple description of neutrality. In combination with natural market forces, they have given the money market alternate periods of ease and tightness, partly to accommodate the needs of Treasury finance, partly to observe effects and partly to teach the market not to rely on the Federal Reserve to buy up government securities every time the money market comes under pressure, to use the discount window as an alternative, and to recognize that free markets in government securities involve opportunities for profits as well as risks of loss."

Concluding the analysis, the "Bank Letter" points out:

"The period has furnished further evidence that credit policy can be an aid to economic stability but cannot do the whole job. It must be conducted wth an eye to the state of the Federal Government's finances, and Federal Reserve activities, no matter how skillfully conducted, cannot compensate for a lack of balance in the budget. Unless the budget is scaled back, continuous deficit-financing is the prospect with all that implies in terms of cumulative inflationary pressure. Beyond that, pushing out some of the Treasury debt maturities—a process tentatively begun in the past year or two—can ease the handicap of an excessive floating debt to a flexible credtit policy."

Waldron Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — J. Walker Glenn, Jr. has been added to the staff of Waldron & Company, Russ Building.

With Hannaford Talbot

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — George E. Taylor has joined the staff of Hannaford & Talbot, 519 California Street.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The appointment of Howard S. Shulman as an Assistant Vice-President of **Manufacturers Trust Company, New York,** was announced today by Horace C. Flanigan, President.

Mr. Shulman joined the Trust Company in 1928 and worked in various departments until 1941. He then resigned to accept an appointment as a Foreign Funds Control Examiner for the U. S. Treasury and was subsequently placed in charge of affairs of a Japanese steel company. At the termination of that work Mr. Shulman joined the National Bank Examiner's Staff in the Second Federal Reserve District. He resigned that position in October, 1952, to rejoin Manufacturers Trust.

Mr. Shulman has been assigned to the West 43rd Street office of the company.

* * *

Stanley M. Wedd has been elected chairman of the board of the **Canadian Bank of Commerce, New York,** James Stewart, C.B.E., succeeds him as President and Neil J. McKinnon has been appointed general manager succeeding Mr. Stewart.

Mr. Wedd, as chairman of the board, succeeds the late Allan E. Arscott, C.B.E., who died Oct. 14.

* * *

The National City Bank of New York on Nov. 1 established limited banking facilities at Camp Otsu, Japan, a U. S. Army Base located near Osaka. The new unit will be in charge of Ralph G. Malm. National City's first branch in Japan at Yokohama was organized in 1902.

* * *

Election of William E. Shackleton as Comptroller of the **Industrial Bank of Commerce, New York City,** was announced on Oct. 29 by Walter E. Kolb, President.

Prior to joining the Industrial Bank of Commerce early this year, Mr. Shackleton was associated with the Institutional Securities Corp., the New York State Banking Department, Federal Reserve Bank of New York, and the Hanover Bank.

* * *

Union Dime Savings Bank, New York City, held its annual 25-Year Club Dinner on Nov. 3, at Toots Shor's, Mr. Francis M. Leake, President of the club, announced that three new members were welcomed into the club this year. They are: Ruth F. Irish, George W. Mihan, Jr., and Joseph J. Wiggins.

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The Lincoln Savings Bank, Brooklyn, N. Y., 25-Year Club elected the following officers for the coming year at its Fall dinner meeting, held recently at the Arion Club in Brooklyn:

Charles J. Kipp, President; Erwin Bortscheller, Vice-President; Fred Seifering, Secretary-Treasurer.

At the time of Club was formed, in June, 1949, there were 33 charter members, 24 active and 9 inactive. As of current date, the club membership numbers 47, 32 of whom are active.

* * *

A group headed by Blair, Rollins & Co. Inc., which is underwriting the offering by **Franklin National Bank of Franklin Square, L. I.** of 33,700 shares of its capital stock to its shareholders, is laying off an additional block of 5,000 shares, when issued, at $50 per share. The concession to members of the National Association of Securities Dealers, Inc. is $2.50 a share. Subscription rights of stockholders expire on Nov. 7. An item bearing on the sale of 33,700 shares of the bank appeared in our issue of Oct. 30, page 1630.

* * *

The sale of new stock to the amount of $40,000 has increased the capital of the **Newton National Bank of Newton, Mass,** as of Oct. 15, from $250,000 to $290,000.

* * *

An exhibition commemorating what is said to be the oldest continuous bank account on this continent, opened with the **Bank of North America** by Mordecai Lewis & Co. on Jan. 16, 1782, was placed on display in the banking lobby of the main annex of **The Pennsylvania Company for Banking and Trusts at Fifteenth and Chestnut Streets, Philadelphia.** Mordecai Lewis & Company, one of the pioneer lead companies in the United States, was founded in 1781, as was the Bank of North America. Mr. Lewis, head of the firm, served as a director of the bank from 1784 to 1800. His company became John T. Lewis and Brothers in 1856, and was merged with the National Lead Company, of New York, in 1891. The bank of North America was merged with The Pennsylvania Company in 1929. The exhibit, it is stated, contains various authentic historical relics loaned for the display by the Pennsylvania Historical Society and the Atwater Kent Museum.

* * *

Effective Oct. 22 the **Peoples National Bank of Charlottesville, Va.,** increased its capital from $1,230,000 to $1,353,000 by the sale of new stock to the amount of $123,000.

* * *

With a Fall enrollment of 52 in American Institute of Banking classes, **The Bank of Virginia** of **Richmond, Va.,** reached a record of 108 officers and staff enrolled in banking courses some time during 1952. This is 18% of the bank's personnel and does not include enrollments in A.I.B. classes outside University semester schedules. The bank has a basic policy of encouraging officers and staff to continue school work and specialized training, and some of its ranking officers give their time to serve as instructors. The bank pays the cost of all A. I. B. courses successfully completed and makes cash awards to students receiving certificates. All tuition, expenses and full salary is paid to officers and staff attending graduate school summer sessions. In the past Summer the bank sent 20 officers and staff to banking schools at universities, inrluding seven to Rutgers University Graduate School of Banking; two to University of Wisconsin School of Banking; two to School of Consumer Banking, University of Virginia; one to School of Financial Public Relations, Northwestern University; eight to Virginia Bankers Association School, University of Virginia. Thomas C. Boushall, President of the bank, assisted in organizing the School of Consumer Banking and was a lecturer during the opening term last August.

* * *

An increase of $50,000, as a result of a stock dividend, in the capital of the **First National Bank of Milaca, Minn.,** has brought the capital up to $150,000 from $100,000, the enlarged capital having become effective Oct. 22.

* * *

A stock dividend of $200,000 has served to increase the capital of the **Orange National Bank of Orange, Texas,** from $200,000 to $400,000, effective Oct. 23.

* * *

The directors of **The First National Bank of Colorado Springs, Colo.,** announced the election of Mr. William J. Kirn as Vice-President, effective Nov. 1, 1952.

* * *

Russell G. Smith, Executive Vice-President in charge of **Bank of America's** international banking affairs, left San Francisco recently for Tokyo, Japan, where he will take part in the Nov. 18 dedication ceremonies for the huge New Marounouchi building, pride of the Far East.

Bank of America's Tokyo branch will occupy quarters in the huge structure, Mr. Smith announced. He described the forthcoming ceremonies as "symbolic of the commercial renaissance of postwar Japan," and said that they are to be attended by Japan's leading industrialists, financiers and government officials.

It is expected that Bank of America will occupy its 11,660 square foot quarters in Marounouchi's ground level floor by Nov. 17.

Tokyo branch of Bank of America opened in temporary quarters five fears ago. First branch of the bank in Japan, it began operations with a staff of four officers, and today has 13 officers and 196 staff employees. Y. J. Johnson Jr. is Vice-President and Manager.

N. Y. Security Dealers 27th Annual Dinner

F. D. Gearhart, Jr. Harry R. Amott

Frederick D. Gearhart, Jr., Gearhart & Otis, Inc., has been appointed Chairman of the Committee for the 27th Annual Dinner of the New York Security Dealers Association to be held at The Biltmore Hotel on Friday, Jan. 16, 1953 as announced by Harry R. Amott, President.

The Dinner Committee will consist of the following members: Richard M. Barnes, A. M. Kidder & Co.; Samuel B. Cantor, S. B. Cantor Co.; George Collins, Geyer & Co., Inc.; Irving L. Feltman, Mitchell & Co.; Hanns E. Kuehner, Joyce, Kuehner & Co.; J. Wm. Dunne & Co. Harry MacCallum, Jr., MacCallum & Co.; John J. O'Kane, Jr., John J. O'Kane, Jr., & Co.; Stanley L. Roggenburg, Roggenburg & Co.; Herbert Singer, Singer, Bean & Mackie, Inc.; Louis P. Singer, Troster, Singer & Co.; Elbridge H. Smith, Stryker & Brown; Charles E. Stoltz, C. E. Stoltz & Co.; Samuel Weinberg, S. Weinberg & Co.; and Melville S. Wien, M. S. Wien & Co.

John Nuveen Opens New Hartford Branch

HARTFORD, Conn. — John Nuveen & Co., announce the opening of a new office in Hartford and the association with them, as their Connecticut representative, of Alan F. Pike. Mr. Pike was formerly associated with Putman & Co. in Hartford and more recently with Merrill Lynch, Pierce, Fenner & Beane in Des Moines. The new office will be at 50 Lewis Street in Hartford.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

Insurance stocks continue to be one of the best acting groups in the general market. In contrast to most stock groups which have made little progress since the start of the year and in many instances have actually recorded declines, insurance shares have been in an upward trend most of the period.

The insurance group during the past week was strong and is now close to the high of the year. In terms of the Dow-Jones insurance group average these shares on Oct. 30 stood at 164.51. The range for the year has been a high of 165.65 and a low of 145.97.

Two weeks ago we reviewed the market action of some of the leading fire and casualty insurance companies. This week we have selected another group of insurance shares including four life companies.

In the table below, market quotations as of Jan. 2, 1952 are compared with those as of Oct. 30. The point change between the two dates is calculated and the range so far in 1952 is shown.

	Market Bid Price Jan. 2 1952	Oct. 31 1952	Point Change	1952 Price Range High	Low
Aetna Casualty	86½	93¼	+ 6¾	98½	85½
Aetna Life	81	91½	+10½	99	80
American Alliance	28¼	32½	+ 4¼	34¾	29
American Automobile	38¾	47¼	+ 8½	47	37¼
American Re-Insurance	27½	34	+ 6½	35½	27½
Automobile Insurance	71	82	+11	90	71½
Camden Fire	19⅞	23	+ 3⅛	24	20
Connecticut General Life	123	151	+28	159	123½
Employers' Group	36	44¼	+ 8¼	45½	35
Fidelity & Deposit	70½	82	+11½	83½	70
General Re-Insurance	28	32½	+ 4½	38	28⅜
Hartford Steam Boiler	32½	42¾	+10¼	45	32⅜
Jersey Insurance	32	34	+ 2	35½	31½
Lincoln National Life	111	145	+34	150½	111
Maryland Casualty	20	24¼	+ 4¼	25	20½
National Fire	57½	69¾	+12¼	70¼	58
New Amsterdam Casualty	33	38⅛	+ 5⅛	39½	33¼
New Hampshire Fire	38¾	45¾	+ 7	45½	39¼
Pacific Fire	73¼	93	+19¾	93	73¼
Providence-Washington	27½	29½	+ 2	31	27½
Travelers Insurance	605	655	+55	683	600
U. S. Fidelity & Guaranty	51½	58½	+ 7	58½	51¼

The market action of the 22 different stocks has been uniformly good. Of course, some have risen considerably more than others. For a group, however, writing many different types of insurance which are subject to a variety of conditions, the action indicates a generally favorable background of operations.

The market performance of the life group is particularly impressive. Favored by an increasing volume of business and an improvement in mortality experience, underwriting operations have been very satisfactory. With the firming in interest rates in the past several years, these companies should be able to invest funds at more advantageous returns. This, in turn, should permit these institutions to improve the average rate of income with a corresponding benefit to common share earnings.

On this basis the stocks have been advancing. Aetna Life for the year has gained 10½ points, Connecticut General 28 points, Lincoln National 34 points, and Travelers 55 points.

Among some of the companies which write substantial amounts of automobile liability and automobile physical damage, the market action of the shares has been encouraging. Share prices have risen by 6¾ points for Aetna Casualty, 8½ points for American Automobile, 11 points for Automobile Insurance, 4¼ points for Maryland Casualty, 5⅛ points for New Amsterdam Casualty, and 19¾ points for Pacific Fire.

This action is possibly the reflection of the improvement which has taken place and rate adjustments made over the past on this business. While underwriting operations are still not entirely satisfactory, they are better than a year ago and some further improvement is expected.

Some of the other companies which confine their operations to certain lines such as Fidelity & Deposit, writing fidelity and surety lines, and Hartford Steam Boiler, writing boiler and machinery lines, have also done well.

Fire insurance which constitutes the bulk of the business written by most of the other companies has continued to be profitable and the shares have followed the trend of the industry.

With Real Property

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Daniel F. Greenhouse is with Real Property Investments, Inc., 233 South Beverly Drive.

Fairman Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Leo R. Grosslight has been added to the staff of Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange.

Public Utility Securities

By OWEN ELY

Iowa-Illinois Gas & Electric Co.

Iowa-Illinois Gas & Electric Co., with annual revenues of about $24 million, supplies electricity and natural gas to a population of some 346,000 in Illinois and Iowa. The area includes such cities as Rock Island, Moline, and East Moline in Illinois; and Davenport and (natural gas only) Cedar Rapids and Ottumwa in Iowa. About 65% of revenues are obtained in Iowa and 35% in Illinois. The area served is basically "corn belt" but includes other grains, hops, cattle and dairy products. Principal industries are farm and other machinery, steel products, packing and food processing. Some 55% of the business is electric and 45% natural gas. Electric revenues are 29% residential, 25% commercial and 32% industrial; and about 57% of gas revenues are domestic.

The company has for some years maintained a high equity ratio. Capitalization at the end of 1951 was approximately as follows:

Long-Term Debt	$31,600,000	50%
Bank Loans	6,000,000	9
Common Stock Equity (1,904,000 shares)	25,800,000	41
	$63,400,000	100%

The company's 1951-52 construction program was financed largely through bank loans and the company plans to issue $8 million bonds and $6 million preferred stock around the end of January, 1953. Common stock financing will probably be deferred until 1954.

The company was formerly a subsidiary in the United Light & Railways System, the stock being distributed to the public in 1950. The following will indicate the company's record over the past decade:

Year Ended Dec. 31	Revenues	*Share Earnings	*Dividends	Approx. Range
1951	$25,530,000	$2.12	$1.80	28 - 25
1950	20,670,000	2.54	1.94	31 - 23
1949	20,580,000	2.76	1.59	
1948	19,260,000	2.60	1.59	
1947	17,080,000	2.22	1.59	
1946	14,810,000	2.03	2.80	
1945	14,580,000	1.95	1.61	
1944	14,560,000	1.18	0.98	
1943	13,880,000	1.38	1.19	
1942	12,770,000	1.76	1.05	

*Based on 1,904,000 shares.

The company's electric generating capacity was increased very substantially in 1949, and with a more than adequate reserve over peak loads, it has been unnecessary to add much new capacity since that year, although output was increased moderately at the Moline station. In 1952 the construction budget approximated $12 million, but actual expenditures may run somewhat lower because of delays in obtaining materials.

The growth of space-heating business largely accounts for the sharp gains of natural gas sales in recent years. At the end of last year the company still had 14,000 applicants for residential space heating compared with 30,000 heating customers at that date, out of a total of over 90,000 residential gas customers. As a result of increased supplies of natural gas, the company's gas revenues have more than doubled since 1946. Completion of the Texas-Illinois pipe line, connecting to the pipe line system of the Natural Gas Pipeline Company of America at its eastern end, has considerably improved the reliability of service to the company's eastern districts. Completion of the proposed large underground gas storage field (the Herscher Dome) should in future aid considerably in permitting the company to further expand its gas sales and heating load.

Like many other gas retailers, the company is now encountering sharply rising costs for its gas purchases; the estimated increase in the average unit cost for the year 1952 as compared with that of the 12 months ended Nov. 30, 1951 is 40%. However, the increased wholesale rates have been before the FPC for final determination.

Iowa-Illinois Gas & Electric has been having rate difficulties in Illinois, despite the fact that the company's gas and electric rates are among the lowest in the state. While the company believed that no overall reduction should be made, it offered some time ago to make some reductions in gas rates in order to avoid the cost of a formal rate proceeding, and in the expectation of receiving some increases in electric rates. However, the Illinois Commission did not agree and the proceedings have continued during 1952. The Commission ordered a rate reduction of $520,000 and the company has obtained a temporary injunction against the order.

Illinois, in the past, has generally been considered a "fair value" state but the Commission staff has apparently convinced the Commission that it should switch to original cost. The issue in this and other cases may eventually have to be decided by the state Supreme Court.

The company's common stock is currently selling around 28 on the New York Stock Exchange to yield 6.4%. Share earnings for the 12 months ended June 30 were $2.13, making the price-earnings ratio 13.1 and the dividend payout 85%.

Continued from page 7

The Dilemma of Fire And Casualty Companies

exposure. I have just used the expression "more cautious." What does that mean when applied to insurance company investments? The key to an understanding of investment exposure lies in the method by which fire and casualty insurance company assets are valued on their balance sheets.

Most bonds, except those which are poor in quality as determined by a yield test set up by the National Association of Insurance Commissioners, are valued on the balance sheets at amortized value rather than market. Although there are different methods of amortization the simplest and most readily understandable is to think of a bond bought at a price of 110 which is the equivalent of $1,100 on a $1,000 bond and which is due at the end of 10 years. Since you as the owner of the bond would be paid back only $1,000 at the end of 10 years and you paid $1,100 for the bond, it is obvious that $100 will have to be written off between now and the end of the 10-year period. Using what is called a straight line method of amortizing $10 would be written off the price of the bond each year so that at the end of the first year it would be valued at 109 or $1,090, at the end of the second year at 108 or $1,080 and so on. Thus at the end of 10 years the bond would be valued at $1,000 which is the price you would receive. This method of amortizing of course assumes that you would be paid the money owed you when the bond is due —and that is why the National Association of Insurance Commissioners only permit high grade bonds to be valued on an amortized basis.

Let us suppose during this 10-year period that something catastrophic occurs such as a war and the bond market falls out of bed. Even if your bond fell to a price of 80 or $800 a bond (where Liberty bonds incidentally traded shortly after World War I), the bond would still be valued on your balance sheet at its amortized value such as $1,090 at the end of the first year or $1,050 at the end of the fifth year. Bonds which can be amortized are thus not subject to the exposure of the market place which is really what investment exposure means and possible unforeseen and catastrophic events. Therefore amortizable bonds represent very little risk for insurance companies because their value can be predicted until maturity date. Anything that can be predicted ahead in the would of investments is highly desirable, for I have discovered there are very few "sure things." Hence bonds which can be amortized, which include of course all U. S. Government issues, practically all state and municipal issues as well as most high grade corporate bonds, are safer holdings and represent less investment exposure than investments which fluctuate in value.

How Much Exposure from Stocks?

Stocks on the other hand are subject to market fluctuation and hence represent considerable investment exposure. How much is considerable? Let us examine past history. From the end of 1928 the Dow Jones Industrial Averages (composed of the prime stocks of the country) dropped from a price of 300 to approximately 60 at the end of 1932. This represented a decline of 80%. If an insurance company had had all of its capital and surplus invested in common stocks (and the rest of its assets in bonds) the value of its capital and surplus might therefore have declined 80% or from 100 to 20 between the end of 1928 and 1932. Such a drop, coupled with underwriting losses inevitable during a depression, would have put most insurance companies out of business. In fact, during the depression so-called convention values were adopted as a temporary expedient for stocks in order to stave off insurance bankruptcies. Stocks, both preferred and common, do therefore represent more investment exposure than bonds.

We have now defined insurance exposure and investment exposure —and we have said before that it is the inter-relation between insurance and investment exposure that determines a property insurance company's investment policy. Can this be clarified further?

Valuation is the incentive which insurance companies have to invest in bonds, in order to realize readily predictable or amortized values. And yet just as the quality of underwriting is also important in determining insurance exposure so is the quality of the bonds important in determining investment exposure. All bonds are not amortizable but most are. Corporate bonds which are on the borderline and which by the test which the Commissioners use, are amortizable now during the boom, may not be amortizable at a later date during a recession. So quality of bonds is important, although since fire and casualty companies own so few corporate bonds it is far less significant than for stocks.

Preferred stocks, representing a prior position in earnings and assets of a company, are safer and less subject to market fluctuations than common stocks. And in the field of common stocks companies with long established records of earning power and dividend payments represent high quality investments and are generally less subject to wide market fluctuations than new or marginal companies which have not yet established themselves. Furthermore, common stocks in industries which are stable and do not fluctuate violently, such as the food industry or the public utility industry, are more conservative investments and will tend to fluctuate less widely and hence possess less investment exposure than stocks in cyclical industries such as steels or metals or railroads. It is not only the amount of common stocks but the quality which is also important just as in insurance exposure it is not only the amount but the quality of the business.

Now let us compare in detail the investment exposure of the fire and casualty companies compared with 20 years ago. At the end of last year fire and casualty companies have 50.4% of their assets in bonds compared with 44.3% 20 years earlier. This is of course contrary to the experience of other investing institutions. The composition of these bonds, however, differed from 1931. At the end of last year 37.4% of their total assets were in bonds of the U. S. Government compared with only 7.9% in 1931. That represents the biggest single change. Railroad bonds on the other hand only amounted to 1.2% compared with 12.8% 20 years earlier. Public utility bonds were only 1.6% versus 9.8% and industrial and miscellaneous bonds only 1.2% as contrasted with 5.1%. Tax exempt obligations of our states and municipalities increased to 9.5% at the end of last year from 8.7%. In summary the bond portfolio increased, U. S. Government bonds represented the lion's share of this gain, all corporate bonds were decreased and tax exempt bonds were raised modestly. What are the reasons for these various changes?

Narrowing of Bond Yields

The dominant reason has been that the spread between the yields of government bonds and corporate bonds has narrowed until in some instances a few years ago it was possible to obtain only 10-15 basis points more from investing in corporate rather than U. S. Government bonds. For example, when U. S. Government bonds in the Spring of 1946 were selling to yield only 2.35%, some corporate bonds were being offered to yield only 2.45-2.50%. The life insurance companies were being squeezed by a constantly declining interest rate and during the war there were few corporate bonds available. Consequently they bid up new corporate issues as they came to market and narrowed the traditional spread which many authorities believe should be at least 50 basis points on triple A rated bonds and as much as one full percentage point more yield for single A corporate bonds. Fire and casualty investment managers considered this spread too low and government bonds until recently have been relatively more attractive than corporates, risks considered. As the tax rate has been increased up to its current 52% on corporations and since interest received is fully taxable, tax exempt bonds, obligations of states, counties and municipalities throughout this country, the interest of which is exempt from Federal income taxes, have assumed increasing importance. This tax factor accounts for the modest rise of tax exempts to 9.5% of assets at the end of last year—and this percentage will probably continue to rise.

Among stocks the greatest changes have been in railroad stocks, the percentage of assets at the end of last year dropping to 1.1% from 6.1% in 1931. The railroads just have not seemed to be the growing and stable industry today as 20 years ago. It is surprising that stocks of public utility companies have also declined, from 7.6% of assets in 1931 to 5.1% at the end of last year—and this despite the fact that one of the accomplishments of the past 20 years has been a complete housecleaning in the public utility field with regard to top-heavy capitalizations and balance sheet items so that investors can in most cases buy their stocks with very reasonable confidence. Bank stocks were also decreased during the 20-year period from 3.6% to 1.9% of total assets. Real estate and mortgages were decreased from 6.7% to 1.8% of assets, because during the depression it was shown that a property insurance company should have a liquid, that is to say readily salable portfolio of assets—and real estate and mortgages frequently have been slow to move because they do not enjoy as ready a market as bonds or stocks. Industrial stocks were increased from 10.0% to 15.7% at the end of last year. In this instance the investment managers of property insurance companies have recognized the inflation danger for industrial stocks are assuredly a greater hedge against inflation than the regulated industries such as railroads or public utilities where rate increases generally lag behind the commodity price market.

How far can a fire or casualty insurance company go in investing in common stocks? It is not the relationship of common stocks to total assets which is governing

but the relation to capital and surplus. Stocks represent investment exposure, and the safety factor or cushion is capital and surplus. Insurance exposure as we have seen is represented by premiums written (or premiums earned) — the relation between this figure and capital and surplus. Capital and surplus is the fulcrum around which both insurance and investment exposure revolve.

Each year our firm studies the insurance and investment exposure of some 128 groups of fire and casualty companies. Last year 30 of these 128 companies had earned premiums less than 100% of capital and surplus, a most comfortable position. For these companies common stockholdings ranged from only 29% of capital and surplus to 97% which meant that capital and surplus only slightly exceeded common stockholdings. For both common and preferred stockholdings the range was from 39% to 128% of capital and surplus. Because of the extremely strong financial position of these companies, they could afford to pursue a more liberal and aggressive investment policy.

The second group of companies studied were those whose earned premiums were from 100 to 200% of capital and surplus. They were 63 of such companies. In three instances stockholdings were virtually nil and in several others very small. In general these companies owned few common and preferred stocks.

The greatest difference lay in the final group of companies, whose earned premiums were more than 200% of capital and surplus or 2 to 1. There were 35 such companies. In four instances stockholdings were negligible. In one company, where earned premiums were 666% of capital and surplus, there were no preferred or common stockholdings at all. Right next to that company, however, and next to the "bottom of the heap" is a company whose earned premiums were 416% of its capital and surplus or a 4 to 1 ratio. Yet its common stockholdings were 103% of its capital and surplus and 115% for its common and preferred stockholdings. In other words, its capital and surplus did not cover either its common or its preferred stockholdings. I mention these examples to show the wide differences in investment policy between companies. Why should this company have followed such a different policy from the company at the bottom of the list which had no stockholdings at all? What was its incentive?

Incentives to Stock Investment

Briefly there are four incentives for investing in common stocks on the part of fire and casualty companies at the present time.

(1) Increased income. As we have seen previously, dividends on common stocks increased 159% from the prewar level whereas bond yields declined 21%.

(2) Protection against the declining purchasing power of the dollar during the inflation. Stock prices, in the same example, rose 87%. Such an increase for companies heavily invested in stocks boosted their capital and surplus and enabled these companies to write more business without raising new money. Common stockholdings during an inflation thus increase a company's capacity to do business.

(3) Tax shelter. Since dividends from preferred and common stocks receive an 85% dividend credit, it follows that only 15% of the dividends received are subject to the full corporate tax rate of 52%. Hence the effective tax rate is 52% of 15% or 7.8% on dividends received. This contrasts with 52% on interest received from U. S. Governments and corporate bonds. The after tax or take home spread in favor of common stocks is as much as 4½ or 5 to 1 as opposed to the after tax income received from bonds. Cumulative over a period of years, this 4½ to 5 times as much received from common stocks can build into considerably more surplus and hence greatly strengthen the financial condition of the company.

(4) Hedge against an upward fluctuating claim reserve during the inflation. This is particularly true in casualty, where claims are sometimes not settled for two or three years. Between 1948 and last year one of our largest New York casualty companies was forced to add no less than $5,349,000 to claim reserves which meant the difference between a profit of $2,216,000 and a loss of $3,133,000 which was actually shown. This has been a very costly process. If casualty companies had been able to invest more in common stocks, the upward fluctuation of claim reserves on the right hand side of the balance sheet would have been counterbalanced by the upward fluctuation of common stocks on the left hand side. Some degree of hazard is inherent in such an operation, unless it is kept within size, for common stocks do not always go up. What is more frequently overlooked is that it is also hazardous to have most of one's assets in bonds during an inflation. Since 1946 the U. S. Government issue of Victory 2½ have declined from 106 to 96. What has traditionally been a policy of safety and caution during a normal period may turn out to be speculative and unwise during an inflationary period.

A Dilemma

The dilemma of fire and casualty insurance companies today is that most companies are unable to pursue an aggressive investment policy because of the size of their capital and surplus in relation to their insurance exposure. Their hands are tied and their judgments are fettered. They are thus unable to enjoy the four benefits to which I have just referred: increased income, protection against the declining purchasing power of the dollar, tax shelter on dividends and consequent 4½-5 times more take-home yield and finally the hedge against the constantly rising claim reserve.

What is the answer to this dilemma? Many fire and casualty investment officers would like to know. At the present they feel trapped as they see the large companies with larger capital and surpluses in relation to insurance exposure growing larger at the expense of their "capital and surplus poor" neighbors.

The answer is as plain as it is unpopular at the moment—and here it is. Raise more capital. Whether this is to be done through the sale of additional common stock or through preferred, the answer is the same. It is not popular because fire and casualty insurance stocks are today selling at substantial discounts from their net asset or liquidating value, in some instances as high as 40 to 50% discounts. Under these circumstances insurance companies hesitate to sell stock to the stockholders when their stockholders at present do not seem to regard their holdings very highly. Furthermore, stockholders who can not take up their rights and subscribe to new stock receive a dilution in their holdings. On the other hand stockholders who can afford to pay for additional stock still will own their proportionate share of the company.

Naturally these remarks apply only to the stock insurance companies. The mutuals can build up their surplus only through retained earnings. And naturally too, no executive wish to have to sell stock to their stockholders at a discount of 40 to 50% from net asset or liquidating value. They would rather wait for a time when they can offer their shares at a higher price.

Is this logic entirely sound? For stockholders who subscribe to new stock at such a discount, they actually are getting a very good thing. It is only those stockholders who fail to subscribe and who subsequently lose part of their equity in the company that are hurt. How many of these stockholders are there? It is difficult to say but in the underwriting experience of 1947-49, when more than $100 million was raised from stockholders, by far the larger part, in some cases 80-90% was received from old stockholders. Therefore a decision not to sell additional stock and raise new funds now because of the prevailing low prices of the shares and the fact that it would hurt some stockholders means that a decision is being made for the 10 or 20% and as opposed to the 80 or 90%—a minority rather than a majority decision.

Someone has said that a wise decision is the lesser of two evils. So it may well be in this case. If a company is so short of capital that its premium volume is restricted, its normal growth consequently impaired and its investment policy is also restricted largely to bonds, then I say the company as a whole is being hurt because of the reluctance of management to raise additional funds. During an inflation, and I believe we are in a long-term inflation in this country, premium volume is bound to advance just as it has during the past 10 years. The companies which have sufficient capital and surplus to invest substantially in common stocks are bound also to do much better. That has been the experience during the past 10 years and I believe it will continue.

This will be a hard decision for fire and casualty managements to make. But those who solve this basic dilemma by positive action in raising additional funds, who seize the dilemma rather than remaining impaled on its horns—to these companies will go the greater growth during the next decade. Then too fire and casualty companies will regain their freedom of investment action and join the universities, savings banks, trust funds and life insurance companies in seeking protection against ever-menacing inflation through common stocks representative of the prime property of this country.

Sol Frank

Sol Frank, partner in May, Borg & Co., New York City, passed away Oct. 24.

Henry W. Buckley

Henry W. Buckley, partner in Walston, Hoffman & Goodwin, passed away Oct. 21.

Ramon O. Williams

Ramon O. Williams, partner in Tucker, Anthony & Co., passed away Oct. 27.

New York Stock Exch. Weekly Firm Changes

The New York Stock Exchange has announced the following changes:

Jennie Rittmaster will be admitted to limited partnership in Porges & Co., Nov. 13.

Potter & Gossler was dissolved effective Oct. 31.

With Thomson-McKinnon

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—John D. Edmond is with Thomson & McKinnon, Johnston Building.

Securities Salesman's Corner

By JOHN DUTTON

Small Space Ads Bring Results for J. A. Hogle & Co.

If you want to be seen and be noticed—be different. For many years, many investment firms have refrained from using advertising copy other than the most restrained and dignified type of appeal for business. Recently, there has been an inclination to try out some of the advertising methods that have been successful in other lines of business, and when these ads have been well put together the results have been very satisfactory.

You can lower your advertising costs very much if you can obtain attention and high identification value from small advertisements. The firms with branch offices can use small space effectively where their offices are located and the advantage is obvious. In the case of J. A. Hogle and Co., with their 14 branch offices, it was possible to support the activities of these branches at a considerable saving in overall expenses for this entire campaign.

Single column, small ads were used. They all used the same theme. A light but dignified touch, combining nursery rhymes (with which all are familiar) with the idea that if you bought stocks you could make your money earn more. The layouts all followed the same pattern. There was an illustration of a nursery rhyme object, or character, in the left hand corner and on the right of it a rhyme in italic type tied in with the theme of the ad. One of the advertisements is reproduced herewith.

All the ads carried the statement that the average return on 974 dividend paying stocks listed on the New York Stock Exchange was 6.4% during the year ending June 30, 1952.

Association With Familiar Subjects

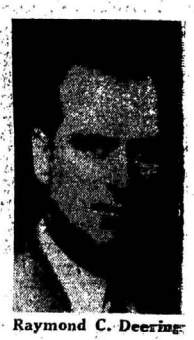
One of the most effective methods of gaining attention and acceptance of your suggestions is to use the combination of a familiar subject with the idea you are proposing. Salesmen have known the value of this approach and have used it in personal selling for as long as can be remembered. "Do you know John Jones over in the next town—well that's fine—he's been a customer of our firm for years," often gets the order. It is the straight and direct route to the customer's confidence. In this campaign the familiar nursery tales have been related to simple facts, and when they were combined with a light and readable touch their advertising effectiveness was greatly enhanced.

Another advantage in the use of small, single column ads in local newspapers is that you can obtain the benefits from repetition at a much lower cost than if you used a larger but conventional type message. The combination in this instance of an attractive but dignified illustration, combined with a well known and favorably regarded idea, gained much more attention than if a large ad had been used to convey a conventional type announcement.

The Caples Company, Los Angeles, California, prepared this series of advertisements for J. A. Hogle & Co. This is the kind of advertising that the investment business should use instead of the stereotyped announcement that has been the standby for so long. Ads such as these are interesting, pleasant to read, they gain your attention, and they sell.

Deering Appointed By American Bankers

Raymond C. Deering, Vice-President and Comptroller of Manufacturers Trust Company, has been appointed Chairman of the Bank Management Commission of the American Bankers Association, it has been announced. Mr. Deering has been active in the work of the Commission for several years.



Raymond C. Deering

With First California

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—James H. Spaulding has been added to the staff of First California Company, 647 South Spring Street. He was previously with Bailey & Davidson.

Joins Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — George H. Roe is now with Merrill Lynch, Pierce, Fenner & Beane, 301 Montgomery Street.

Three With King Merritt

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert W. Dienes, Harlan N. Lee and Mrs. Ethel G. Richards have joined the staff of King Merritt & Co., Inc., 1151 South Broadway. Mr. Lee was previously with Curtis Lipton Co.

With Richard Harrison

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif.—John S. Wong is now with Richard A. Harrison, 2200 Sixteenth Street.

Wm. R. Staatts Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—William H. Ackridge has become affiliated with William R. Staats & Co., 111 Sutter Street.

With Inv. Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—David S. Gottlieb is with Investment Service Corporation, 444 Sherman Street.

Canadian Securities

By WILLIAM J. McKAY

The rapid industrialization of Canada since the end of World War II, and the growth in the size of the business unit in Canada, lends particular interest to the attitude of the public to big business corporations. The question arises whether Canada, following the trends of her close neighbor, the United States, whose industrialization preceded its own by two to three generations, will enact the same restrictions on the concentration of industrial power as has already occurred in this country. As a matter of fact, the Federal Government of Canada enacted what is termed the "Combines Investigation Act" a number of years ago, and this measure was recently amended so as to strengthen its anti-monopolistic purposes.

The question was thoroughly discussed recently at a meeting of the Canadian Chamber of Commerce in Toronto. The discussion centered around "the new competition," and its effect on prices and price making.

One of the speakers, who was queried by his audience on the effects of the recent amendments to the Combines Investigation Act, was T. D. MacDonald, the Federal Director of Combines Investigation and Research.

Mr. MacDonald told his listeners the purpose of the legislation "is to preserve the highest competition of which a given situation is capable in the public interest."

The new competition as defined by various speakers, emphasizes the braking power on prices of such factors as research, advertising, and substitute products. It differs in emphasis from the "classical" concept of competition which simply envisioned many people making a product, with many buyers picking and choosing among them.

Mr. MacDonald took issue with the view that "the new competition" tends to indicate that emphasis on price competition is becoming increasingly unnecessary. He repudiated such idea. He said that undoubtedly certain elements in competition, such as research, even if not new, have taken on new significance, but it was not the purpose of Canada's combine legislation to "turn back the clock."

Nevertheless, the government official stated, the purpose of the legislation was to eliminate any situation which might forbid price competition and which was to the public detriment. Whatever price competition was possible should be maintained, and he felt that it was the real spur to many of the factors included under "the new competition."

R. M. Fowler, of Montreal, Chairman of the panel discussion, asked Mr. MacDonald:

"If, in an inflationary period, a group of businessmen agreed to keep prices down as an anti-inflationary measure, would that be contrary to the combines statute?"

Mr. MacDonald: "If businessmen have such a situation which they want to discuss, the door is always open to them."

Delegates, who had been listening intently, laughed, and Mr. Fowler replied: "That has been tried before without getting an answer."

Dr. W. J. Worboys, of Imperial Chemical Industries, England, in an address at the meeting, said:

"We should remember that nowadays the 'big corporation' is run by managers, not by proprietors, and the managers generally are very conscious of their responsibilities towards the customers, the shareholders, the workers, and the nation.

"It would today be hard to find examples, common though they were in older times, of such abuse of economic power by 'big business' as the buying up of new inventions in order to suppress them, or of 'big business' killing small competitors by ruthless price policies and exploiting the consumer by excessively high prices.

"My experience is that 'big business' does not stifle competition. . . . We must accept the necessity for some national supervisory machinery, but I feel the objective of the machinery should be to investigate and that it should be permissive in intention and not instinctively prohibitive, like, for example, the Sherman Law in the United States."

Speaking on the same subject before the New York Society of Security Analysts, a Canadian, S. W. Fairweather, who is Vice-President and Director of Research and Development of the Canadian National Railroads, stressed the point that an important factor in Canada's industrial growth "is that, as a people, we are not afraid of the power of big business."

"We feel that our Government is bigger than any business and that our courts are sufficient protection against abuse. We lean to large business because it is more efficient."

Mr. Fairweather added that while Canadian industry is still based primarily on extractive enterprises, a "broad conservation which has governed" her advance is "the readiness to accept modern techniques of production."

"As a consequence, the per capita output of the extractive industries in Canada, is, I believe, the highest in the world."

Mr. Fairweather's thesis was that Canada is on her way to great industrial development because of her people's vision, her mechanized production and, above all, "the efficiency of big business."

Dean Witter Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore.—Richard C. Van Houten II has joined the staff of Dean Witter & Co., Equitable Building.

Continued from first page

For a Comprehensive U. S. Foreign Economic Policy

primarily on the European free countries, but to a large extent also on the initiative and boldness of the U. S. A. Nineteen fifty-three promises to be a crucial year. It may not be too late for the countries of the Western World to work together earnestly and in harmony for the restoration of healthy economies and sound currencies, but it is certainly late. The first requisite to the discharging of this task is to get a clear understanding of the causes of international disorder.

$40 Billion for Resentment and Foreign Aid

Since the end of World War II we have spent nearly $40 billion on foreign economic aid. There must be something basically wrong with our policies when the result of such a huge outpouring of dollars is international disorder and resentment against the U. S. A. by practically all countries in the free world.

Any analysis of our unsuccessful endeavors to restore unrestricted, non-discriminatory international trade must begin with the recognition that our economic power and preparedness are such that our policies or lack of policies affect the entire free world. We are not discharging our responsibilities toward the free world by making gifts, generous as these may be. We could have accomplished more by spending less, if our policies had been guided by more competent men and if they had been uninhibited by domestic considerations of electoral political demagoguery.

Chronic Dollar Shortage

Why do many European countries have persistent or chronic balance-of-payment deficits despite the great financial aid from the U. S. A.?

(1) The disease from which the Western World is suffering is due fundamentally to inflation and the ancillary phenomenon of economic and monetary nationalism. The balance of payments difficulties since the end of World War II have been due mainly to the attempt of many countries to do more by way of consumption, investment, and government expenditure than could be managed with the resources available to them. This way of living beyond their means has engendered continuous inflationary pressures, and the connection between domestic inflation and balance of payments difficulties has become increasingly evident.

(2) The monetary mechanisms which used to maintain international payments equilibrium have been discarded. What were the monetary mechanisms? Under the gold-standard it was the movement of gold. When the gold-standard was abandoned it was the free movement of exchange-rates.

Worse yet! Not only have we discarded these monetary mechanisms, but we have pursued goals and applied policies which are incompatible. Our experts should have known that we cannot have free convertibility of currencies, fixed exchange rates and unrestricted multilateral trade, while each country is pursuing autonomous nationalistic monetary policies.

(3) The end of the war revealed that the dislocations within the European countries and in the field of international trade were much greater than anyone had supposed. In 1946 Great Britain was confronted with the first great crisis in her international payments accounts. We then decided to lend Great Britain $3,750,000,000 on the condition that she would restore the free convertibility of the pound sterling. Our condition attached to the loan was unrealistic because of the huge foreign balances accumulated in London banks during the war and because of our traditional protectionist attitude.

The British attempt to restore the free convertibility of her currency failed, as was to be expected. The result of this unhappy episode was that the men in charge of our foreign economic policy lost confidence in the proven methods or even in the possibility of restoring "unrestricted, non-discriminatory multilateral trade," which was our professed goal until then. Instead, we adopted a wobbling policy of expedients to prop our exports and to maintain the international solvency of Western Europe by economic aid and gifts.

(4) The impossibility for Western European countries to earn enough dollars so as to cover their import needs from the dollar area.

There certainly is a "sterling problem," and "French franc problem," but World War II seems to have given rise also to a "dollar problem," better known as the "dollar shortage" or the "dollar gap." It is my conviction that to a very large extent the "dollar shortage" has its roots in inflationary policies and in the inconvertibility of currencies. Some responsibility for this shortage may be laid on the blockage of trade between East and West. But there seems to also be some structural weaknesses in the economy of the free world, as a result of World War II. In particular, U. S. production and productivity have placed our country in a position of predominance in the world economy and of comparative self-sufficiency. The ratio of imports to production has fallen steadily in the U. S. A. from 5.2% in 1929 to 3.3% in the years since World War II. On the other hand, apparently the European countries have come to depend a great deal more than before World War II on food and raw-materials produced in North America. In most of Europe, the payments problem and the dollar shortage is primarily a reflection of the need for real resources. Because the United States is especially able to supply the additional goods these countries want, and because the U.S.A. is almost alone in being able to sustain a large export surplus, the need for real resources manifests itself in a need for U. S. dollars for payments for exports from the U. S. A. and other countries. The Western hemisphere is producing far more food and raw materials than before the war, while the rest of the world is producing less. Inasmuch as the needs of the world have grown, the rest of the world has become more dependent on dollar sources of supply.

To avoid all misunderstanding I wish to make the following additional comments regarding the so-called "dollar shortage." I share the view of those who maintain that, assuming no aid from the U. S. A., there would be no shortage of dollars if the Western countries were pursuing non-inflationary monetary and fiscal policies, **provided they could face without dangerous consequences the inevitable lowering of the standard of living of their peoples.** And here is the risk which impinges also on our policies for maintaining peace. Such a policy is too hazardous and entails too big risks, so that it is preferable to make it possible for Western European countries to earn more dollars.

Causes of Britain's Dollar Deficits

A policy for the free convertibility of currencies is mainly concerned with the pound-sterling. Therefore the following additional causes of the British dollar shortage are worth mentioning:

(a) The terms of trade have become very unfavorable to Great Britain as compared with prewar.

(b) Great Britain has lost substantial income which she used to get from her foreign investments.

(c) Insufficient competitive ability of British exports as compared with American exports, due mainly to insufficient industrial investment. Besides, the chronic excess of demand in Great Britain tends to reduce economic incentives and prevents the movement of productive factors into export industries.

(d) Since the war Great Britain has to provide not only its own dollar deficit but also a substantial dollar deficit incurred by the Commonwealth countries.

(e) The huge short-term sterling balances accumulated in London banks during and since the end of the war are a great handicap to the restoration of the free convertibility of the pound.

Requirements for Balanced Settlements

The foregoing analysis leads one to the following conclusions and recommendations:

The restoration of a balanced system of international settlements requires essentially the fulfillment of five conditions:

(1) Internal monetary stability. The recurrent crises in their international balance of payments have forced on the Europeans the understanding of the fact that their international solvency depends on a non-inflationary domestic policy. Besides, the lack of confidence in their currencies has created in European countries the desire to restore their soundness and international acceptability.

(2) International monetary reconstruction or, if you prefer, the restoration of the free convertibility of currencies. The prerequisite of such reconstruction or restoration is that an end be put to inflation in the European countries as well as in the United States. The price of gold should be examined objectively in the light not only of our own contingencies, but of those of the rest of the free world. Stabilization loans from the U. S. A. will most probably be necessary.

(3) The expansion of the output of raw materials such as coal, and of foodstuffs such as wheat, on an economic basis so that the need for dollar imports of these commodities would be reduced.

(4) The production of more food and raw materials in countries outside North America and in Europe, and an increase of production and productivity of the industries (more competitive prices) in Western Europe. This is rather a long-term solution of the "dollar shortage" problem.

(5) We should make it possible for the rest of the world to earn more dollars. Obstacles placed by the surplus countries on imports, whether in the form of too high tariffs, import quotas, customs administration, escape-clauses, may frustrate even the most strenuous efforts of the deficit countries to achieve international balance without resorting to restrictions. To maintain approximately our present volume of export trade, and at the same time to be paid in full, we must greatly increase our imports from Europe and from other parts of the world. It appears unrealistic to think of a balance in exports and imports between Europe and North Amer-

ica. The solution to the dollar problem will require international action and implies, therefore, that Europe will be able to produce at competitive prices the kind of goods which the rest of the world needs or wants.

The present trade imbalance cannot be reversed overnight. The necessary adjustments in our own industry and our own markets can only be made equitable over a period of time. It may be necessary to provide, for a certain length of time, subsidies to those industries which will stand to suffer as a result of the necessary adjustments to lower tariffs. Besides, the relatively greater productivity in the United States makes it very unlikely that the existing "dollar gap" can be closed by increased American imports alone. A substantial part of the remaining dollar gap could perhaps be filled by increased overseas investment by the United States.

On Tariffs

Sophistry of more interested manufacturers and labor unions, who would be hurt by a lowering of tariff barriers, and emotionalisms have confounded the common sense of mankind in the discussion of the tariff issue.

While my main argument in favor of the reduction of tariff barriers rests on political and social considerations (maintenance of peace and the preservation of human freedom), I deem advisable to unmask the fallacies of the protectionists. However, I wish to make clear that my argument is not directed against all tariffs, including duties collected mainly for revenue, or to keep alive industries needed for war.

I shall not argue for the reduction of trade barriers on grounds of equity. My plea rests exclusively on the truthful and real interests of the American people. Ever since Adam Smith, economists have been well-nigh unanimous in recognizing the virtues of unfettered, unhampered trade relations between people living in the various countries of the globe. Adam Smith rested his case on one fundamental and unchallengeable proposition: "In every country it always is and must be the interest of the great body of the people to buy whatever they want of those who sell it cheapest." From the point of the specialization of labor, Mr. Smith said: "It is the maxim of every prudent master of a family never to attempt to make at home what will cost him more to make than to buy." It is equally not true that it is an advantage for a nation to replace imports by domestic products. If our country were to grow coffee in hot houses instead of importing it, everybody would qualify this as lunacy. But it differs only in degree, not in principle, from other protectionist schemes. The cheapest way for Americans to get hand-made embroideries is to export motor-cars or fountain-pens. The popularity of the protectionist is due to the error that imports can be reduced without a corresponding restriction of exports.

Further on I shall discuss at some length the argument for tariff protection based on wages differentials. For the sake of brevity I shall be satisfied to assert dogmatically the following propositions, which have been expatiated on in many treatices dealing with international trade.

(a) Tariffs hurt all consumers as such.

(b) It is not true that a tariff provides employment.

(c) Tariffs reduce real wages and the standard of living of the people of a country.

(d) U. S. A. would profit from free trade even if other nations cling to protection. If, for instance, France erects trade barriers against American imports, it will reduce American purchases of French products, unless France does import from countries to which American exports exceed American imports.

Obnoxious Tariff Procedures

The tariff barriers in the United States take four main forms: obnoxious customs procedures, escape-clauses, quotas and duties.

The proposed legislation for **simplified customs procedures** is long overdue.

The "escape-clause" in our tariff treaties is a monstrosity and an abomination. We tell the Europeans that if they want to sell finished goods to the United States they must first spend substantial amounts of money on studying the market, learning scientific methods of salesmansnip and advertising. If they do all that and are successful in selling us goods, we invoke the infamous "escape-clause" to make it impossible for them to import.

The **import quotas** like those put recently on cheese are mentioned merely to show to what extremes political demogoguery can go.

Duties. I wish to refute the argument for tariff protection based on wage-differentials, because this argument is most often used to justify high tariffs.

Wages and Tariffs

Some people contend that import duties are required to deprive foreign producers of the advantage which they derive from lower wages. But it ought to be clear that international trade based on division of labor is possible only if the costs of production are lower in the exporting countries than in the importing countries. If our comparatively high wage level can be preserved only by excluding or heavily taxing imports we shall in time find ourselves losing our export markets, because it is a simple truism that we must import in order to export. Tariffs simply help the protected producers, at the expense of the consumers and of all other American producers, and particularly of those who have a comparatively large potential export market.

(a) Tariffs make the industries in which we are comparatively inefficient larger, and the industries in which we are comparatively efficient smaller. Its net effect, therefore, is to reduce American efficiency, because the average productivity of capital and labor declines.

(b) The principle which explains how international trade is possible despite differences in wages is known as the theory of comparative advantages. It is advantageous for every country to concentrate its efforts upon the expansion of those branches of production in which the superiority is highest and to import commodities in whose production its superiority is comparatively lower, even though these too could be produced at home under more favorable conditions than abroad. If differences in wages were an obstacle to trade between nations one could not explain how trade has expanded between highly technically developed countries and how, for instance, our country is exporting such huge quantities of raw commodities, semi-manufactured goods and finished goods. In 1937, as much as 9% of the United States' exports of manufactures were sold in Great Britain, not far short of the proportion (12%) which Britain represented of the world's consumption of manufactures outside the U. S. A.

(c) Differences in the real level of wages between countries reflect mainly the differences between the general productivity of these countries.

(d) Wages are not the determining factor in the matter of costs of production. For instance, the U. S. A. worker has 2.5 times larger mechanical energy at his disposal than the worker in Western Europe. There may be differences in technological progress between countries. There may be differences in the cost of the machines used to make a specific product, and in the amortization a company is allowed to take. There may be differences in costs resulting from quantities produced of the same kind of ware. There may be differences in costs due to interests rates on moneys needed by a business, either as capital or as working capital.

(e) Nominal wages of unionized workers can be raised at the expense of the non-unionized and of the unemployed. If prices are raised to such height that the wage earners' gains are absorbed by the consumers' losses, real wage-rates remain unchanged and the undesirable consequences of union policy do not appear. To a large extent the function of protectionism in an industrially efficient country is to mask the effects of unionism. But the protectionism made necessary by unionism inflicts damage on the whole nation on account of the fall of the productivity of labor resulting from the partial withdrawal from the international division of labor.

Predicts An Oncoming Readjustment

"The Guaranty Survey," monthly publication of the Guaranty Trust Company of New York, says today's prosperity rests upon a temporary foundation, and factors in the outlook point to readjustment from abnormal demands of rearmament period.

In an editorial article in "The Guaranty Survey," the monthly publication of the Guaranty Trust Company of New York, the view is expressed that a readjustment from the abnormal demands of the rearmament period to a more normal set of conditions is likely to take place during the next Federal Adminstration.

According to the article: "Today's prosperity admittedly rests upon a temporary foundation. The rearmament program has raised governmental spending to a record-breaking peacetime level and business investment to an all-time peak. These are extraordinary sources of demand that cannot continue indefinitely at their present volume. Current indications are that their upward movement will cease within the non-distant future and that a decline will eventually follow, bringing wide changes in the general business picture.

"Business expenditures for plant and equipment may already be at or near their highest point. Tax-amortization certificates are now being issued at a comparatively low rate. Actual expenditures will probably be kept high for some months because of the amount of work already under way or contracted for, but the volume of spending may not rise much further, and a downward tendency could appear before the end of next year.

"Federal spending for defense purposes is scheduled to rise further, reaching its maximum rate some time during the second half of 1953. Thereafter it seems likely to continue at approximately the same level for a number of months, perhaps a year or more. Eventually, however, this source of demand also must diminish, although the requirements of a garrison state will probably necessitate heavy military spending for an indefinite period.

"Consumer demand has not been abnormally high in relation to current income, and there seems to be no good reason to anticipate an abrupt decline unless the trend of income is reversed or unless some strong influence on consumer psychology appears. The market for consumer goods, especially durable goods, can, however, undergo broad and swift changes in response to new factors in the domestic or international outlook:

"The volume of foreign demand for goods from the United States has already contracted sharply, and import restrictions imposed by foreign countries during the past year are still in effect, with no signs of their early removal. Economic difficulties have led some countries to cut back their defense programs, and there seems to be considerable resentment abroad at what many foreigners regard as indefensible protectionist tendencies in the United States. The "dollar problem" has been relieved to some extent in recent months by increases in dollar balances, but these increases in most cases have been far from sufficient to offset the preceding decline. On the whole, therefore, the near-term prospects for foreign demand are not promising.

"These factors in the outlook, considered together, point to a readjustment from the abnormal demands of the rearmament period to a more normal set of conditions. The readjustment could begin within a year, or it could be deferred for two years or more. Present indications suggest, however, that it is likely to take place during the term of office of the next Federal Administration. Hence, the question of governmental attitude is of major importance.

"Business readjustments commonly involve temporary declines in production and employment. In the present instance, it would be difficult to find anything in the immediate economic situation to warrant the belief that the recession need be severe or prolonged. Yet there are some reasons for uncertainty, arising mostly from past or possible future political action."

Griswold Director

Benjamin Howell Griswold, III, of Baltimore, Md., has been elected to the Board of Directors of Mathieson Chemical Corporation, according to an announcement by Thomas S. Nichols, President and Chairman of the Board. Mr. Griswold, a partner in the investment firm of Alex. Brown & Sons, is also a director of the Fidelity and Deposit Company of Maryland, American Bonding Company, Baltimore Life Insurance Company, Central Savings Bank of Baltimore and a trustee of Johns Hopkins University.

B. H. Griswold, III

Glidden, Morris & Co. Admit W. H. MacKain

Glidden, Morris & Co., 72 Wall Street, New York City, investment securities firm, established in 1916 announce the admission of Warren H. MacKain as a general partner. Mr. MacKain has been associated with the firm for the past 20 years.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

I look for a market celebration followed by the inevitable headache. What will happen in the long run is, in my opinion, a lot more important than the post-election market behavior. What that will be will depend on many factors few of which will interest the emotional trader who goes by the headlines.

* * *

Last week's column said in effect that the market would continue to go up. It emphasized the action of the oils, and repeated the arguments for higher prices it made the previous week. If you will recall the market had a pretty severe break 2 to 3 weeks ago accompanied by the usual doleful comments that a bear market was in the making. This column took a minority view. It felt that buying opportunities appeared on breaks not on strength.

* * *

What has happened since is a matter of record. Prices firmed, and the general list led by the oils advanced substantially.

* * *

I think any renewed market strength should be used to convert paper profits into real ones. This doesn't mean that everything should be sold; but cashing in at least part of the open positions on this strength would seem advisable.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Frederick R. Shaw With Coburn & Middlebrook

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Frederick R. Shaw has become associated with Coburn & Middlebrook, Incorporated, 100 Trumbull Street. Mr. Shaw was formerly with Eisele & King, Libaire, Stout & Co. and Shields & Company.

With Sidlo, Simons

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Robert S. Layton has joined the staff of Sidlo, Simons, Roberts & Co., First National Bank Building. Mr. Layton in the past was with Forbes & Co.

Joins Dacey Staff

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn.—Seymour Wilk has become affiliated with Norman F. Dacey & Associates, 114 State. Street.

Hincks Bros. Add

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn. — Arthur B. Buckman, Jr. has become connected with Hincks Bros. & Co., Inc., 872 Main Street, members of the Midwest Stock Exchange.

Continued from page 6

Needling U.S. to Raise Gold Price

trolled under the terms of the Bombay Forward Contracts Control Act of 1947. Two members of the board of the Association are nominated by the provincial Government, which thus gets first-hand information on the market and is at the same time able to convey its views to the traders.

At its organization the Bombay Bullion Association was described as a more democratic body than its predecessor. The latter suffered from conflicts between the proprietary interests and those of the traders. The conflicts led to frequent emergencies and litigation. Under the new arrangement, emergencies cannot be declared without the Government's consent.

Since April, 1949, forward trading in gold in Bombay Province has been conducted exclusively on the Bombay Bullion Association.

Israel—Under a decree of September, 1952 trading in "commercial" gold is subject to license by the Finance Ministry. Possession of gold in public places is illegal.

Peru—Under a decree of July 11, 1946, holders of gold and gold producers required to sell to Central Bank at official world market price.

New Zealand — Since August, 1952 producers may sell gold on free markets abroad. Gold for the arts and industry is obtainable locally from licensed dealers, payment therefore being made at the New Zealand-currency equivalent of the oversea free-market price currently prevailing.

Siam — Various press reports, differing in details, indicate that Siam is getting ready to make a bid for gold trading. Despite the official prohibition of gold imports and exports, gold smuggling has long been active in Siam, reaching an estimated high of 70,000 ounces during a single month and reportedly averaging 50,000 ounces, some of the illegal imports moving on to Burma.

One early October report had it that the Siamese Government was planning to legalize gold imports up to 60,000 ounces monthly. A new company composed of some Chinese dealers, a Siamese bank and some Siamese officials would have the monopoly of imports and the responsibility to collect the import duty on gold and to check the fineness of gold ornaments offered for sale to the public in Siam. A different press report described a plan involving the formation of a syndicate of nine Siamese banks and a Siamese foreign-trading concern to be given a monopoly of gold imports which —the report added—would come entirely from the Netherlands.

Switzerland — Free market established Dec. 15, 1951.

The import or export of gold as also gold in transit require a license from the Swiss National Bank. Bar gold appears to cross Switzerland without difficulty.

A private person importing gold is assessed a 6% tax at the frontier. In selling gold to private persons the Swiss banks collect a 4% purchase tax. Wholesale gold dealers in Switerland and Swiss banks are not subject to the tax; also, when both parties to any gold transaction are private persons, the purchase tax is not payable.

Tangier — (See "Chronicle" of Aug. 21, 1952.)

United Kingdom—The Bank of England's ban on dealing in bar gold or coin at any premium over official prices has barred London bullion houses from gold trading. No dealings may take place in gold in England without authorization of the Bank of England.

Nationals of Great Britain are prohibited from holding gold, but gold may be held in England for foreign account and permission for the export of the metal will be freely granted to any country outside the Sterling Area whose laws do not expressly forbid its importation.

The United Kingdom permits the importation of gold for conversion into half-kilo and one-kilo bars for foreign account.

(For additional information on the United Kingdom and the gold market, see the writer's article in the "Chronicle" of Aug. 21, 1952.)

Philippine Mines Get Relief

On Oct. 15, 1952, the Philippine Government granted additional relief to the gold mines. Whereas previously those mines had been allowed to sell on the free gold market of Manila 75% of their newly-mined product, they are now authorized to sell in that market all the gold that they produce. The permission, moreover, is retroactive to Aug. 4, 1952. The reason it is retroactive is that as of Aug. 4 the new minimum wage law was applied to the gold mines, requiring them to pay their laborers not less than four pesos daily. To absorb this added cost of production the mining companies pressed for relief from the previous obligation to sell 25% of their output to the Philippine Government at the official price of 50 pesos ($35) an ounce. Although reluctant to see the Central Bank deprived of this regular source of replenishment of its reserves, Governor Miguel Cuaderno finally recommended the course adopted on Oct. 15.

With the Manila price of gold at this writing about 104.50 pesos an ounce, equal to about $52, the Philippine mines would seem to be sitting pretty. The Manila market, it should be noted, is in theory just an internal market. It is comprised of six or seven Chinese, who determine the price. While about a third of the gold marketed in Manila is said to go into the arts and industries of the Islands, the rest disappears overseas, smuggled into the markets of nearby Asia. With the release of the 25% which heretofore went to the Central Bank no corresponding increase can be expected in the local demand for artistic uses. The Oct. 15 policy therefore means that the amount of gold smuggled out of the Philippines will tend to be one-third larger than heretofore. None of the Philippine gold production will now enrich the country's monetary reserves.

For a time at least the new Philippine policy should tend to quiet the demands of the mining industry for relief. However, since the privilege of selling on the free market 100% of gold production is more or less offset by the obligation to pay the 4-peso minimum daily wage, if other mining costs should continue to press against profitable mining renewed attention may be given by mining companies to alternative relief schemes recently broached in mining circles of the Philippines. Not too much significance attaches to the closing of the Atoc-Big-Wedge mine on Oct. 22. That mine had been exhausting its better-grade ores.

Parenthetically, news from another country which permits its mines to sell 100% of their gold on free markets—external free markets—may be pertinent. The Government of Southern Rhodesia has announced its intention to restore the gold-mining subsidy next fiscal year.

Gold Bullion Exchange Proposed

During the past summer a proposal for the establishment in Manila of a gold bullion exchange attracted attention in mining circles. Since — it was argued — non-producing countries in Asia maintain such gold exchanges, among them being Hong Kong, Malaya, Thailand, Burma[2] and India, such an exchange is indispensable to a mining country like the Philippines. Such a free market maintained internally need not interfere with official restriction of gold exports or imports. This—the argument continued—is illustrated by the case of Hong Kong, where the government, after putting gold movements under strict licensing, encouraged the establishment of the Hong Kong Gold Bullion Exchange. The Colonial Government reportedly derives "substantial revenue" from that institution's activities, the daily volume of spot cash gold transactions being reportedly around 33,000 ounces. With future deliveries included, total daily gold business is about 100,000 ounces, according to report. The Philippines Government was urged not to overlook this potential source of revenue.

Philippine gold producers see in the proposed bullion exchange both pros and cons. An advantage, in their view, is that people in the islands might be inclined to put some of their savings in gold. The advent of such demand would tend to raise the local premium, while gold now being smuggled abroad would more likely remain in the Philippines. A more prosperous Philippine gold industry, in turn, "would tend to employ more workers." Advocates of the bullion exchange claimed that it would create confidence in the government and the peso.

Well informed mine-owners, however, realized that the Philippine authorities would be unlikely to accept this line of reasoning. The central bank, which has been working to stabilize the currency in terms of gold and the dollar, is hardly likely to view with enthusiasm creation of a popular gold market. It is stated that the Philippine people, like those of the United States, seem content to use as money an inconvertible currency. Unlike the French or the Chinese, Filipinos exhibit no strong gold-hoarding desire.

If the bullion exchange depended largely on a handful of Chinese, its attractions to the mining industry might not be as great as predicted by the advocates of the exchange. Therefore, it is being said, the mining industry had better leave well enough alone. It is getting some premium on three-fourths of its output under the present benign policy of the central bank and government.

Under the law producers could be required to turn all their gold over at $35 an ounce. This would be much more pleasing to the International Monetary Fund, of which the Philippines is a member, and to the United States Government. The American official viewpoint is that gold belongs in official reserves and that a country which looks to the United States for aid should conserve its resources. But the sale at premium prices and even the export smuggling of the gold so sold is condoned as a subsidy to mining. As it is, the proceeds of the gold smuggled out of the Philippines after passing through the free internal market represent largely a flight of capital or at best the acquisition of luxury goods to be smuggled into the Philippines.

Another Scheme Suggested

Another scheme circulating in Philippine mining circles would call for the Government's acquiring all newly-mined gold with dollar gold certificates at $35 an ounce. The miners would be authorized to sell those certificates in the islands at premium prices in pesos, while the buyers of the certificates would be authorized to exchange them for foreign exchange to be used in the importation of specified goods otherwise not legally importable. Since the output of gold in the Philippines is relatively limited, the demand for the scarce foreign goods would exceed the supply of available gold certificates entitling their importation. As a result, it is argued, the demand for the certificates would drive their price up, to the advantage of the gold miners.

Tax Repeal Proposed

Still another proposal has been published by the president of the Batong-Duhay Gold Mines, Inc., Mr. Thomas I. Weeks. Mr. Weeks suggests that, out of the proceeds of the present 17% foreign exchange tax a subsidy should be paid on all newly-mined gold. The subsidy should be large enough to enable the producer to pay the minimum wage and earn a "reasonable profit"; large enough also to encourage the mining of low-grade ore. Then the full output of newly-mined gold could be turned over the central bank at the official price and export smuggling would presumably disappear. Necessary imports of the gold mining industry would also be granted exemption from the 17% foreign exchange tax, under the Weeks' plan.

Hong Kong

Hong Kong is an important factor in the gold market of the Far East, even though it operates illegally. The gold traffic of the British crown colony is closely related to that of Portugal's Macao, only 40 miles away. We shall therefore take a look at both places.

The Hong Kong Government rarely licenses gold imports or exports. Yet the movements are large, none the less. The traffic is handled by professional smugglers on behalf of Chinese native banks trading either in their own names or for the account of Chinese and European business houses operating in Hong Kong. While price considerations are important determinants of whether gold flows into or out of Hong Kong at any given time, other factors are also influential. Thus, at a time when the free market price of gold is higher in Siam or Indo-China than it is in Europe, traders wishing to move gold from Europe to those markets in Asia find it very useful to send the metal first to Hong Kong. This is due to the fact that the gold could not be legally landed in Siam or Indo-China (or, it might be, some other market in Southeast Asia). It must be smuggled in and the headquarters for such smuggling in that area are Macao and the island of Hong Kong, whose surrounding waters are plied by numerous Chinese junks and other small trading craft.

European or other privately-owned gold seeking to reach the better prices obtainable in Asiatic markets goes by air on regular or chartered planes to the Hong Kong-Macao area, perhaps even passing through the place to which it is ultimately to return but which it may not legally enter. At Macao or Hong Kong the smuggler takes over the responsibility of delivering the gold to the place where it is wanted. As described in the discussion of Macao, below, the obstacles to gold's entry into Macao are not severe.

The Hong Kong Government, however, being obedient to that of the United Kingdom, must officially frown on gold traffic which violates the letter or spirit of the IMF in Washington. However, gold in the custody of smugglers enters and leaves Hong Kong with considerable success according to informed reports. The crews of fishing and other surface craft, small and large, serve as carriers; and, it is reported, airline personnel.

An internal gold market exists legally in Hong Kong. The Gold and Silver Exchange is officially authorized. Complicating the smuggler's trade, the bullion fineness recognized by the exchange is only 0.945, whereas the fineness demanded on other Asiatic markets is greater. This brings business to Hong Kong's bullion refiners.

It is interesting to note that one of London's oldest bullion dealers, Samuel Montagu and Company, is part owner of an important Hong Kong bullion house, Mount Trading Company.

Macao Market has Lord High Poo-Bah

The importance of Macao in the world's free gold markets stems partly from its location in a part of the world where gold is in keen demand for hoarding and partly from the fact that Portugal, the mother country, is not a member of the International Monetary Fund and hence is not even nominally restricted by Fund gold policy. Macao some time ago set a theoretical limit on the amount of gold which might be imported, namely 250,000 ounces per quarter; and to control the imports it employs a system of licensing.

Anyone desiring to share in the 250,000-ounce trade must be allotted a license for a part of that amount. Theoretically this may be done by depositing with Macao's only commercial bank, the Banco Ultramarino, the local equivalent of $50,000 as a bond. That deposit suffices to license imports totalling 50,000 ounces in a year. Such legal imports, incidentally, are subject to a Macao official tax of 2½ patacas per ounce of gold plus an unofficial gratuity of half that amount for the Government personnel concerned. The latter charge may be likened to the service tax which the tourist pays to get out of a French hotel.

Actually, the supply of licenses is cornered by a syndicate of three native banks which have affiliates in Hong Kong, the syndicate being headed by P. J. Lobo. The three banks and, in the same order, their Hong Kong relations are:

In Macao

Tai Fung Bank
Wing Lung Bank
Dao Hang Bank

In Hong Kong

Hang Sang Bank
Wing Lung Bank
Sang Fat Hing Bank

Senhor Lobo, it so happens, in addition to heading the above syndicate, conveniently owns the Macao Air Transport Company which brings in the gold by flying boat, for the colony boasts no airport; and he is as well the Macao Government's Director of Economic Services, the license-issuing authority. If the local circumstances are propitious, the syndicate keeps the current licenses in its own hands. If this does not seem the most advantageous course, the syndicate sells the temporary licenses to others. A couple of years ago, for instance, the syndicate reportedly was able to sell licenses at six Hong Kong dollars per ounce, or double the standard official tax and "squeeze" mentioned above.

In 1951 the syndicate was able to sell licenses at 15 Hong Kong dollars an ounce. Those who bought the licenses lost nothing by the deal. During the first quarter of 1951 about 600,000 ounces of gold were brought into Macao, or well over double the theoretical quota for the quarter. This suggests that the quota is at least unofficially elastic. In "The Reporter" of July 22, 1952, "Trailing Illicit Gold Across a Hemisphere," H. R. Reinhardt detailed his observations of the Macao syndicate

[2] The writer cannot confirm the statement that gold bullion exchanges exist in Malaya, Burma and Thailand.

at work. If he was not deceived, the high cost of squeeze in Macao is partly to be explained by the need to take care of the boys in Lisbon.

Senhor Lobo, whose official duties include collection of the Government tax on gold imports, through his flying boats provides the Macao gold market with a most useful service. Gold from as far away as South Africa, Tangier and South America is flown on land planes—sometimes especially chartered — to Bangkok and Saigon. Thence it reaches Macao on hydroplanes of the Pacific Overseas Airlines (Siam) Ltd., and the Macao Air Transport Company, respectively. Macao is but a temporary resting place for the yellow metal. Sooner or later the gold passes on to its real destinations.

According to Mr. Reinhardt, it costs only a little more than a dollar to ship an ounce of gold by air from Tangier to Bangkok but more than $2 an ounce to smuggle it from Macao into Bangkok. Getting the metal to Hong Kong from Macao is cheaper: only 92 cents an ounce by fishing junk or passenger steamer. The same source gives $1 an ounce as the tariff of airline hostesses for taking gold by plane as far as India. This charge doesn't seem excessive, for —Mr Reinhardt reports—it costs $3 an ounce to smuggle the metal into India from Pondicherry and Goa, the French and Portuguese colonies in India. Pondicherry and Goa are supplied large amounts of gold by special planes from Tangier and elsewhere, it is said. The high smuggling charges are no doubt intended to include compensation for loss through detection.

Uruguay Seeks Gold Business

Uruguay for some time has sought to attract foreign capital and make itself the Switzerland of South America. Realizing that gold is a favored form of capital with many persons, in August the Uruguayan Government promulgated a new decree to govern gold movements on private account. Pending receipt of information on the gold market of Montevideo we publish below a translation of the text of the decree and that of a gold certificate. The latter has perhaps been designed in emulation of the Tangier gold certificate which was described in the "Chronicle" of Aug. 21, 1952.

Following is a translation of the text of the Uruguayan gold decree of Aug. 11, 1952:

DECRE OF AUGUST 11, 1952 ESTABLISHING A NEW SYSTEM FOR THE IMPORTATION, TRADE AND EXPORTATION OF GOLD

CONSIDERING these records concerning the system of importation and exportation of gold in coins and in bars or ingots not intended for industrial use;

IN VIEW of the provisions of Art. 10 of the law of Aug. 8, 1914 and Art. 2 of the law of Dec 17, 1923 authorizing the Executive Power to determine the cases in which the export of gold may be authorized;

CONSIDERING the desirability of standardizing the various regulations issued on this matter, with the object of instituting an effective system of gold trade in the form of importation and investment of capital;

HAVING HEARD the Banco de la Republica Oriental del Uruguay, the General Customs Administration and the Office of Collection of the Excess Profits Tax, the *NATIONAL COUNCIL OF GOVERNMENT DECREES:*

Art. 1—It is declared that imports of gold in coins, bars or ingots, regardless of the way in which they reach the country, not intended for industrial use, are considered an entry of capital and their importation, trade and circulation within the Republic are completely free, without prejudice to the provisions of Art. 9 of the present decree.

Art. 2—The Banco de la Republica Oriental del Uruguay and the official and private banks established in the country are authorized to receive in deposit imports of gold in coins and bars or ingots.

The banks shall report to the Banco de la Republica Oriental del Uruguay any deposits of gold they receive. In this report they shall limit themselves to indicating the quantities and characteristics of the coins and bars or ingots in question. They shall also report any withdrawals and exports made from the deposits.

Art. 3—Imports of gold in coins are exempted from any tax, charge, duty, patent, assessment, rent or any other forms of taxation or levy of any type whatsoever. This exemption applies also to imports of gold in bars or ingots, but only when made by official or private banks, national or foreign, established in the country.

Art. 4—Imports of gold covered by the present decree may be cleared through Customs directly, in conformity with the provisions of Art. 38 and 45 of the decree of Dec. 7, 1943.

When the Customs brokers so request, the General Customs Administration will authorize the provisional clearing through Customs of the gold, which shall be governed by Arts. 46 et seq. of the above-mentioned decree.

Art. 5—In cases where imports of gold covered by this decree are made by banks, the custom house where the shipment arrives shall deliver the gold directly, with no requisite other than the presentation of an application for delivery and a letter of guaranty directed to it, signed by the bank and an authorized Customs broker, who shall be obliged to regularize the procedures in conformity with the provisions of Arts. 38 and 45 of the decree of Dec. 7, 1943 within a period of 48 hours after receiving the gold.

The gold will be taken from the custom house in the custody of the Customs staff and examined by a Customs Inspector at the time of its arrival at the banking premises.

Art. 6—The export of gold shall be authorized in such cases as may be determined by the Executive Power.

That authorization will not be necessary in the following cases:

(a) In the case of gold in coins and bars or ingots imported and deposited in the Banco de la Republica and the other banks established in the country, in conformity with the system authorized by Art. 2 of this decree.

(b) When the interested persons show to the Banco de la Republica Oriental del Uruguay, through a certified statement issued by the General Customs Administration, that they have effected imports of gold of the same type equivalent to or greater than the export to be effected, before the date of their application and after that of the present decree.

Art. 7—The Controller of Exports and the General Customs Administration will, within 48 hours after presentation, process the applications for the exploration of gold, provided that the following documents are exhibited to the former:

(a) Copy of the favorable resolution of the Executive Power, which will be issued by the Ministry of Finance in the cases referred to in the first paragraph of the preceding article.

(b) Sworn declaration of the depository banks in the case of gold imported under the deposit system referred to in clause (a) of the preceding article.

(c) Copy of the favorable resolution of the Banco de la Republica Oriental del Uruguay in the cases contemplated in clause (b) of the preceding article.

Art. 8—Exports of gold in coins and bars or ingots made in conformity with the present decree shall also enjoy the tax exemption provided for imports by Art. 3 of this decree.

Art. 9—For purposes of the provisions of Art. 2 of the decree of Oct. 7, 1950 regulating Art. 57 of the law of Sept. 18, 1950 it will be the responsibility of the taxpayers—in the case of products in the manufacture of which gold is included—to prove that the luxury tax has been paid for this raw material on its entry into the country. In cases where this has not been done, they may pay the tax without additional charge before its manufacture through a sworn declaration to the Office for Collection of the Excess Profits Tax.

Art. 10—Such gold deposit certificates as are issued at the authorized banks for themselves or for the account of third persons in conformity with the present decree shall be subject to the stamp tax established in Art. 31 of the law of Sept. 18, 1950. The value of the stamps will be calculated in dollars on the basis of the official price on the international market, being reduced to national currency at the free-market rate of the day on which the certificate is issued.

Such authorized banks as issue gold certificates shall present each quarter to the General Administration of Direct Taxes a sworn declaration of the certificates issued, indicating their serial number, date of issuance, quantity of gold, reduction to national currency and stamp that must be applied to each. On the back of this sworn declaration the stamps representing the certificates declared will be applied and cancelled.

Art. 11—Where pertinent, the regulations for the control of the collection of the stamp tax which are provided in Art. 3 of the law of Nov. 23, 1923 and relevant provisions shall be applied to this decree.

Art. 12—The provisions of the present decree shall be applied to imports in process of handling initiated by banks established in the country.

Art. 13—The decrees of May 19, 1939, April 10, 1942, Dec. 5, 1950 and other provisions contrary to the present decree are repealed.

Montevideo, Aug. 11, 1952.

Text of a Gold Certificate

Below is given in translation the text of one of the gold certificates of "FIDUSA," Fiduciaria del Uruguay, S. A., relating to a deposit of bar gold. On the certificate the text appears in both Spanish and French. The form for transfers at the bottom appears three times on the certificate, thus providing for the recording of three transfers.

Series 3

No. 0001

F.I.D.U.S.A.

Fiduciary Company of Uruguay, S. A., Montevideo, Uruguay

Gold Deposit Certificate

We certify that we have deposited in custody of the Bank LA CAJA OBRERA, under the general conditions printed on the back, the following quantity of gold:

Quantity: _____

Number and weight of the bars: _____

Assayer's certificate: _____

Custody commission 7 pesos per kilogram per year or fraction thereof, paid up to: _____

We promise to hold the gold described at the disposal of:____

_____

against presentation of this certificate, the Bank LA CAJA OBRERA is obligated to deliver the gold deposited.

F.I.D.U.S.A.

_____

THE BANK LA CAJA OBRERA declares that it has received in custody from the company indicated above, the gold which is the object of the present certificate. The Bank promises to keep this gold at the disposal of the owner of this certificate, against presentation of which it is obligated to deliver it. Likewise, the Bank certifies that the signers of the certificate are authorized to represent the said company and that the above signatures are authentic.

Correspondence concerning this deposit must be directed to the Servico Oro (Gold Department) of the bank LA CAJA OBRERA, Calle 25 de Mayo 500, Montevidie, Uruguay.

Montevideo _____ 19 ____

Bank LA CAJA OBRERA

_____

GENERAL CONDITIONS

(1) The gold which is the object of the present certificate is deposited in the vault of the Bank LA CAJA OBRERA in custody.

(2) The bearer of this certificate may dispose at any time of the gold deposited, observing, however, the regulations of the Bank La Caja Obrera and the regulation prevailing in the Republica Oriental del Uruguay. The Bank La Caja Obrera is obligated to surrender the gold only against presentation of this certificate. The bank has the right but not the obligation to verify the identity of the bearer. The certificate returned to the bank means the deposit has been returned.

(3) The bearer of this certificate is obligated to pay the commissions for custody and administration stipulated on the back. These commissions are valid until revoked and may be changed at any time by the Bank La Caja Obrera on the basis of the price of gold and the rates prevailing in the banking institutions of this city. The commissions are guaranteed by a lien on the deposit. If these commissions remain unpaid for more than three consecutive years, the bank may automatically, without the need for judicial aid, declare the bearer of the certificate in default and sell extra-judicially, at public auction, the amount of gold necessary to cover the commissions due.

(4) Any disputes that may arise from this deposit shall be solved by the laws and judges of the Republica Oriental del Uruguay.

(5) Possession of the present certificate implies a knowledge of the provisions mentioned above and an approval of them.

In the case of nominative certificates Article 2 shall be as follows:

(2) Transfer of this certificate shall be made by endorsement on the document itself, signed by the transferor and this transfer must be reported to the Bank La Caja Obrera by *registered* letter. The bank shall not recognize the owner of the certificate until after having received the notification of the last transferor. The last transferee has the right to dispose at any time of the gold deposited, observing, however, the regulations of the Bank La Caja Obrera and the regulations prevailing in the Republica Oriental del Uruguay. The bank is not obligated to surrender the gold except against presentation of this certificate. For this purpose, the last transferee must certify his identity (passport, for example) but the bank will not control or assume responsibility because of the lack of authority and authenticity of the transferors. In case of death or incapacity of the rightful holder, his beneficiaries must legally justify their rights. The certificate returned to the bank signifies the deposit has been returned.

TRANSFERS *

The undersigned transfers to

_____

_____

the rights and obligations arising from the present certificate and its General Conditions.

_____ 19____

Signature:

_____

* What follows appears three times on the certificate.—H. M. B.

John H. Knuth Joins Equitable Securities

Equitable Securities Corporation, 2 Wall Street, New York City announce that John H. Knuth i now associated with the firm i the sales department. Mr. Knut was formerly with W. C. Langle & Co. and prior thereto was a officer of Burr & Company, Inc.

Goebel Heads Dept. of Mitchell Hutchins

Mitchell, Hutchins & Co., members of the New York Stock and Curb Exchanges, Midwest Stock Exchange and other exchanges in New York and Chicago, announce that Edwin Goebel is now associated with the firm's New York office, 1 Wall Street, as manager of the commodity department.

D. P. Whitlock With Marine Trust Co

The Marine Trust Company Western New York has announc the appointment of Daniel Whitlock as assistant manager the New York office (120 Broa way) of their municipal securit department.

Mr. Whitlock has been w Lazard Freres & Co., and prior Army service in World War was with Shields & Company.

Gordon With Bache

RALEIGH, N. C.—Bache & Co members of the New York Stock Exchange, 126 South Salisbury Street, announced that W. N. T. Gordon has joined their office as a Registered Representative. He was formerly with the National City Bank in Panama.

With Wilson, Johnson

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. Howard T. Snedicor is now a filiated with Wilson, Johnson Higgins, 300 Montgomery Street.

Two With Hamilton

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Will T. Lyn and Clifford Moody are now wi Hamilton Management Corpor tion, 445 Grant Street.

With C. E. Bohlander

(Special to THE FINANCIAL CHRONICLE)

BLOOMINGTON, Ill.—Roy M. Brown is now affiliated with C. E. Bohlander & Co., Inc., American State Bank Building.

Continued from first page

A Progress Report On Credit Inflation

Federal deficit, *the debt of the economy*—of municipalities, business units and individuals—keeps growing at a rate which *in each of the last two years equals the eight years' growth of the lusty 1920's!* Equally significant is the composition of this new debt structure.

Lack of credit discipline was a most remarkable aspect of 1951. It was a year of slipping prices and of definite consumer resistance. Yet, corporate short-term debts alone have risen by $14.4 billion—nearly half of the all-round increase—little less than in 1950 when raw material and other prices were jumping at a record rate, and inventory buying by producers as well as by consumers was of an unprecedented intensity.

Also, 1951 was a year of credit controls: "Voluntary restraint" on the capital market; regulations X and W setting ceilings on real estate and consumer credits; sharply increased margin requirements on security loans under regulations T and U. Yet, $2.8 billion have been raised by municipal issues, the largest amount on record for any single year; and $5.0 billion in corporate long-terms, which was about 80% more than previous year's $3.3 billion. (See Table II.)

Memo to investors: **Railroads accounted for a bare $500 million rise in liabilities, other corporations absorbing the rest of almost $19 billion. Indeed, the railroad** debt is still $700 million below what it was at the end of 1945, while the liabilities of the other corporations have exactly doubled in six years' time. Had it not been for the wholesale liquidation of rail obligations, the total corporate debt would be well over the double of its 1929 volume.

The Credit Expansion

On top of all restrictive measures, the Federal Reserve "scrapped" the supports in March of 1951, and government bond yields went up. The result must be disappointing to the doctrinaires who believe that an inflationary tide can be stemmed by increasing government bond yields by ¼ of 1% or so. The "un-pegging" could not have had much of an effect when—in the face of qualitative credit controls, consumer self-restraints and falling commodity prices — the total credit expansion in the non-governmental sphere was only 18% less in 1951 than in 1950 ($33.7 billion as against $39.5 billion). Nor did state and local authorities show much inhibition against borrowing, to say nothing of the Federal Government's deficit of $3.9 billion.

The corporations' rush into long-term debt is the financial reflection of the vast plant and equipment construction. Directly and indirectly, armaments were the prime motive force in 1951, as they are in 1952 and will presumably be also in 1953. But what about the sky-rocketing short-term indebtedness of business in spite of softening commodity prices? One of two explanations may apply. Either inventories are growing far beyond what their statistics report; or short loans serve to finance capital investments. Both would be very unusual developments. All the debt statistics show in this respect is that the increase in short-term corporate liabilities is just about equally divided between "notes and accounts payable" and "other" (including provisions for reconversion) liabilities — which does not throw much light into the jungle of a reckless expansion.

Consumer loans are surely one of the vulnerable spots in this fantastic paper structure. Last year, they rose by $0.55 billion "only" (to $20,644 billion). (Table III.) The remarkable thing is not that their growth had been checked, but that there was growth at all. In view of the 1950 increase by $3.29 billion (!), a decline had to be expected even without controls —which were probably a contributory rather than the decisive factor.

In any case, credit controls had little to do with the slow-down in the expansion of "commercial" and "financial" *loans contracted by individuals and non-incorporated business units.* Those in the financial category (largely brokers' loans) rose by a modest $410 million, while the commercial loans of "small" business are the one major debt group that declined in 1951, if only by a negligible $210 million.

As to 1952, sufficient data are available already to assess the probable amount of new debts for the whole year.

Consumer credit controls having been relaxed, "new instalment debt incurred in the two months (May and June) totaled $4,574 million and repayments were $3,552 million," adding $1,022 million to the outstanding total, "the largest gain in any two-month period," the Northern Trust reported. The increase slowed down to $342 million in July and $173 million in August, but by then the outstanding amount reached $21.4 billion—highest in history.

Urban mortgage recordings disclose a new expansion that eclipses last year: $11.67 billion for the first seven months, rising at an estimated monthly rate of $1.5 billion. About one-half is being offset by amortizations, but the net outstanding volume has mounted to $57.5 billion at the end of June, compared with some $52 billion in mid-1951.

Farm mortgages as well as short-term farm loans are likely to hit new highs. The same is apparent for municipal issues: $2.222 billion in the first six months compared with $1.676 billion in the first half of last year; and $4.839 billion corporate securities, all for new capital in seven months, against $3.470 last year.

All told, it is reasonable to expect that another $30 billion, plus, will be the contribution of 1952 to the indebtedness of the people—individuals, partnerships, corporate and municipal units — not counting the seven billion or so fresh deficit the national government will have piled up.

When Will the Bubble Burst?

How much longer can this process of private debt accumulation —$30 billion and more each year! —go on without necessitating wholesale liquidation, which is the very essence of a depression?

Perhaps to cushion the shocking impact of the figures on the reader, the Department of Commerce hastens to point out that last year "in comparison with a private debt advance of $31 billion, individuals and business added $8 billion to their holdings of cash, deposits, and U. S. Government securities." Some consolation: for every four dollars fresh debt incurred by us, the people, we add one dollar to our liquid assets. What the Department cautiously avoids mentioning is the fact that seven-eighths of the added liquidity consists of—debts, the liquidity of which rests on the liquidity of our own debts or of those of the government. In other words, even the very inadequate reserves we put up against our growing liabilities are largely nominal: debts mutually guaranteeing each other.

On top of that, the whole calculus is based on the charming "one pocket owes it to the other pocket" philosophy, ignoring the fact that the debtors are far from being identical, as a rule, with the owners of the liquid assets.

The belief of the late 1920's in Eternal Prosperity was based on the argument, among others, that no depression can occur when the corporations "swim" in liquidity —as they did, but in terms of over-all statistics, not in reality.

Nor is there any consolation to be drawn from the statement that in 1951 individuals and business "made gross acquisitions of $58 billion in new homes, plants, productive equipment, and additional business inventories." That is a very "gross" figure, indeed. How much of the plant and equipment is productive in any other way but by burdening the taxpayer? What will happen to inventory value, as an example, if world market prices should take a thorough beating—as they are almost certain to take if armament expenditures should be substantially compressed?

All of which deals with the financial aspect of our basic economic problem for the next few years. Space limitations compel the postponement of further discussion to another opportunity.

Table I

The Growth of Debt

	Net Economic Debt ($ billions)	Increase or Decrease in ($ billions)	Increase or Decrease in %	Federal Debt ($ billions)
1916	79.9			1.2
1921	111.3	31.4	39.3	22.9
1929	171.9	60.6	54.4	15.1
1938	135.9	—36.0	—20.9	32.7
1945	154.5	18.6	13.7	292.6
1946	169.1	14.6	9.4	272.1
1947	196.2	27.1	16.0	269.8
1948	218.8	22.6	11.5	258.0
1949	228.1	9.3	4.3	266.1
1950	267.1	39.0	17.1	266.4
1951	300.5	33.4	12.5	270.3

Table II

The Net Private Debts (in $ billions) at Year Ends

	Corporate Long	Corporate Short	Farm Debts	Non-farm Mortgages	Other *Non-farm Debts
1916	29.1	11.1	7.8	8.5	20.0
1922	34.4	24.2	13.9	14.3	22.7
1929	47.3	41.6	12.2	31.7	28.7
1939	44.4	29.2	8.8	26.3	16.8
1940	43.7	31.9	9.1	27.2	17.7
1945	38.3	47.0	7.2	27.9	20.5
1946	41.3	52.2	7.6	33.6	20.9
1947	46.1	62.8	8.4	40.1	24.4
1948	52.5	65.3	10.6	46.6	27.7
1949	†56.5	59.3	11.8	51.9	30.5
1950	†59.8	†76.6	11.9	61.1	36.9
1951	64.8	91.0	13.3	69.5	38.7

*Includes consumers and non-incorporated business. †Revised since last year's publication.

Table III

Individual and Noncorporate Debt

(Other than Farm), End of Calendar Year, 1945-51

(Billions of $)

	1945	1946	1947	1948	1949	1950	1951
Urban Mtge.:							
1-4 Family	18.7	23.2	28.4	33.4	37.2	44.6	51.3
Multi-family & commercial	9.2	10.3	11.7	13.2	14.7	16.5	18.2
Total	27.9	33.5	40.1	46.6	51.9	61.1	69.5
Other:							
Commercial	4.4	6.3	7.6	8.1	7.6	9.9	11.3
Financial	10.4	5.9	4.9	5.2	6.0	6.9	6.7
Consumer	5.6	8.7	11.9	14.4	16.8	20.1	20.6
Total	20.4	20.9	24.4	27.7	30.4	36.9	38.6
Grand Total	68.8	75.4	88.8	101.9	112.8	134.9	146.7

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"The Power to Destroy"

only $1,375 for the car itself. That is all that the automobile companies and their dealers are getting for their product — including their profit. The other $625 is taxes; but the buyer doesn't know that. He thinks the price is scandalous and that the companies must be making an exorbitant profit on the deal. So he agrees that we must have a bigger and still-more-expensive Federal Government to hold such "profiteers" in line.

But suppose the sales ticket on that car had read this way: "Price, $1,375; Tax, 45%; Total $2,000." At whom would the buyer then get sore? Would he still favor a bigger, more expensive government?

And there, my friends, I think we have the real reason why so many of our politically-minded economists denounce a direct sales tax and demand still higher levies on our corporations. Only in this way can they place on business the blame for these enormous taxes which are, of course, the sole responsibility of government.

That is why these taxes must be kept hidden. That is why no American family must ever be permitted to know the exact amount of the tax it pays. The size of that tax is the most precious top-secret in Washington today, and it has been guarded—I regret to say—with considerably more success than the secret of the atom bomb.

I wonder, for example, what the customers of U. S. Steel would think if I told them that the total tax which our company collected from them last year and turned over to various agencies of government, was so large that it would cover the entire cost of running Congress and the Federal courts as well. That includes all the salaries and all the expenses of all the members of Congress, all the Federal Judges, all their clerks, assistants, secretaries and stenographers, plus all their office bills, their travel, and—in short—the works.

Would that surprise our customers? Well, if so, the real facts would shock them utterly; for the truths is that the total tax of U. S. Steel last year was seven times that large; yet we are only one among thousands of businesses who collected taxes from those who bought our steel last year.

Taxes Take More Than Food Costs

Today the American people are paying more money in taxes than they pay for all their food and shelter combined. Government takes one-third of every dollar that the average American makes. But that average American pays only a fraction of his tax directly to the Government itself. The rest of the tax is hidden in the price we charge him for the things he buys from us. So he rebels, not against taxes, but against high prices, and he holds business—not government—responsible.

But if every business in this country could bill its customers separately for the taxes which it —as the unpaid agent of government—is forced to collect from them—and if those taxes were shown clearly on every bill of sale, all along the line of production, so that their total could be plainly marked on the price tag of the finished article where the buyer himself could see it—then, for the first time, the American housewife would know exactly where to place the blame, and she would do so with an emphasis and vigor that the most callous of our Government spenders could never ignore.

Whether it would ever be possible, as a practical matter, to establish such a system of billing, I do not know; but I do know that unless and until we can somehow expose these hidden taxes, American business will remain at the mercy of every demagogue in this land who talks dishonestly of "profits before taxes" and who thus convinces millions of our citizens that the revenues that we collect from them, under Government compulsion, go into our own pockets.

Truly, my friends, the power to tax is the power to destroy; and as long as we permit that power to be used in this deceptive fashion, it can—and will—destroy us.

Ladies and gentlemen, when I look at the South today, and as I marvel at the rapid growth of its productive efforts in almost every branch of enterprise, I realize fully what a vital role you can and must play in the future of America.

Here you have a wealth of manpower, under enlightened management, with good labor relations. Here you have a year-around supply of precious raw materials which are never frozen in. Here you have growing markets to attract new industry, and growing industry to build still larger markets. You have everything it takes to fulfill a magnificent destiny—a destiny that may well determine the ultimate fate of our nation itself.

That destiny must NOT be taxed away!

Your new industries must not be crushed under the insupportable burden of wanton waste in

government. Your great productive strength must not be sapped by rates that penalize efficiency and growth. And surely—in the name of humanity itself—we cannot allow the most successful enterprise system that has ever been devised on this old earth, to be brought into disrepute and dishonor by our further tolerance of hidden taxes on our people.

The Triple Threat

So in my humble, but considered, judgment, our Federal taxes today—because of their size, because of their incentive-killing design, and because of the deceptive way in which they are applied—stand as a kind of triple threat to the future of the South and to the future of America. Nor will this threat ever subside, I believe, until the American people themselves rise up in all the majesty of their righteous, democratic wrath, to force economies in government.

And in saying that, I want again to pay sincere and heartfelt tribute to Senator George and to those other distinguished men of the South who have stood courageously upon the floors of Congress and tried with all their might to stem this rising tide of Federal spending. They have fought against heavy odds and in the face of all the pressures which have been applied against them by our bureaucratic agencies.

Without their valiant efforts our national debt would be even higher than it is, our Federal deficit would be even larger, our dollar would be worth even less, and our taxes would be even more oppressive than they are.

But real economy can never be achieved in Washington by the effort of Congress alone. It cannot be accomplished by hacking splinters off the edges of an Executive budget that is wasteful to the core; for real economy is not merely a legislative act—it is a state of mind.

It is a state of mind which is firmly determined to stop—here and now — this endless bureaucratic desire to extend the power and authority of the Federal Government ever further over the lives of our people. It is a devout and patriotic willingness to restore to our Sovereign States and to our local communities, those rights and those responsibilities which were entrusted to them in the first place by our Founding Fathers when they wrote the Constitution.

And until that state of mind prevails at both ends of Pennsylvania Avenue, my friends, there will be no room for real economy in Washington.

We are told, of course, that no more economies are possible without endangering our national defense program. But that is not true. If we leave defense out of the picture entirely, and if we look only at the wholly non-defense expenses of our Government we shall find this:

That the purely civilian expenditures of Government — those that have no true connection whatever with defense—have increased by more than 400% in the past 20 years; but during this same period the cost of living has gone up less than 95%.

That means that the American people today are paying a little less than twice as much as they formerly did for the goods and services which they buy, voluntarily, from private enterprise; but the price of the purely civilian services which they are forced to buy from Government — whether they want them or not— is more than five times as high as it used to be.

Clearly my friends, this present bureaucratic passion for controlling price does not extend to the price of government itself!

Now we are also told, of course, that the reckless policies of our Washington spenders have produced a high degree of prosperity among our people; but that is not true either.

If we look at the facts—if we examine the actual purchasing power of all our people, after taxes—and if we measure that purchasing power in terms of honest, 100-cent, pre-war dollars —we find that the real per-capita income of the people of America has not increased since 1944. In fact it has declined by about 2% since that date.

So the truth is that the past eight years have been years of complete economic stagnation for the average American, even though our Government expenditures during this period have reached levels that have never been equalled anywhere on this earth in all the recorded experience of man.

And, there I think we find a danger signal which all of us should ponder mightily in the months ahead. No individual, no family, and no business can spend itself into security, and neither can any nation; for in the last analysis, our national progress is nothing more nor less than the sum total of our individual accomplishments.

We cannot add to the economic strength of our nation by subtracting from the economic strength of our individual citizens. We cannot add to the military strength of our nation by weakening the productive powers of American industry. And we cannot add to the financial strength of our Government by destroying the integrity of the dollar.

To keep our country strong—economically, financially, and militarily is the foremost duty and desire of every American. As citizens, we may differ in our opinions concerning the methods by which this duty can best be performed; but the desire itself is not a political issue and is never a partisan matter.

Continued from page 3

Selecting Industries and Issues

followed embraced practically all stocks and was very extensive. However, my memory fails me somewhat as to those stocks where the tops were most permanent. I recall one—International Nickel—a real favorite of the day, which sold above $70 a share. Investors liked it, because they said it was a hedge against almost all the fears of that time. It was supposed to be a war hedge, and yet it was expected to do very well if we had a peacetime boom. If anything happened to our currency, it had the then existing advantage of being traded in several world markets in addition to New York. People rated Nickel as an "inflation" hedge. Yet, by 1940, it was under $20 and its recovery to its present level around the 40's has been slow. Incidentally, Nickel is presently earning more than it did in 1937 and paying more, but it's selling for much less. This of course indicates the danger of paying a speculative price for an investment issue. Many gold stocks also made their highs about 1937.

The year 1946 marked the top in liquor stocks, soft drink stocks, motion picture stocks, and several other groups.

It is also interesting and important to observe that since 1946 the higher priced stocks and the better grade investments have done a great deal better than the lower priced stocks, the also-rans, marginal companies and more radical speculations.

Vogues in the Market

It is vital to understand that industries and issues have vogues in the market almost like styles. What has happened heretofore is an important lesson as to what will surely happen with other industries and issues in the years to come.

To sum up—(1) select a major industry. (2) It must be big enough to have successful and dominating leaders among individual companies in it. (3) Some competent person must help you to determine whether the trends in the companies and industries selected are still favorable. (4) Somebody must help to determine whether the price of stocks selected is high or low and the trend up or down. (5) Competent consideration must be given to the position of the general market and the effect that changes in the majority of stocks would have on the issue or issues you intend to buy.

You will note I have purposely avoided giving my own ideas as to a real professional approach to the position, future and valuation of industries and issues. I think this is a matter for professional help, but for those very few who have the time, inclination and ability to really go into the thing, there are several excellent textbooks on the subject. Perhaps the standard is the one written by Prof. Graham. Prof. Grodinsky of Wharton wrote an excellent textbook some years ago on the ebb and flow of investment values which devoted quite a good deal of space to detecting growth, maturity or deterioration in industries. I understand this book is in the process of being revised and that a new edition will be out shortly.

A little off the track, but important to know, is that investing your money over a period of time instead of all at once is a considerable safeguard.

I have mentioned several times getting someone who is an expert to help. This someone might be a stockbroker or a banker or an investment counselor. Occasionally, it is a lawyer or a friend. In any case, perhaps the most important qualification is that the person selected is unbiased and has no axe to grind, so to speak. Naturally, it goes without saying, he ought to be successful himself and have a record for successfully helping other people. This means he will be honest, experienced and capable.

The concluding portion of this subject is just what industries to favor and which issues to buy. I mentioned earlier in my talk that the great tops in the market were in 1929, 1937, 1946 and possibly 1952, and that is something basic to be considered. I also mentioned that it's a very wise precaution to invest your money over a period of time instead of all at once. This is just another way of saying go easy for the moment, and if you have all cash, by all means don't invest it all now. If you have been investing right along, build up or keep a cash reserve.

However, practically everybody owns something, no matter how cautious or bearish they are, excepting only a very small handful of professionals. Right now, if I were thinking of investing some of this "must" investment money, as it were, I think one of the first industries I'd pick would be the motor industry. In the same way, if I were trimming stocks from a portfolio that was over-invested, one of the last groups I'd take out would be the two leaders of the motor group.

Motor a Great Industry

The motor industry is one of our very great growth industries. It is certainly a typical example of a major industry. It has had successful and dominating leadership in General Motors and Chrysler, confining my remarks entirely to publicly-owned companies. It is peopled with aggressive and resourceful men who really never take "no" for an answer. Our victory in the last war rested on the mass production techniques developed in the motor industry. Motors are sure to be completely busy in wartime and as I said before, they are pretty resourceful making themselves busy in peacetime.

I would select Chrysler which is earning not quite half what it earned back in 1949 and which is paying a dividend of about a third less than in 1950. Without going into detail, there are various reasons why this company should in time establish a new high record for earnings and dividends and when this goal is reached, its price should be considerably above its present level.

You probably will get 7½%, more or less, on your money while you're waiting for a profit.

Another great industry, with a great future, is electronics, and I'd select two companies—General Electric and Philco. You'll get a little less than 5% on General Electric and probably a shade more than 5% on Philco. General Electric, of course, is in everything electrical, from A to Z. Philco is in television, refrigeration, electronic equipment for war work, etc.

I think these two industries, pricewise and marketwise, are probably in a better current position than other good industries, such as oils, chemicals, mining, etc. However, the time is sure to come when the latter will be a "buy" as well. I have a hazy recollection a year ago of selecting chemicals and oils as the best at that time. They still rank every bit as high as any industry in the country except that perhaps their market and stock price position might be temporarily inferior to motors and electronics.

Oils have been a top group for years because they combine a great many desired advantages. In the first place, the demand for petroleum products grows endlessly and the future looks as bright as ever. Alongside of this growth in direct oil products has been the development of chemical products from petroleum. That portion of the oil business which is related to finding new sources of oil has a justifiably better tax base than most industries. The very act of exploration and looking for new oil pools is a type of growth that is almost exclusive to the oil and mining companies. It is very difficult to find an industry combining the natural growth prospects, the tax advantages and the speculative possibilities of oil. The leader, by the way, is Amerada, which is not as well known of course as Standard Oil of New Jersey and some of the other big integrated companies. However, Amerada is in the forefront of production and exploration.

The chemical industry has been a favorite of investors for years because enormous amounts are spent for research which if successful adds a new source of gross sales and profits.

The ethical drug industry, mentioned before when I spoke of Abbott Laboratories, resembles the chemical industry in its long-term growth and appeal. However, despite this fundamentally favorable background which has asserted itself for years and will assert itself again, we have recently seen substantial declines in the best issues of this group. These declines are apt to be temporary and followed in the course of years by new highs, but the situation again emphasizes the necessity of considering not quality alone but price and trend as well.

The mining industry resembles the oil industry in its tax advantages and in the possible gains from exploration. On the other hand, for many years, prices of base metals were much less certain than the prices for petroleum and gasoline. The warlike atmosphere in which we live has made for a stronger base metal price situation, but even so at the present moment, the timing doesn't seem right for most mining stocks.

The office equipment industry has benefited from intelligent research directed at labor-saving and in these days of high wages and low labor efficiency, this means a continuing demand for all the new devices the leaders in this line develop.

The building industry is a growth industry because of the growth of population. Furthermore, the leaders such as Johns-Manville and Minneapolis Honeywell are extremely well managed and very resourceful.

This exhausts the list of prime selections which I mentioned at the beginning of this talk. Of course, people who make a continuing professional study of these things go into many other industries and issues. Professionals are always trying to find industries with special appeal, industries that are depressed, industries of the "prince and pauper" type which while not suitable for long-term holding are at the time moving from bad to good, and finally, industries with high-leverage characteristics, which means more than ordinarily sensitive to good and bad news. Then, too, there are some industries that investors feel are better to own when the tide seems out. There isn't time enough to go into all of this, but to tag a few, the aircraft industry probably has special appeal now because of the war situation. Boeing is perhaps the most interesting issue currently, though the most consistent leader has been Grumman. Among depressed groups, motion pictures, soft drinks and gold are receiving study. Steel has been an outstanding "prince and pauper" industry. Railroads are the most typical high leverage; and finally, quite popular right now, because they seem better to own when the tide appears to be going out, are utilities and tobaccos.

In conclusion, let me make it very clear that I'm not trying to pick out the stocks I like the best or anything like that, but rather industries and issues that fall within the framework of this subject.

Diebold President NY Sav. Banks Assn.

WHITE SULPHUR SPRINGS, W. Va.—Charles R. Diebold, President of the Western Savings Bank of Buffalo, was elected President of the Savings Banks Association of the State of New York, and Walter J. Hess, President of the Ridgewood Savings Bank, was elected Vice-President.

Mr. Diebold, who was Vice-President of the Association last year, is also a director of Savings Banks Trust Company, the First National Bank of Buffalo, Mexican Gulf Sulphur Company, and the Buffalo Better Business Bureau. He is also a Vice-President and director of New Dickenson Mines, Ltd., Canada, Treasurer and director of the Buffalo Chamber of Commerce, and a partner in the law firm of Diebold and Millonzi.

Mr. Hess, who has been a trustee of the Ridgewood Savings Bank since 1938, became President of it in 1949. He is Chairman of Group V Savings Banks Association of the State of New York, a trustee of the Savings Banks Retirement System, and Chairman of the Association's Committee on Savings Bank Branches, as well as a member of numerous other organizations.

Joins Eldredge, Tallman

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Arthur Bergstrom has become affiliated with Eldredge, Tallman & Co., 231 So. La Salle Street. He was formerly with Uhlmann & Benjamin.

Mutual Funds

By ROBERT R. RICH

TOTAL INVESTMENTS of the 300-year-old Harvard Endowment Fund reached a new high of nearly $309,000,000 on June 30, 1952, an increase of $35,000,000, or 13%, over the preceding year, according to a research report just published by The Putnam Management Company, managers of The George Putnam Fund of Boston.

Of this increase, $6,600,000 was due to new gifts to the Harvard Endowment Fund, and the balance was principally the result of capital appreciation, the Putnam report indicates. Market value on June 30 was approximately 35% in excess of historical cost, compared with 25% at the same time last year and 16% in 1950. The rate of return on historical cost of Harvard Endowment Fund investments was 5.08% in 1952, the highest return in 20 years, compared with 5.07% last year, 4.55% in 1950 and 4.44% in 1949. Portfolio changes during the past year produced capital gains of $3,760,000.

Common stock holdings were equal to more than 49% of the entire portfolio on June 30, the highest percentage on record. During the past year, the Putnam report indicates, the managers of the Harvard Endowment Fund continued to follow the traditional Massachusetts Trustee practice of maintaining a balance between good quality common stocks and high-grade fixed income securities.

The distribution of investments by type as of market June 30 was as follows:

	1950	1951	1952
Cash & U. S. Govts.	26.9%	23.0%	21.2%
Other bonds	20.1	24.0	22.7
Preferred stocks	7.5	6.2	5.8
Common stocks	43.8	45.5	49.1
Real est. & mtges.	1.7	1.3	1.2

The principal changes in the common stock holdings of the Harvard Endowment Fund during the past year were sharp increases in stock holdings of banks, oils and electric utilities. Other substantial increases were in paper, beverages, building, railroads, rubber and farm equipment. The largest reduction was in the electrical equipment industry, and there were sizable cutbacks in chemicals, retail stores, chain groceries, and finance companies. The drug group was eliminated entirely.

A NEW MONTHLY investing plan through which persons may build investment accounts in income-paying securities has been announced by Hugh W. Long and Company, mutual fund sponsor. The investor may start with an initial investment as low as $50 and make regular purchases thereafter of $25 or more at monthly or other convenient intervals. Payments made by planholders are invested in shares of Diversified Investment Fund, a mutual fund holding bonds, preferred stocks and common stocks, or in shares of Diversified Common Stock Fund. Both funds are managed with emphasis on income return and the plan extends to holders the privilege of automatically reinvesting dividends from their investments so as to compound investment income.

In commenting on this new development, Hugh W. Long, President of the sponsoring organization said, "This plan makes it possible for the average person to build his own investment account in these mutual funds out of his earnings, enjoying from the very start the full advantages of diversification, careful selection and constant supervision of his investment holdings. Since both funds emphasize income return, we expect that thousands of people who are interested in building gradually toward a supplementary income for later years will be among those subscribing to the plan."

The plan is bank-operated and is offered to the public at no extra charge. The Bank of New York receives all payments, makes all share purchases, sends receipts to plan holders for payments made and dividends reinvested and forwards reminder notices in advance of the day each payment is due. Authorized investment firms all over the country have been provided with applications forms for opening plan accounts, and the plan is available to the general public through them.

WELLINGTON COMPANY said this week that it occupied its new Philadelphia headquarters, the Wellington Building at 1630 Locust Street, about a month before its 25th anniversary on Dec. 28.

Built in 1901, the Georgian-architectured building has four floors and a basement and has been remodeled to allow sufficient room for expansion.

The building is in the Rittenhouse Square area of Philadelphia. Walter Morgan, Wellington Fund's president, in commeting on the history of the section, said that "In 1777 when the British occupied Philadelphia, the trees in the area were sold to the army for firewood. Development as a residential area began in and around 1816," he said, "and in 1884 traffic demands and general growth required the building of two streets —Rittenhouse Street on the western side of the Square and Locust Street on the southern side."

The fund is holding a reception in its new building for dealers and registered representatives on Friday, Nov. 14, from 3:30 p.m. to 6:30 p.m.

OPEN-END REPORTS

TOTAL net assets of Nation-wide Securites on Sept. 30, 1952, were $19,201,754, according to the company's annual report for its fiscal year, which marked the completion of 20 years of operations.

This total sets a new high for the end of any fiscal period in the company's history and compares with total net assets of $17,849,026 on Sept. 30, 1951.

The growth in total net assets reflects both an increase in shares outstanding and a rise in the market value of holdings, the report points out. Included in total net assets is unrealized appreciation of $1,924,708.

The company reports 1,243,424 shares outstanding on Sept. 30 against 1,177,885 shares 12 months earlier. The net asset value per share increased during the period from $15.15 to $15.44. In addition, the company distributed 22 cents per share from net profits on sales of securities. Investments of the company at the fiscal year end were balanced among different classes of securities as follows: cash, 1.03%; U. S. Government bonds, 13.62%; other bonds, 15.26%; preferred stocks, 18.63% and common stocks, 51.46%.

Hugh Bullock, President of Nation-Wide Securities Company, Inc., told stockholders that "after a fairly sharp slump in mid-year, reflecting continued inventory liquidation by the consumers goods industries and the effects of the steel shortage incident to the strike, the economy is now in a strong upsurge. The probabilities are that the current business uptrend will continue well into 1953.

"Despite the favorable near-term outlook, sentiment of business men, consumers and investors remains cautious, presumably in anticipation of the possibility of a recession when defense spending begins to taper off and industry expenditures for plant and equipment are reduced materially from present abnormally high levels. The present cautious attitude is also to be attributed to the continued deflationary trend of commodity prices and rising interest rates."

IN ITS SEPTEMBER report to shareholders, Sovereign Investors, Inc. reported a net gain of 26% in total net assets, for the first nine months of 1952.

In a letter to stockholders, George A. Bailey, President, said that most of the economic trends appear to be upward and strong enough to continue for some time —at least throughout the remainder of this year and a good part of next year. Under these conditions, he points out that higher security prices are anticipated and the fund thereafter continues to keep about 87% of its investments in common stocks. Most recent portfolio purchases have been in more selective issues, but previously held aggressive stocks are being retained.

NET ASSET value of Pell, de-Vegh Mutual Fund, Inc., on Sept. 30, 1952 was $1,450,748, an increase over the $1,061,956 reported on the same date one year earlier, according to the quarterly report issued to shareholders by Imrie de Vegh, President. The net asset value on Sept. 30 also reflects an increase over the $1,420,193 reported on June 30 last.

Net asset value per share on Sept. 30 equals $34.33 per share on the 42,256 shares of capital stock outstanding and compares with $34.50 per share on the 41,178 shares outstanding on June 30 of this year.

During the third quarter of 1952, additions have been made to the Fund's holdings of insurance stocks, bank stocks and aircraft manufacturing stocks. Minor changes took place in the position held in miscellaneous industrial, mining and other companies. "We continue to pursue a policy of caution," Mr. de Vegh said, "looking for good values at attractive prices, and being willing to dispose of minor holdings on an opportunistic basis."

PERSONAL PROGRESS

PAUL J. HEROLD has become associated with the New York Stock Exchange firm of Hayden, Stone & Company after his resignation as editor of the Investment Features Service, published by the Institute of Fiscal and Political Education, and his resignation as Secretary of the Policy Committee of that organization.

Paul J. Herold

Mr. Herold was formerly Vice-President of the public relations firm of Floyd L. Carlisle, Inc., where he was actively identified for several years with the publicity and promotion of mutual funds.

For many years, Mr. Herold has been in the investment banking

and brokerage business and in financial advertising and publicity.

THE FORMULA FUND of Boston, Boston, announces the election of Anton E. Homsey as a Trustee, and Gerald S. Colby as Executive Secretary, of the Fund.

Mr. Homsey, a member of the New York and Boston Stock Exchanges, is a partner of the firm of duPont, Homsey & Co., Boston, which last month became the principal underwriter of the Fund's shares.

Mr. Colby, who succeeds Edmund Hawley as Executive Secretary, is also a partner of duPont, Homsey & Co.

The other Trustees of the Fund are: Edson B. Smith, Chairman; Robert M. Tappan; Joseph W. Lund and Stewart C. Woodworth.

INSTITUTIONAL SHARES, Ltd. reported to shareholders that the management has added to its research facilities an investment advisory committee composed of the following recognized security analysts and the experienced investment research organizations of the investment banking houses they represent: Pierre R. Bretey of Baker, Weeks & Harden; Lucien O. Hooper, W. E. Hutton & Company; Lynn Shurtleff, Laird, Bissell & Meeds, and Harold H. Young of Eastman, Dillon & Co.

Continued from first page

As We See It

has insisted that it brought the country out of the depression of the 'Thirties, and that it alone knows how to prevent another from developing. The old, old political bromide about us never having "had it so good," coupled with the companion doctrine of Democratic skill in keeping it good, drove their opponents repeatedly to giving assurance that they, too, knew how to keep things "good," and are prepared to do so in the years to come. Thus the American people, no matter how the election went, had no reason to fear seriously adverse business conditions in the future, and now may be at rest concerning the matter—assuming, of course, that they have any faith in this sort of political nonsense.

But, How?

But how are these miracles to be wrought? No one, of course, not even the professional economists, have been at too much pains to give chapter and verse in answer to this question. The politicians have been less reluctant or modest. Of course, President Roosevelt long ago, and his successor often more recently, as well as various other influentially placed members of the Democratic party, have repeatedly espoused the doctrine that all sorts of measures which have either drained away a part of the profits of industry, agriculture and trade from former recipients and turned these funds over to the masses with many votes have been the answer to the riddle of curing or preventing depressions. The Republican dignitaries have been all too inclined to reach very much the same general conclusion, and, if somewhat more by indirection, to prescribe about the same preventive medicine.

Thus it has come to pass that not only the new Administration scheduled to take office early next year, and by far the majority of its party membership, but also the defeated political groups are exponents of these doctrines. Such salvation as may come to us from the inevitable consequences of these economic fallacies must, accordingly, come from the more intelligent and sounder elements of both parties—and we find it comforting to know that such elements exist in both of the major parties. These saner and more realistic groups in each of the major parties cannot, however, be effective without a substantial measure of public support. The trouble in the past has been that the more irresponsible and wild-eyed elements among the politicians have been able to capture the imagination and the support of at least that part of the general public which is most articulate and most effective in a political sense.

It is therefore particularly important at this time—or at least, so it seems to us—that ways and means be found to straighten out the thinking of the great rank and file. The truth of the matter, of course, is that neither the Republican nor the Democratic party has found any cure or any sure preventive for depressions. The prolonged depression of the 'Thirties (itself a product of World War I and of the wild inflation which succeeded it) came to an end not by any patent medicine out of the New Deal kit, but as a result of the outbreak of World War II—as the facts and the statistics clearly prove. Since the end of World War II conditions similar to those which followed World War I, and more recently the Korean war and the enormous defense effort it has served to stimulate, are largely responsible for what are currently termed "good" business conditions.

Not the Cause

"Redistribution of income" effected through heavy taxation upon large incomes, through all manner of subsidies, and through forced increases in wages at every turn is not the cause of continued "good times" but on the contrary has created conditions, inflationary and otherwise, which soon or late must bring their own retribution. The popular idea, particularly in political circles, that should another depression threaten, the easy answer (as we have now learned—the Lord knows how) is a vigorous application of the hair of the dog that did the biting, is dangerous nonsense.

It is apparently believed (even among some who call themselves economists) that bigger and better public deficits, more expansion of credit, larger doses of money, more subsidies, higher wages, more soaking of the rich, bigger and better give-away-abroad programs, and all the rest of it would bring any threat of depression to a quick end. Just what is to be done—assuming any given depression actually is prevented in this way—when the cure of this depression inevitably brings on another at some future time, the political prophets do not say. Here is a situation which is doubly dangerous by reason of the fact that there are relatively few left in influential political circles to protect us from its dire consequences.

Of course, the truth of the matter is that any successful attempt to prevent depressions must pursue a diametrically opposite course. It may or may not be that *homo sapiens* has not yet learned to manage his affairs without these repeated difficulties known as depressions, but nothing is more certain than the fact that only careful, intelligent, prudent management of our affairs offers any hope for the foreseeable future.

Railroad Securities

Illinois Central

As this column will not appear until after the election news is out, it is difficult to say just what trend, if any, the market will have taken, or if the sharp rebound in stock prices that got under way last week will have carried through. Ex political influences, however, it is possible to say that at the time of this writing the performance of better grade rail equities has again become impressive. Obviously the financial community could not permanently ignore the implications of the highly favorable September earnings comparisons and indications that with the coal strike ended this trend was likely to continue.

On the September earnings showings one might expect some optimism to develop even with respect to New York Central and Pennsylvania, both of which have been under an earnings cloud for some years. Another road that showed a particularly good year-to-year earnings comparison in September, but which has all along enjoyed a strong investment following, is Illinois Central. The road reported net income of $4,479,000 for the 1952 month compared with $1,326,000 in September 1951. It is true that in the current period the results included a tax adjustment of $2,353,000 in connection with the recent refunding operation. Even without this adjustment, however, the September 1952 net income of $2,126,000 was well above the 1951 period.

For the full nine months of the current year there was an increase of roundly $7 million in gross revenues, to $221,471,000. Total tax accruals for the period were also up. The management, however, was able to keep expenses under strict control (transportation ratio was down more than a point) and net income jumped almost $7 million. Earnings on the common stock, before sinking fund payments, reached $11.92 a share. This compared with $6.85 a share earned in the like 1951 interim. Results were probably affected somewhat, but not too drastically, by the short bituminous coal strike in October. Outside of that the prospects over the balance of the year are highly favorable.

For the full year 1951 Illinois Central reported earnings of $12.72 a share. If it did no better than match the 1951 performance in the closing quarter this would mean earnings of $17.79 a share for the full year 1952. Even with the influence of the October coal strike, but granting that the miners do not walk out again before the end of 1952, it is anticipated by many analysts that the company might well be able to realize such at figure. It is on this basis that there is considerable confidence in financial circles that another dividend increase is in the offing in the not too distant future.

One thing pointing toward more liberal dividend policies is the feeling among railroad analysts that cash needs will not be so large in the future as they have been in the past. Certainly except for regular serial payments on equipment obligations and sinking fund payments, which are more than covered by depreciation charges, it seems likely that the debt retirement program has been completed. The non-equipment debt is now down to roundly $152 million. This is a most conservative level for a road the size of Illinois Central and represents a cut of more than $180,000,000 since the beginning of 1941. Cash requirements for capital improvements to property and equipment are also expected to taper off even if the road does go in for dieselization of its road freight service as now seems likely.

On a long-term basis railroad analysts are also favorably impressed with the traffic outlook. The trend of coal traffic has been far better than average in recent years. Power requirements for the Atomic Energy plant to Kevil, Kentucky are expected to further this trend. Also, large parts of the serivce area have been experiencing outstanding industrial growth. All present indications point to the probability that this trend will also continue. With prospects bright for both traffic and expenses, and with higher dividends likely, the stock is still among the top favorites of the investment buyers.

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Outlook for the Dollar

1930's; and, that the total money supply, including time deposits, is actually smaller in relation to production and price than during the earlier period! Just calling attention to this, however, without pointing to the great increase in the turnover, or velocity, of the money supply would be misleading; but, it also must be kept in mind that the monetary authorities have very little control over this velocity factor.

Our Future Dollar

Any sound estimate of the future of our dollar must be based on consideration of those factors which give it value. History has shown that there are many factors in addition to gold which affect the value of our dollar, or perhaps it would be better to say, which affect both the value of gold and the value of our dollar. In fact, many competent foreign students of money go so far as to maintain that the value of our dollar determines the value of gold, rather than the other way around, as is generally supposed. The forces which determine the value of our money can be analyzed and estimates made of their probable future development. As this is done, it quickly becomes apparent that, contrary to the wheel "way up in the middle of the air" in the old folk song, the dollar does not "run by faith along!"

First and most important in these days of uncertainty, the value of the dollar depends on political forces. On the international side, as our military strength grows, the prospect for greater world stability, even if only an armed truce, grows. On the national side, governmental interference in economic affairs, particularly the steel wage settlement, notwithstanding, the outlook is considerably encouraging so far as the future of our dollar is concerned.

The value of the dollar also depends, and basically, on **economic forces.** Fortunately, it is here that we can get our greatest encouragement as to its future value.

The first and overshadowing economic force in America is that of production. It has far more than kept pace with the increase in population. For example, between 1940 and 1952, population increased 18%, but hard goods output in physical terms increased 104%, and the number of manufacturers in the field increased 82%. During the same period, soft goods physical volume increased 64%, although the number of manufacturers increased only 7%, and wholesale trade volume increased 80%, with an increase in firms of 42%.

There is one aspect of this increase in production which is of great significance for the future. I refer to the growing substitution of machinery for labor. For example, production of rayon, nylon, orlon and similar synthetic textile fibers is more than 250% greater than in 1939, but employment in the industry has risen only 23%. The social and economic implications of this broad movement can hardly be over-emphasized.

Enlightened capitalism, such as we have in America, is an efficient producer. You could hardly find better proof of this than what happened in England under the Labor government. Featherbedding by labor, lack of competitive spirit by business and lack of incentive for capital, because of extremely high taxes, have been largely responsible for bringing once mighty Britain to the point where she must export 11 out of each 12 automobiles produced, and yet the ration of meat is less than 16 cents worth a week

Governmental fiscal policy is another economic force which strongly affects the value of the monetary unit. While old-fashioned economy in government is probably too much to expect, it is hard to see how conditions could fail to improve in the future. So, even here, the outlook is an optimistic one.

The value of the dollar also depends on the arbitrary forces of money management and debt management. In this field, the outlook has steadily improved since the so-called "accord" between the Federal Reserve Authorities and the Treasury in March, 1951. And, while the Federal Reserve Authorities will never be free of the shadow of our huge debt, their situation *vis-a-vis* the Treasury was improved by the way the financial world rallied to their support during the Patman investigation.

The Pragmatic Test

The real test of our monetary unit is, of course, the demand for it. On this, there can be no question.

The so-called "Dollar shortage" prevalent throughout the world indicates the heavy international demand for it. The large excess of exports over imports is another indication of the demand for our dollar.

As for domestic demand for the dollar, the wholesale price index has declined very slowly, but almost continuously, since March, 1951. In addition, the price index of the 28 commodities traded in primary markets throughout the world, such as tin, rubber, etc., has declined around 100 index points. And, while it is true that the Consumer Price Index (cost of living) has been moving up in recent months, and that the direct and indirect effects of the steel wage increase will cause an increase of around 6% in the spendable income of consumers, any strengthening of prices is only temporary.

This is said because present prices are, in general, high. But what is more important, the consumer thinks they are high and, therefore, is holding on to his dollars. As long as he prefers dollars to goods and continues to save at present rates, a sharply rising price level is impossible.

In addition, the tax pressure on the consumer is getting more serious. Federal, state and local taxes, direct and indirect, now take some 30% of the national income. As the Tax Foundation pointed out the other day, the consumer has to shoulder 150 taxes each time a woman's hat is bought, and there are 116 taxes wrapped up with each suit of clothes. These obviously reduce the demand for goods, and, thereby, make the dollar more valuable.

There is another consumer burden which is heavy by any historical measure. I refer to the outstanding mortgage debt of $57 billion on 1-4 family houses. Interest and amortization on this great total reduce the demand for goods on the part of home purchasers who would otherwise probably spend a large part of the money for day-to-day purchases.

Conclusion

My conclusion is that the outlook for our dollar is considerably brighter than it has been since 1940. This is said because:

The **gold position** of the dollar is stronger.

The **money management** position of the dollar is stronger.

The **political position** of the dollar is stronger.

The **economic position** of the dollar is stronger.

The economic position of the dollar is stronger because the consumer feels that prices are high and has decided to save instead of buy. It is also much stronger because of the great increases in production facilities in most lines of industry. In fact, productive capacity has increased so much that it is high time for industry to make plans to meet the readjustment which the future is certain to bring, sooner or later.

Other than Russia, the greatest threat to our dollar arises from those who say that we **can't** save it, and from those who say we **shouldn't** save it. I refuse to accept the view that it can't be saved as that is a "counsel of despair" which has no place in a dynamic and growing economy such as we have in America. I refuse to accept the view that it should not be saved, as I consider deliberate reduction in value immoral and unworthy of the great tradition of honor and justice for which millions of Americans have fought and died.

Bankers, above all, must oppose the seductive philosophy that monetary debasement is an easy way of solving the age-old problems of unemployment, business stability and heavy debt. Unfortunately, there is no "easy way," as all history so eloquently testifies. So, let us face the task ahead with resolution and determination rather than succumb to the fatal allure of perpetual inflation. If we follow the path of the economic orthodoxy of our fathers, the going may be little rough for another five or six months, but, after that, it will be "downhill all the way"! So, my considered advice to all is: Hold on to your dollars! They will become more valuable! They are a great bargain and will become a greater one!

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The State of Trade and Industry

credit outstanding to a record $21,700,000,000—$2,400,000,000 above a year ago. People buying autos and other products on the instalment plan went $312,000,000 deeper into debt in September. This gain was partly offset by decreases in charge accounts and non-instalment credit, the Board noted.

New business incorporations increased moderately in September, totaling 7,529 for the month, Dun & Bradstreet, Inc., reports. This was a rise of 441, or 6.2%, over the August number of 7,088. It exceeded the September, 1951, total of 5,950 by 1,579, or 26.5%.

State comparisons for the August-September period revealed increases in corporate activity in 25 states, declines in 21, and no change in two. Year-to-year comparisons, however, showed that new business starts were more numerous in all but three states.

New business charters issued during the first nine months of the year totaled 69,581, comparing with 63,635 during the similar 1951 period, or a gain of 9.3%. Three-quarters of all the states reported increases over a year ago for the cumulative period.

Steel Output Set at 105.7% of Capacity This Week

An ease-off in government restrictions on steel buying is in the making for the first quarter of 1953, says "Steel," the weekly magazine of metalworking. The relaxation may permit users to buy an additional 1,480,000 tons of finished steel in those three months, it adds.

The thaw will be restricted to products, which are most plentiful. Were it done otherwise, the demand for scarce products, such as large size carbon bars, heavy plates and seamless tubing, would be made even heavier, this trade weekly points out.

Making the allotment increase necessary is the steel industry's expansion program. New capacity has been coming into operation all this year, but particularly in the last half.

The capacity increase has made it possible for steel to be produced in the last several weeks at an annual rate of 115 million net tons. At the beginning of this year the rate was 108 million tons. By January, the industry's ingot capacity should be around 117 million tons.

Appraising the outlook for operations, Benjamin F. Fairless, head of U. S. Steel Co., says that company should continue at capacity through the first quarter of next year.

Need for additional allotments was brought to the forefront by the automotive industry. It is going ahead with plans for normal production in the first quarter of 1953 on the strong hope it will receive additional steel, this trade paper declares.

Increase in allotments and a continued rise in capacity are forerunners of a clamor for junking of controls on production and distribution of steel. A move in this direction was made by the American Institute of Steel Construction, an association of more than 280 companies which fabricate structural steel for buildings, bridges and other structures. It asks that all government controls on building construction be removed so that advance planning necessary in the construction field can be resumed, "Steel" states.

Industrial steel warehousemen ask that secondary steel products be decontrolled and that the requirement that warehouses hold 50% of incoming shipments of some steel products 15 days for possible military demand be revoked or revised. On the other hand, the Steel Plate Fabricators Association, Chicago, urged the DPA to keep in full force at least through the second quarter of 1953 the directive requiring strip mills to roll light plates. Heavy plates are in strong demand because of the defense program. To permit mills able to roll heavy plates to concentrate on the heavy product, the government requires strip mills to devote part of their rolling time to light plates, concludes "Steel" magazine.

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 105.7% of capacity for the week beginning Nov. 3, 1952, equivalent to 2,196,000 tons for ingots and steel for castings. In the week starting Oct. 27, the rate was 107.3% (revised) of capacity and actual output totaled 2,229,000 tons, the all-time high record. A month ago output stood at 106.6%, or 2,215,000 tons, while a year ago when the capacity was smaller the estimated output was 2,019,000 tons with the rate at 101.0%.

Electric Output Advances Further in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Nov. 1, 1952, was estimated at 7,752,925,000 kwh., according to the Edison Electric Institute.

The current total was 56,682,000 kwh. above that of the preceding week when output amounted to 7,696,243,000 kwh. It was 433,906,000 kwh., or 5.9%, above the total output for the week ended Nov. 3, 1951, and 1,202,310,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Decline 9.3% Due to Work Stoppage In Coal Fields

Loadings of revenue freight for the week ended Oct. 25, 1952, totaled 760,741 cars, according to the Association of American Railroads, representing a decrease of 77,636 cars, or 9.3% below the preceding week, due to labor troubles in the coal fields.

The week's total represented a decrease of 104,059 cars, or 12% below the corresponding week a year ago, and a decrease of 127,194 cars, or 14.3% 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 advanced to its highest level in 16 months.

It aggregated 116,488 cars, or about 9% more than the 107,129 cars in the previous week, and some 30% more than the 89,443 cars in the like week a year ago, according to "Ward's Automotive Reports."

Total output for the past week was made up of 116,488 cars and 27,569 trucks built in the United States, a new high mark,

against 107,129 cars and 28,911 trucks the previous week and 89,433 cars and 22,292 trucks in the comparable period a year ago.

Canadian plants turned out 6,022 cars and 2,610 trucks against 6,402 cars and 2,416 trucks in the prior week and 4,133 cars and 2,875 trucks in the like week of 1951.

Business Failures Drop Slightly in Latest Week

Commercial and industrial failures dipped to 136 in the week ended Oct. 30 from 154 in the preceding week, according to Dun & Bradstreet, Inc. While casualties were only slightly below the 143 which occurred a year ago, they were off sharply from the 1950 total of 181 for the comparable week, and down 57% from the pre-war level of 318 in 1939.

Failures involving liabilities of $5,000 or more rose one to 114 and compared with 120 of this size last year. All of the week's decline was concentrated in small casualties, those with liabilities under $5,000, which fell to 22 from 41 in the previous week, but were about even with the 23 reported a year ago.

Mortality was lower during the week in manufacturing, retailing and in commercial service. Construction and wholesaling casualties advanced during the week. More failures occurred than last year among manufacturers, construction contractors and service establishments. The only declines from the 1951 level were in retail and wholesale trades, with retail lines accounting for a major portion.

Six out of nine geographic regions reported fewer casualties. They were the Middle Atlantic, East North Central, New England and South Atlantic States. Meanwhile, mortality increased slightly in the Pacific and West North Central States. Three areas had more businesses failing than a year ago: the New England, Middle Atlantic and East North Central States. No change from 1951 appeared in two regions, while four others had mild dips.

Wholesale Food Price Index Again Declines Mildly

Continuing the decline which began early in September, the Dun & Bradstreet wholesale food price index fell 1 cent last week to stand at $6.33 on Oct. 28. This was the lowest since April 22 when the index struck the low point of the year at $6.31. The latest figure is still 6.2% above the pre-Korea level of $5.96, but shows a drop of 4.8% from the $6.65 recorded on the corresponding date a year ago.

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 Strikes 26-Month Low Record

Trends in leading commodities continued mixed with the general price average moving lower for the past week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., dropped to 285.21 on Oct. 28, the lowest in 26 months. This compared with 287.43 one week previous, and with 304.25 on the corresponding date last year.

Grains were unsettled last week with prices uncertain as bread grains moved higher, while feed grains, particularly corn, declined sharply. Weakness in the yellow cereal was largely due to the continued excellent crop prospect and the glut of corn at storage warehouses following extremely heavy receipts which flooded the terminal markets of the Midwest. Oats prices also weakened under the influence of increased marketings. Strength in the wheat market reflected light receipts and a more active mill demand. Also lending support was the increasing concern over the outlook for the winter wheat crop in the Southwest due to moisture deficiencies. Activity in grain and soybean futures on the Chicago Board of Trade increased last week, with daily average sales totaling 49,400,000 bushels, against 45,600,000 the previous week, and 47,000,000 in the same week last year.

A Department of Agriculture report issued over the week-end showed 1,342,000,000 bushels of wheat in store in all positions on Oct. 1. This was the second largest in history, and only 2% less than the record stocks on Oct. 1, 1942.

Domestic flour business showed improvement the past week. Prices advanced steadily during the period with some types up sharply to new highs for the season. Export flour trade remained only fair. Support was lacking in the cocoa market and prices continued to move downward on persistent hedging pressure and short selling. Stocks of cocoa in warehouses continued to recede. Holdings on Monday totaled 58,522 bags, down from 65,998 a week ago, and comparing with 158,830 bags a year ago. Raw sugar held firm in fairly active trading. Demand for refined sugar continued at a good rate at unchanged prices. Coffee developed an easier tone at the week-end as demand from roasters tapered off and arrivals from producing areas increased. Lard was easy and hog values declined for the fourth straight week. The slump was attributed to heavy receipts and further sharp downturns in wholesale pork prices.

Cotton was under pressure most of the week and prices continued to work lower.

The current spot quotation at New York at 36.35 cents a pound, compares with 39.10 a year ago. Bearish influences last week included slowness in mill and export demand, favorable weather for completion of the harvest, and continued large spot sales in southern markets. Interest in the government loan was somewhat better but loan entries continued relatively light with only 34,600 bales reported to have entered the loan for the season through Oct. 17.

Trade Volume Expands With Advent of Cold Weather And Attractive Promotions

Falling temperatures and many attractive promotions were instrumental in stimulating shopping in most parts of the nation in the period ended on Wednesday of last week; this was the second successive weekly rise in retail volume. As during the past seven months, retailers generally had larger receipts than in the similar week a year earlier.

Extended shopping hours and eased credit terms helped to sustain shoppers' interest.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 2 to 6% higher than the corresponding level of a year ago. Regional estimates varied from the comparable 1951 levels by the following percentages: New England and Northwest +1 to +5; East 0 to +4; South and Southwest +3 to +7; Midwest +2 to +6 and Pacific Coast +4 to +8.

The sharpest gains during the week were scored in the sales of apparel. Particularly popular were women's coats and suits, children's toggery and men's shoes.

The total amount spent on apparel the past week continued to be perceptibly larger than that of a year ago. The purchasing of men's suits was spurred by many price reductions.

Food stores noted a discernible rise in consumer spending last week. Housewives continued to spend palpably more than in the similar 1951 week. The advent of Hallowe'en was reflected in the sharp boost in the buying of confectionery and baked goods. Pork, poultry and link meats were widely purchased; expensive beef cuts were in diminished demand.

Aggressive promotions of household goods helped most retailers to better the sales figures of a year ago. Increasingly popular were television sets, washers, floor coverings and decorating materials. The interest in television sets was most marked in States on the Pacific Coast and in Texas.

The volume of wholesale orders in the period ended on Wednesday of last week held close to the level of the preceding week as many buyers steadily re-ordered for the current selling season. As during recent months, the total dollar volume of wholesale orders was moderately higher than that of a year earlier. Some merchants, particularly in the soft goods lines, found that many wanted items were not immediately available. The augmenting of stocks for the holiday shopping season held the attention of many buyers.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Oct. 25, 1952, rose 8% above the level of the preceding week. In the previous week an increase of 6% was recorded from that of the similar week of 1951. For the four weeks ended Oct. 25, 1952, sales reflected an increase of 6%. For the period Jan. 1 to Oct. 25, 1952, department store sales registered a drop of 1% below the like period of the preceding year.

Retail trade in New York last week failed to measure up to the level of the like period in 1951. Trade observers placed the drop at about 5 to 6%.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Oct. 25, 1952, increased 4% above the like period of last year. In the preceding week a rise of 3% (revised) was reported from that of the similar week of 1951, while for the four weeks ended Oct. 25, 1952, no change was recorded. For the period Jan. 1 to Oct. 25, 1952, volume declined 8% under the like period of the preceding year.

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Whither Business and Banking

businessmen and consumers; and a tight money situation. The interest rates on loans and on government securities have risen and may even go up higher.

The big question is: will this demand for bank credit by business continue or will it ease off by next spring? If it continues, the available amount of funds will be limited and cost or interest rate will rise further. If not, what will be the state of business—balanced and stable as at present, booming or slumping? Will the present Federal Reserve policy of moderate credit restraint continue? Will bank loans stay high or decline? Will the banks be placed in the position of looking for other outlets to put their funds to work? You can find convincing answers to either side of this quandary. My own belief is that business will be in need of funds next year just as it needed them this year, and for very significant reasons—the growing shortage of corporate working capital and heavy capital outlays.

It is now becoming clearly observable that the liquidity of our corporations has been declining, particularly since the outbreak in Korea. The relationship between liquid assets and current liabilities has been growing thinner.

Because this is a national election year, just as 1948 was, when the incoming President will have to face some serious problems, let me give you the result of a study made by a competent source which compares the corporate cash position between the first quarter of 1949 and the first quarter of 1953, as estimated. This comparison shows a decline of 25% in the ratio of cash and equivalent to current liabilities, while tax accruals to sales indicate an increase of 55%. Similarly, net cash to sales is estimated to drop 11%, while the ratio of capital expenditures to sales is likely to expand by 33%.

In making these comparisons, we should not overlook vital differences between the two periods. In 1949 there was no excess profits tax, no accelerated tax payment, the defense program was about one-fourth as large as it is today, capital outlays were some 30% smaller and the price level was approximately 11% lower. Liquidity of corporations early in 1949 was rising to a postwar peak, while at present it is going down probably to a new low for the past decade by the first quarter of next year.

This change in liquidity of corporations or growing shortage of working capital of business stems primarily from two sources—the so-called Mills Tax Plan and the defense program.

The Mills Plan calls for an increasing proportion of tax payments in the first half of each year. This year it was 70%, next year it will be 80%, and so on until 1955 when corporations will have to pay 100% or all of their taxes in March and June. This means that businesses will be paying taxes in the first half of each year at a much greater rate than they will be accruing from current operations. Rather than have some use of tax money, they will actually fall short of it, with a depressing effect on their earnings. Moreover, the plan might be extremely upsetting to general business. For example, if business volume happens to turn down in the first half of the year, stepped-up tax payments are bound to aggravate this decline. We could face a serious deflationary problem early next year should the present boom, or stability at a high level, drop its tempo, as predicted in some quarters.

Now, how about the defense program. You will recall that in the last war the government financed defense expenditures. In the present emergency, the burden of financing the largest capital expansion in our history is being borne by business. Inventories for capital outlays and for production of war materials have been financed by private funds. Prepayments and advance payments by the government have been negligible. As a result, corporate debt and bank loans have been expanding, while liquidity of business has been shrinking.

As the defense program levels off and the change-over becomes important, the problem of adequate working capital will take on a new and greater significance for business and banking. But we are confident that private enterprise can meet this transition effectively. It can strengthen its working capital position as it has done many times before. And our banking and credit system is strong and efficient enough to provide the necessary facilities to do the job.

To prepare ourselves for this transition, we should do away with the Mills Plan of accelerated tax payments because it is disturbing to seasonal business operations, is likely to be mischievous in the event of economic readjustment, and is not of great consequence insofar as the Treasury's annual tax receipts are concerned. Another action we should take is to drop the excess profits tax, or let it lapse next June, because it is inequitable and unsound. It is difficult and costly to administer, and is inflationary chiefly because it leads to careless spending and higher costs. These two steps would relieve the growing pressure on working capital or liquidity of business without undermining tax revenue in the end.

As a further early relief from confusion and uncertainties, direct controls should be terminated as soon as possible. Some of them are no longer needed because many prices are below ceilings and the supply of materials is becoming adequate, as indicated by

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Banking and Credit Developments

The demand for bank credit by businessmen and consumers has been unusually active. Total loans made by all insured commercial banks exceed $62 billion, an increase of about $19 billion since the end of 1949. The greatest expansion — 75% — has occurred in loans to business, real estate and consumers. These three classes account for over four-fifths of all bank loans. Holdings of government securities, on the other hand, have declined at commercial banks but increased at the Federal Reserve Banks recently and over the past two years. Demand and time deposits of business and individuals have risen and continued larger than in the past two years, reflecting expansion in loans and in public demand for currency.

As you know, commercial banks actively supplying credit to industry, trade and commerce have been under considerable pressure to maintain their lending capacity by keeping adequate reserves at the reserves banks against deposits as required by law. Member banks at present keep over $20 billion in these reserves, which fluctuate weekly, depending on the volume of deposits or loans. Whenever they fall below the required amount, a bank must sell government securities or borrow funds.

To sell government securities in recent months meant capital losses because prices of government securities declined and yields went up when the Federal Reserve stopped supporting prices of these securities. Consequently, member banks lately have borrowed reserve funds from the reserve banks frequently and rather heavily in order to meet the demands for loans from business. This condition has created

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Whither Business and Banking

price declines. Many of them are ineffectual in the case of both prices and wages. All of them are objectionable in our type of economy because they interfere with the normal influences of the market, demand, supply and consumer choices, and are dangerous to our way of doing business and to our economic and political freedom. They lead to Federal centralization and regimentation.

As our domestic economy moves by its own momentum, it will determine, as it has always done in the final analysis, the course of business activity, income, prices and interest rates, earning capacity, deposits, wages, costs and similar factors of economic life, unless it is modified by some unpredictable action of Soviet Russia.

Our economy is enormously strong and resilient. It can adapt itself readily to new conditions and requirements. Its industrial capacity, technology and organization are unsurpassed. The structure and resources of our banking system command the financial supremacy in the world. Our people are vigorous, resourceful, and never run away from tough jobs or from national headaches.

National Debt and Public Policy

The biggest financial headache we have now is the mounting public debt. The nature of this headache is twofold: first, public debt is the first mortgage on our property, our wealth; second, taxes required to service and reduce this debt and to run the government are a prior lien on our earnings, on our current income. Debt must be serviced and taxes must be paid, as all of you know. The size of each determines our burden, defines our economic capacity, our freedom, our well-being.

Our federal debt on Oct. 15, 1952 reached almost $265 billion, or roughly $1,750 for every man, woman and child. It just about equals our personal income this year. The estimated budgetary requirement of $79 billion for this fiscal year is running about $5.6 billion behind estimated receipts. From about 7% of national income in the three decades up to the First World War our federal expenditures rose to 22% by 1940 and are now about 28% of national income. This trend clearly shows a rising burden on our economy and on all of us. It means an increasing diversion of manpower and other vital resources from civilian pursuits to governmental purposes.

The primary cause of this diversion, as shown by growing expenditures and rising taxes, of course, lies in wars and military requirements. But it also reflects the recent attempts to extend various welfare activities, aids and subsidies that have aggravated the tax problem to the point of undermining the incentive of the people as well as their ability and willingness to plan and to provide risk capital for the advancement of our industrial and individual well-being. Disturbing claims on future wealth are being made and at the same time the creation of new wealth is being thwarted by heavy taxes and restrictions that retard the flow of new capital into new enterprises that provide new jobs and raise living standards.

The total Federal, State and local tax load this year is running close to $86.5 billion, according to the estimates by the National Industrial Conference Board. This is about 30% of national income at an annual rate of $288 billion. This means that, under our steeply progressive tax system, the burden of personal income taxes ranges from 22.4% on the individuals in the lowest taxable brackets to 92% in the highest brackets. This tax load has increased substantially since the outbreak in Korea. Personal and corporate taxes at present make up over 80% of total Federal revenues as compared with about one-half of that amount before the Second World War.

This staggering growth in government debt, expenditures and taxes is somewhat frightening because our resources, large as they are, are not inexhaustible. For example, by reason of military needs and foreign aid, we are becoming dependent on others for many basic materials, such as aluminum, copper, petroleum and iron ore—materials which we exported a decade ago. The heavy drain on our resources is showing its toll. Our economic policy thus should be resurveyed and made more embracing and effective. It should be linked closely to a national policy actively directed toward peace in the world. A continuation of the state of armed truce would mean a gradual conversion of a peaceful nation into a garrison state with centralized authority and endless expenditures for armament, which at present we must have because of world tensions and determined attack on us and our institutions.

Some students of fiscal affairs hold that we already have reached the point of diminishing returns in revenue from income taxes and that any further increase in income taxes would further discourage the taxpayer from any effort to produce more income and encourage tax evasion, extravagance and inefficiency. The obvious remedy, of course, is to cut down expenditures and balance the budget. Failing this painful remedy, the alternative is deficit financing, which is usually inflationary because it increases money supply when funds are obtained from the commercial banking system. And when the money supply goes up, prices go up; when prices go up, wages go up, and costs go up—a vicious spiral.

Government securities holdings of commercial banks and the Federal Reserve System are about one-third of the total debt or in excess of $86 billion, or an increase of $67 billion since 1940. This was a direct addition to our money supply—deposits and currency—which expanded from $70 billion in 1940 to $197 billion last August, a rise of 180%. The general wholesale level of prices in the same period advanced 120%, and consumers' prices increaseed 90%. Here we have clear evidence of what happens when the government resorts to deficit financing through money or credit, creating channels over which it has or tries to have control.

Whenever deficit financing becomes unavoidable, as in the case of great emergencies, debt ownership should be spread as widely as possible among individual savers and non-bank institutional investors, because such ownership is non-inflationary in the sense that it creates new money. But such investors have been easing out of the safest securities in the world and spending their savings for goods or putting it to work in more lucrative securities and other channels in an attempt to protect themselves against the declining value of the dollar. The reason for the excess of redemptions over sales of savings bonds held by individuals is the growing realization that the buying power of the dollar invested in these bonds ten or twelve years ago has so depreciated that the rate of interest falls far short to offset the loss, let alone the loss of some compensation for the use of savings.

Now, if individuals and non-bank investors fail to acquire and hold a larger proportion of public debt or securities, what can the Treasury do but go to commercial banks and the Federal Reserve for funds to meet its rising obligations. Consequently, expenditures must be cut drastically; taxes, which are already very high, must be increased further; or else the usual inflationary credit methods will be used, thereby debasing the value of the dollar still further.

We are in a delicate fiscal situation for another reason. The volume of our short-term or so-called floating debt is staggering. For example, $55 billion of various issues will mature within the next twelve months, and $70 billion in the next two years. These securities must be refinanced. We could have eased this heavy load by refunding maturing obligations into longer maturities. There was a fine opportunity between the end of the last World War and the Korean emergency, but it was missed. Under the spell of the "cheap" money policy, adopted during the depression of the 1930's, and followed during the war and postwar inflation, we pursued a policy of "unfunding" rather than refunding; that is, longer-term securities were converted into shorter-term issues. As a result, with the Korean war on hand and rising rates of interest, the severity of our fiscal headache becomes more acute by reason of our failure to take precautionary steps when we so easily could have done it.

Little can be gained by belaboring this point. The cruel punishment that inflation has inflicted on the fixed-income and so-called white-collar groups, the housewives and all taxpayers is the direct answer to the stock arguments such as saving money for the taxpayer through low debt service charges, ability and greater flexibility to manage the public debt by monetary and fiscal experts. The problem now is how to prevent a further depreciation of the dollar value, how to finance soundly business requirements in an expanding economy, and how to sustain public confidence and faith in the integrity of our economic system.

Prospects and Requisites

Let us now summarize this analysis and sharpen the principal points of the discussion.

Business activity has shown marked improvements and is likely to continue at high levels well into 1953. It is well balanced and widespread. The existing buying power of the people is still large. Adjustments in inventories have been orderly and retail stocks of goods are closely in line with sales. Prices show stability and such softening as has occurred lessens the immediate threat of inflation.

Government purchases of goods and services, large private capital expenditures and increasing consumer demands assure high production, employment and income for some months to come. Expanded capacities are large enough to take care of consumers' needs and to meet military requirements under the defense program. It is, however, becoming clear that private capital outlays are reaching historic peaks and may turn downward in the near future. It is also evident that defense spending is likely to level off next year or shortly thereafter, unless the world situation worsens considerably.

The transition period from boom and war economy to a more normal period thus is probably not far in the future. We must prepare ourselves for it. We must reexamine our current positions—finances, organization, products, markets — all the elements of strength and weakness that will help us to shape vigorous plans and policies to meet intensified competition. We are coming swiftly into a buyer's market and the managerial thinking should be adjusted accordingly. Swift elimination of various direct controls over prices, wages and materials would greatly facilitate the change-over. It would remove the pall of government interference.

Private preparation is already going on to a greater extent than we realize. Buying is conservative. Corporations and individuals are becoming cautious in increasing their debts; lenders scrutinize their risks and insist on debt amortization. These attitudes in themselves are restraining. Anticipation of the change-over and of possible difficulties may be the surest way of preventing their occurrence.

There exists a large backlog of public and private works to soften the impact of any substantial drop in capital markets. It is also almost certain that some tax relief is forthcoming, and we hope it will be made possible through the reduction in government expenditures. This will cushion any drop in business profits and will sustain buying ability of individuals. Our entire tax system certainly needs to be thoroughly reexamined and overhauled.

Our public debt problem will continue to plague us for many decades, and there is little we can do about it except scrape and economize and reduce it gradually. Extricated from a straitjacket of pegging prices of government securities, the monetary and credit policies of the reserve authorities are likely to be more independent and flexible through the open market operations, lending to member banks, and discount rates. Orderly conditions in the market will be maintained as they should be under complex or upset conditions.

We must keep our economy strong and flexible, with a high and stable level of employment without further inflation. Economic strength means military might, which we must have because of the ever present threat from the communist world wherein all political and economic forces are controlled by the omnipotent state and directed toward the building of a war machine. Thrust into the role of leadership, we must be patient and resourceful in meeting its burden by assisting those who are on our side in their faiths and aspirations. The task of building the peace is difficult but it is inescapable if the achievements of free peoples are to be safeguarded and our very survival assured.

American institutions have been founded on the great principle of individual life, liberty and the pursuit of happiness. The government exists by the consent of the governed. The people are expected to control the government through the ballot box, not as in Russia and her satellites where government controls the people.

Recent tendencies toward controls and centralization of governmental powers and responsibilities in this country have been disturbing. The growth of executive power is already upsetting our system of checks and balances. It necessarily leads to a large unwieldy bureaucracy, rooted in official tenure, with the control over billions of dollars made available for disbursements in aids and subsidies of almost countless varieties. This trend may be a real danger to all of us as free citizens. Eternal vigilance over our great heritage was never a more urgent task than it is today at home and in our relationships abroad.

The foundation for our society was laid by those who escaped the regimentation and tyrannies of the old world. They established a new order, ". . . a new nation, conceived in liberty and dedicated to the proposition that all men are created equal." The American system of equal opportunity for all, with ample reward for individual initiative and enterprise, has made this country the envy of the world. This has been a social, economic and political system under which the people found "a place of relief from the things that oppress and dismay them . . . freedom to live their own lives and make the most of themselves . . . in very truth the door of golden hope to the oppressed and downtrodden of all the world."

Let us together safeguard this system against the discredited doctrine of communism and socialism, against the evil attacks by those who would undermine its foundations and destroy its soul. We must stand up for the preservation of our personal and religious liberty and economic freedom.

With Baldwin, White

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine — Edward A. Mathes is now with Baldwin, White & Co., Chapman Building.

Joins Geo. Clarke Staff

(Special to THE FINANCIAL CHRONICLE)

LAKE CHARLES, La. — Minturn M. Snyder is now with George W. Clarke, Weber Building.

Two With Renyx, Field

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La. — Helen T. Dykes, Paul E. Habace and Sheldon C. Evans have become connected with Renyx, Field & Co., Inc.

With V. M. Cantella

(Special to THE FINANCIAL CHRONICLE)

WINCHESTER, Mass. — Nathan Goodman has become affiliated with Vincent M. Cantella, 53 Swan Road.

Clayton Secs Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Florence A. Hinkle is now with Clayton Securities Corporation, 79 Milk Street.

With Coburn Middlebrook

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Leo J. Brown has joined the staff of Coburn & Middlebrook, Incorporated, 75 State Street.

With Tifft Brothers

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass. — Harry C. Sheehy, Jr., is with Tifft Brothers, 1387 Main Street, members of the New York and Boston Stock Exchanges.

Tifft Bros. Adds

(Special to THE FINANCIAL CHRONICLE)

PITTSFIELD, Mass. Willard G. Burns is with Tifft Brothers, 100 North Street.

Joins Gibbs & Coe

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — Albin L. Bjork is with Gibbs & Co., 507 Main Street.

Joins Wm. C. Roney

(Special to THE FINANCIAL CHRONICLE)

SAGINAW, Mich. — Harold L. McLurg has become affiliated with Wm. C. Roney & Co., Second National Bank Building.

With Burke & MacDonald

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Zeno C. Yates has been added to the staff of Burke & MacDonald, 17 East Tenth Street.

Two With Waddell Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Oliver T. Schindler and Earle H. Smith are connected with Waddell & Reed, Inc., 1012 Baltimore Avenue.

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. 9	105.7	*107.3	106.6	101.0
Equivalent to—					
Steel ingots and castings (net tons)	Nov. 9	2,196,000	2,229,000	2,215,000	2,019,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Oct. 25	6,537,700	6,527,500	6,507,150	6,339,900
Crude runs to stills—daily average (bbls.)	Oct. 25	¶6,938,000	6,858,000	6,987,000	6,461,000
Gasoline output (bbls.)	Oct. 25	22,301,000	23,152,000	23,561,000	22,364,000
Kerosene output (bbls.)	Oct. 25	2,493,000	2,597,000	2,634,000	2,573,000
Distillate fuel oil output (bbls.)	Oct. 25	10,531,000	10,183,000	10,214,000	9,380,000
Residual fuel oil output (bbls.)	Oct. 25	8,497,000	8,417,000	8,835,000	8,433,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Oct. 25	120,767,000	122,002,000	120,276,000	121,069,000
Kerosene (bbls.) at	Oct. 25	34,312,000	34,568,000	34,989,000	35,906,000
Distillate fuel oil (bbls.) at	Oct. 25	122,008,000	*120,937,000	114,727,000	109,095,000
Residual fuel oil (bbls.) at	Oct. 25	54,101,000	54,450,000	54,583,000	50,412,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Oct. 25	760,741	838,377	862,061	864,800
Revenue freight received from connections (no. of cars)	Oct. 25	653,909	703,590	727,072	708,620
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Oct. 30	$276,859,000	$260,335,000	$234,277,000	$209,778,000
Private construction	Oct. 30	129,365,000	104,187,000	143,559,000	140,314,000
Public construction	Oct. 30	147,494,000	156,148,000	90,718,000	69,464,000
State and municipal	Oct. 30	69,328,000	123,313,000	71,774,000	53,602,000
Federal	Oct. 30	78,166,000	32,835,000	18,944,000	15,862,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Oct. 25	2,150,000	8,320,000	10,030,000	11,627,000
Pennsylvania anthracite (tons)	Oct. 25	985,000	960,000	859,000	1,116,000
Beehive coke (tons)	Oct. 25	23,300	96,800	86,100	137,100
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Oct. 25	123	124	112	113
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 1	7,752,925	7,696,243	7,665,408	7,319,019
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Oct. 30	136	154	129	143
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Oct. 28	4.376c	4.376c	4.376c	4.131c
Pig iron (per gross ton)	Oct. 28	$55.26	$55.26	$55.26	$52.72
Scrap steel (per gross ton)	Oct. 28	$42.00	$42.00	$42.00	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Oct. 29	24.200c	24.200c	24.200c	24.200c
Export refinery at	Oct. 29	34.850c	34.900c	34.950c	27.425c
Straits tin (New York) at	Oct. 29	121.500c	121.500c	121.500c	103.000c
Lead (New York) at	Oct. 29	13.500c	13.500c	16.000c	19.000c
Lead (St. Louis) at	Oct. 29	13.300c	13.300c	15.800c	18.800c
Zinc (East St. Louis) at	Oct. 29	12.500c	13.500c	13.725c	19.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Nov. 4	97.10	96.91	96.12	97.71
Average corporate	Nov. 4	109.06	108.88	109.42	109.60
Aaa	Nov. 4	113.12	112.93	113.12	113.89
Aa	Nov. 4	111.81	111.44	111.81	112.75
A	Nov. 4	108.70	108.34	108.88	108.52
Baa	Nov. 4	103.30	103.13	103.47	103.47
Railroad Group	Nov. 4	106.21	105.86	106.21	105.69
Public Utilities Group	Nov. 4	109.24	109.06	109.24	109.42
Industrials Group	Nov. 4	112.00	111.81	112.56	113.70
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Nov. 4	2.70	2.72	2.77	2.65
Average corporate	Nov. 4	3.22	3.23	3.21	3.19
Aaa	Nov. 4	3.00	3.01	3.00	2.96
Aa	Nov. 4	3.07	3.09	3.07	3.02
A	Nov. 4	3.24	3.26	3.23	3.25
Baa	Nov. 4	3.55	3.56	3.54	3.54
Railroad Group	Nov. 4	3.38	3.40	3.38	3.41
Public Utilities Group	Nov. 4	3.21	3.22	3.21	3.20
Industrials Group	Nov. 4	3.06	3.07	3.03	2.97
MOODY'S COMMODITY INDEX	Nov. 4	411.4	408.5	425.8	460.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Oct. 25	200,915	226,513	227,129	184,971
Production (tons)	Oct. 25	242,598	248,541	231,254	203,278
Percentage of activity	Oct. 25	97	97	94	85
Unfilled orders (tons) at end of period	Oct. 25	472,987	519,768	459,907	402,751
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Oct. 31	109.39	109.47	109.19	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. 18	26,290	24,144	25,546	33,621
Number of shares	Oct. 18	732,341	674,366	707,804	1,016,076
Dollar value	Oct. 18	$32,785,362	$30,517,997	$32,727,115	$45,120,076
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Oct. 18	20,503	21,027	20,422	31,172
Customers' short sales	Oct. 18	167	117	113	239
Customers' other sales	Oct. 18	20,336	20,910	20,309	31,172
Number of shares—Total sales					
Customers' short sales	Oct. 18	582,964	592,967	561,065	903,857
Customers' other sales	Oct. 18	5,742	4,457	3,403	8,600
Dollar value	Oct. 18	577,222	588,510	557,662	895,257
Round-lot sales by dealers—	Oct. 18	$23,704,017	$23,768,696	$23,224,613	$38,304,368
Number of shares—Total sales	Oct. 18	189,990	170,510	156,300	296,670
Short sales	Oct. 18	------	------	------	------
Other sales	Oct. 18	189,990	170,510	156,300	296,670
Round-lot purchases by dealers—					
Number of shares	Oct. 18	304,250	270,980	314,090	353,150
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. 11	171,340	169,660	239,970	276,570
Other sales	Oct. 11	5,606,060	5,964,260	6,339,570	7,787,000
Total sales	Oct. 11	5,777,400	6,133,920	6,579,540	8,063,570
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	Oct. 11	527,680	496,770	659,660	777,240
Short sales	Oct. 11	91,680	94,130	111,350	157,370
Other sales	Oct. 11	414,320	433,220	515,480	620,040
Total sales	Oct. 11	506,000	527,350	626,830	777,410
Other transactions initiated on the floor—					
Total purchases	Oct. 11	118,830	91,000	122,530	177,810
Short sales	Oct. 11	5,100	4,800	10,550	16,400
Other sales	Oct. 11	141,800	110,490	129,800	221,570
Total sales	Oct. 11	146,900	115,290	140,350	237,970
Other transactions initiated off the floor—					
Total purchases	Oct. 11	224,988	172,590	244,120	368,839
Short sales	Oct. 11	24,850	19,780	25,820	39,940
Other sales	Oct. 11	263,530	251,825	288,566	317,586
Total sales	Oct. 11	288,380	271,605	314,386	357,526
Total round-lot transactions for account of members—					
Total purchases	Oct. 11	871,498	760,360	1,026,310	1,323,889
Short sales	Oct. 11	121,630	118,710	147,720	213,710
Other sales	Oct. 11	819,650	795,535	933,846	1,159,196
Total sales	Oct. 11	941,280	914,245	1,081,566	1,372,906
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—(1947-49 = 100):					
Commodity Group—					
All commodities	Oct. 28	110.4	110.6	111.0	------
Farm products	Oct. 28	104.5	105.1	105.9	------
Processed foods	Oct. 28	107.0	107.4	108.4	------
Meats	Oct. 28	103.8	105.2	108.7	------
All commodities other than farm and foods	Oct. 28	112.4	112.5	112.6	------

*Revised figure. ¶Includes 642,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—			
Month of August (in thousands)	$110,578,000	$131,960,000	$111,190,000
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of September:			
Manufacturing number	107	109	150
Wholesale number	58	60	70
Retail number	288	316	277
Construction number	50	58	84
Commercial service number	36	51	39
Total number	539	594	620
Manufacturing liabilities	$6,780,000	$5,056,000	$14,908,000
Wholesale liabilities	4,365,000	2,386,000	1,459,000
Retail liabilities	5,317,000	5,255,000	4,826,000
Construction liabilities	2,729,000	1,816,000	4,668,000
Commercial service liabilities	947,000	1,809,000	782,000
Total liabilities	$20,138,000	$16,322,000	$26,643,000
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES — Month of August (millions of dollars):			
Manufacturing	$43,146	*$42,748	$41,532
Wholesale	9,838	*9,890	10,566
Retail	17,284	*17,810	19,429
Total	$70,268	*$70,448	$71,527
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of September:			
New England	$15,982,982	$19,708,500	$28,279,685
Middle Atlantic	72,483,788	98,996,532	54,493,947
South Atlantic	35,742,737	29,171,991	41,026,632
East Central	91,666,219	79,183,176	96,671,357
South Central	58,270,660	52,961,261	70,032,298
West Central	31,024,905	34,059,337	39,506,703
Mountain	11,657,832	13,489,270	13,381,945
Pacific	72,057,462	66,923,436	69,442,081
Total United States	$388,886,585	$394,493,503	$412,834,648
New York City	34,304,009	69,916,114	25,034,632
Outside New York City	354,582,576	324,577,389	387,800,016
COTTON GINNING (DEPT. OF COMMERCE)			
Running bales to October 18	6,558,938	------	8,333,691
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of September:			
Earnings—			
All manufacturing	$69.58	*$67.80	$65.49
Durable goods	75.45	*72.92	71.01
Nondurable goods	62.30	*61.57	58.67
Hours—			
All manufacturing	41.1	*40.6	40.6
Durable goods	41.8	*41.2	41.6
Nondurable goods	40.3	*39.9	39.4
Hourly earnings—			
All manufacturing	$1.693	*$1.670	$1.613
Durable goods	1.805	*1.770	1.707
Nondurable goods	1.546	*1.543	1.489
INDUSTRIAL PRODUCTION BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, 1935-39 = 100—Month of Sept.			
Seasonally adjusted	225	*214	218
Unadjusted	230	218	223
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE INSURANCE—Month of August:			
Death benefits	$145,944,000	$154,506,000	$148,811,000
Matured endowments	31,584,000	33,809,000	39,785,000
Disability payments	8,229,000	8,845,000	8,580,000
Annuity payments	29,886,000	31,200,000	29,426,000
Surrender values	47,978,000	52,947,000	50,231,000
Policy dividends	54,840,000	57,194,000	50,692,000
Total	$318,461,000	$338,501,000	$327,525,000
LIFE INSURANCE PURCHASES—INSTITUTE OF LIFE INSURANCE — Month of August (000's omitted):			
Ordinary	$1,565,000	*$1,671,000	$1,460,000
Industrial	442,000	*420,000	424,000
Group	312,000	*351,000	251,000
Total	$2,319,000	*$2,442,000	$2,135,000
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES—Month of August (millions of dollars):			
Inventories:			
Durable	$23,229	*$22,962	$21,121
Nondurable	19,917	*19,786	20,411
Total	$43,146	*$42,748	$41,532
Sales	22,079	*21,889	22,007
MONEY IN CIRCULATION—TREASURY DEPT.—As of August 31 (000's omitted)	$29,293,000	$28,978,000	$28,155,000
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of August (in billions):			
Total personal income	$267.1	*$263.9	$256.7
Wage and salary receipts, total	181.0	*177.4	171.2
Total employer disbursement	177.5	*173.9	167.9
Commodity producing industries	77.5	*74.0	74.8
Distributing industries	49.3	*49.3	46.5
Service industries	21.5	21.5	20.4
Government	32.7	*32.6	29.5
Less employee contributions for social insurance	3.7	3.9	3.3
Other labor income	4.5	4.5	4.2
Proprietors and rental income	51.8	*52.2	51.5
Personal interest income and dividends	21.4	21.3	20.5
Total transfer payments	12.1	*12.4	12.6
Total nonagricultural income	247.0	*243.4	235.5
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—August, 1909-July, 1941 = 100—As of August 15:			
Unadjusted—			
All farm products	295	295	292
Crops	272	276	244
Food grain	236	230	234
Feed grain and hay	233	227	215
Tobacco	436	436	430
Cotton	319	311	291
Fruit	206	214	207
Truck crops	229	287	181
Oil-bearing crops	310	307	294
Livestock and products	316	312	336
Meat animals	372	376	[illegible]
Dairy products	295	286	[illegible]
Poultry and eggs	225	208	231

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Distribution's Role in Higher Living Standards

less clerical expense and consolidation of small shipments. Statistical quality control minimizes inspection cost and helps maintain better quality standards. The whole field of electrical and electronic business machines permits statistical controls direct from the marked item ticket. Thus goods are ordered in line with customers' buying preferences and subsequent loss on unwanted goods is minimized. Employee incentive wage systems, employee suggestion programs, training programs, work measurement programs, and similar devices increase the efficiency of the individual employee. Modern equipment speeds communications and reduces costs through devices such as the automatic telegraph switching center.

One of the high costs of retail operations is what the public utility rate engineer would call "readiness to serve." A factory can gear its operation closely to the business on hand and on occasion close down completely for a period, if forced to. The Retailer thinks he must be ready to serve whether customers come or not. I am sure study would show that stores generally are open too many hours at times the customer does not require, and not open enough hours at times which would serve the customer better. The cost of distribution for goods sold through the morning hours in most stores must be terrific. Divorcing employee hours from store hours can lead to a work week satisfactory to the employee from the standpoint of good personnel standards, and yet have store hours more nearly attuned to public convenience and desire.

Retailers, on the whole, have made very creditable showing in coping with an inflationary period. Retail prices last year for all goods, except food and automobiles, was 93% higher than 1939. The average hourly earnings of retail employees was 127% higher, and yet the ratio of expense to sales were reduced from 35.4% to 33.2%.

The second kind of effort has been in the direction of what might be called streamlining the goods from point of production to point of sale. Many say that the jobber has been eliminated to a very great degree. This may be true so far as it pertains to certain firms who conducted this function as an independent business operation. The jobbing or wholesale function is still an essential for nearly every class of merchandise because factory efficiency requires shipping items in some minimum unit quantities, and transportation efficiency whether by rail or by truck requires certain minimum over-all quantities for a given shipment. So we have seen the jobbing function assumed by the manufacturer in many cases, or by the large distributor. This has not only had the effect of eliminating the margin of profit which formerly went to an independent wholesaler, but the function itself can generally be conducted at a lower cost when close integration can be secured between its activity and that of the manufacturer or the large distributor. Another function of the independent wholesaler was to create a demand for new goods and to service the requirements of stores through direct selling effort. When the large distributor reaches backward and takes over its own jobbing function, the need for this selling service disappears. When the manufacturer attempts to reach forward and absorb this jobbing function, the need for sales service is still there and sometimes can not be handled efficiently for a single line of products. This leaves a legitimate and essential place for an independent jobbing function servicing the products of enough manufacturers to spread costs adequately and yet give a required sales attention which a single manufacturer might have difficulty in doing.

Independent jobbers who have adopted modern labor saving devices and can operate efficiently in the physical handling of goods, are essential and their efforts in improving their own efficiency have made an important contribution to the over-all reduction of distribution costs. We also have cases where the wholesaler has reached backward, acquired control of manufacturing operations, so that in effect, what was a wholesale activity becomes a sales department of a group of factories. Very important savings have resulted from this integration. Again jobbers have reached forward toward a controlled group of retail outlets seeking economy through centralized handling of some activities and minimizing merchandise risks. In our competitive society, this whole subject of the jobbing function is under constant study, and the net effect is to work toward a minimum cost, and yet give the required service to the retail store and consumer.

A third attack on distribution cost lies in the field of closer integration between the manufacturing of the product and its distribution. We all know that manufacturing processes are well standardized and the cost of an individual operation in one well engineered plant will be about the same as another equally well engineered plant, and yet one plant may have distinctly higher costs than the other by the end of a year. The difference lies somewhat in having adequate volume to carry fixed overhead and administrative cost. But these two well engineered plants may each have adequate volume and yet the year's result will show a marked difference in cost. The one with lower costs will have the character of its product such that each and every machine in the factory runs all or most of the year, and individual runs of a given part sufficient to justify the cost of machine adjustments to make that part. Generally this requires distributor contacts of such a nature that commitments are placed for production in times of the year when certain machines would otherwise be idle. It frequently takes considerable time to adjust a machine for a different operation, and often takes weeks and months for the operator to attain standard output after such changes. So the ideal is a standardized product with continuous production of the same character for each operator. Here is where a manufacturer dealing with a distributor like Sears has a great advantage. The distributor in making commitments for such off-season production, and in adapting its merchandise decisions to a machine's facilities in a plant incurs one risk only, and that is the risk of what customer demand will be. A manufacturer dealing with a thousand dealers has not only the risk of what the public demand will be, but more than that, the risk of whether a number of dealers will want his product or turn to a competitor.

Time does not permit of many examples, but case studies will show a year-end saving of at least 10% to 12% in cost when a highly seasonable article is produced steadily throughout the year instead of being produced by an over-expanded labor force part of the time, and desirable employees laid off at other parts of the year. To show an application of this point of view to an extremely difficult case, I submit the highly seasonable shot gun. The month of demand, August, shows shipments of 69 times the volume of the lowest month, April. The time of maximum accumulation of production in inventory, June, results in 14 times the inventory of the low point, January, but the variation in number of employees throughout the year from high to low does not exceed 10%.

Who can measure the true value of the kind of close integration between producer and distributor just described? Surely not the cost accountant who merely records the wages paid, the overhead incurred in January, February, March, just the same as he does in July and August. In these days of enlightened employment practices, management must be concerned with the well being of its employees. Nothing is so important as steady work. Nothing is so conducive in a free society to a wholesome attitude by the employee toward our whole economic system as steady work and good wages. Wages can be good and the demands of a competitive society for value can be met because steady work at a continuing operation brings higher output per hour. I have called this a step in distribution efficiency because it is the result of intelligent cooperation by a distributor with the producer of its goods.

My fourth classification concerns the very interesting trend toward establishment of manufacturing in small towns and cities. This is a distribution matter because it can involve a simplification of the distribution activity in the case of foodstuffs, and at the same time develop a regional distribution of part, at least, of the manufactured goods. Many plants of a highly centralized type attain their productive efficiency through a large volume secured through uneconomic distribution methods. They must take on many marginal accounts—must enter territories dominated by another manufacturing competitor—must maintain warehousing and sales facilities in various parts of the country—all in order to bring in the volume of sales which large centralized manufacturing facilities require. More and more manufacturers are realizing that their operations can be divided up into smaller units, located nearer the source of raw materials and to the production of food.

A recent Conference Board Report shows for the last five years —29% of plants built or purchased were in towns of under 10,000, and 64% under 100,000. There are undeniable benefits for the industrial worker living in the smaller community. This is not the place to develop the thought fully, but most people will agree that the employer's dollar paid out in wages to the worker in the smaller community will buy a much greater degree of well being than that same dollar paid out in a big city. The community benefits when an industrial payroll comes to town, because a strictly agricultural community can support only a limited number of people. But industry can utilize many more and thus tends to keep the younger generation in the area.

As I see it, the maximum benefit can come when the agriculture of that area recognizes the change in conditions. A local market is created which did not exist before for animal and poultry products. Agricultural experts will tell you that a livestock operation, involving a large part of land in grass, is the best from the standpoint of long range soil fertility. It also is the best from the standpoint of immediate nutrition and higher food standards. Much has been written on this subject, but few people seem to realize the extremely important part that industry can play in providing the local buying power to purchase the products of an improved type of agriculture. Multiply such dispersion of industry enough and you then have a buying power regionally for an important part of the output of these self-same factories. Thus, constantly rising cost of transportation; the technical ability to make the small plant efficient—the constant demand of workers for better living; the need for an improved agriculture and conservation of soil—all combine to promote decentralization of manufacturing operations.

I speak more as an observer than as a student, but I did take time to analyze the impact of small town industrial development upon the type of agriculture and distribution of its products in three cases. One town was in the South —one in the Midwest—and one in the East. In only one place was there a noticeable change in agriculture. Comparing the County containing the new industry, with an adjoining County quite similar, except minus an industry, it was clear that a local industry resulted in an increase of 154% in the number of tractors in five years, compared with 65% in the other County—190% of the farms having electricity compared with 123% in the other County—electric consumption per resident 138% increase against 84%—22% more number of farms compared with a 5% decrease in number of farms in the other County. The industrial County developed a livestock type of farming to a greater degree; and more banks, more schools, more churches—with factory workers as liberal contributors—more stores, more auto agencies, implement dealers, service stations, and all the rest that goes with an expanding economy. Real estate, both commercial and residential, which was comparable between the two counties 10 years earlier, now is valued at 50% greater in the industrial County than in the other. There has not been a foreclosure nor dispossession in the County since industry came.

The other case of industry coming to a predominately agricultural area showed no appreciable change in agriculture following the industrial development. This leads to the suggestion that there is opportunity for considerable research work, analyzing the over-all economic effect of small town industrialization, and pointing to the kind of community leadership necessary for the best interests of all concerned. An important part of such leadership would come from agricultural leaders, Extension Departments of State Colleges, County Agents, the Federal Agricultural Agencies and Farm Organizations influencing the agriculture of such a community to better serve its people.

A different aspect of the benefits of decentralization is to be found right here in New England, in Ware, Massachusetts. This was a typical mill town with employment in the 1930's concentrated in two large textile industries both of which closed their doors in 1937 and 1938. Local businessmen took vigorous action to combat this disaster and formed a corporation to acquire the mill properties with the objective of attracting a diversified group of businesses to replace the lost payroll.

I do not need to go into detail concerning the success of this decentralization program. Many of you are probably more familiar with it than I am. Suffice it to say that Ware Industries now consists of over a dozen concerns operating in diversified fields, with employment for nearly 50% more people than was provided by the original textile plant. With the fundamental trends that are in evidence, there are probably many localities in the North Central and Northeastern States that could use the aggressive action demonstrated by the businessmen of this town.

Very often the establishment of a decentralized unit requires the cooperation of a forward looking distributor, who can assume a large part of the distribution risk of such a plant. This is particularly true where plants are considered to serve areas with little or no existing business at the beginning.

Hindrances of Federal Laws

I see no great impediments in the gradual evolution along the lines indicated. I have shown that vertical integration, through the sequence of manufacturing and distribution, is a most important element in lowering cost to the consumer. This integration may be formal or merely the result of informal relationship. What hindrances exist are artificial in nature in the form of legislation prompted largely by pressure groups. Thus we have some 16 states with some form of discriminatory taxes, based on number of stores under one ownership. The interests of the public at large were certainly ignored in the former Miller-Tydings Law, and now the McQuire so-called Fair Trade Act. The Robinson-Patman Act, presumably directed against misuse of economic power, requires clarification in many respects. It is ambiguous and as I see it, rests largely on the false premise that cost accounting alone can measure for a manufacturer the value of one distributor against another. Costs are ever-changing in a continuing manufacturing operation, and production, either off-season or of a type suited to the economic need of a given plant, is more valuable than any cost accounting can determine. All in all, the Robinson-Patman Act has resulted in a rigidity of price structure at the manufacturing level instead of encouraging free competition, which has been the basic purpose of our anti-trust laws.

One hopes that public officials will recognize that a great Nation needs some great enterprise if it is to be adequately served, both in manufacturing and distribution. It also needs the many small businesses of all kinds operating in both fields. There is harmony in the economic sequences in the fact that the largest manufacturer needs the services of the smallest retailer to complete the function, and the smallest manufacturer absolutely requires the services of the large distributor, if such manufacturing enterprises are to survive. There is room in this country for all sizes and all types — the great single department store; the specialty shop; the standardized chain store; or in eating parlance, the coffee shop, the main dining room, and the delicatessen serving at all hours. In a free society the customer is free to exercise his choice voluntarily; the individual business must strive to secure its share of such voluntary choice.

The Sherman and Clayton Acts, which did so much to mold the unique competitive character of American business, were born at a time when business leadership felt little responsibility for the broad, social good. Today, a new professional managerial group has risen, composed of men who recognize that in a free society the American business enterprise is the best agency the world has yet produced to fashion raw materials into usable articles and bring them to the public at minimum cost. Spurred by competition, we have achieved seeming miracles in reducing the cost of producing goods. The challenge to reduce the cost of distributing merchandise is equally great and I believe firmly that the same calibre of thought and research will be equally productive in further improving the American standard of living.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

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.

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.

★ **American Alloys Corp., Kansas City, Mo.**
Oct. 30 (letter of notification) 10,000 shares of preferred stock. **Price** — At par ($10 per share). **Proceeds** — For working capital. **Office**—Waltower Bldg., Kansas City, Mo. **Underwriter** — McDonald, Evans & Co., Kansas City, Mo.

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.

★ **Brown Co., Berlin, N. H.**
Oct. 28 (letter of notification) 10,000 shares of common stock (par $1). **Price**—At market (approximately $9 per share). **Proceeds**—To E. E. Johnson, the selling stockholder. **Underwriter**—Thomson & McKinnon, New York.

Byrd Oil Corp., Dallas, Tex. (11/12)
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 on or about Nov. 12 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.

★ **Chemical Solvents Co., Kansas City, Mo.**
Oct. 30 (letter of notification) 25,000 shares of capital stock. **Price**—At par ($10 per share). **Proceeds** — For corporate purposes. **Office**—1500 Dierks Bldg., Kansas City, Mo. **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. (11/28)**
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 Dec. 19. Warrants will be mailed about Nov. 28. **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.

★ **Consolidated Gas, Electric Light & Power Co. of Baltimore (12/1)**
Nov. 5 filed $16,484,300 of convertible debentures due 1972, to be offered for subscription by common stockholders of record Dec. 1 at rate of $100 of debentures for each 30 shares of stock held. **Price**—At par—(in denominations of $100 each). **Proceeds**—To finance expansion program and repay bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp., White, Weld & Co., Lazard Freres & Co., and Wertheim & Co. (jointly); Harriman Ripley & Co., Inc. and Alex. Brown Sons (jointly).

● **Crown Drug Co., Kansas City, Mo.**
Sept. 18 (letter of notification) $250,000 of 4½% convertible debenture notes due Oct. 1, 1962 being offered for prior subscription by stockholders of record Oct. 17; rights to expire on Nov. 28. **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.

★ **Daitch Crystal Dairies, Inc.**
Oct. 28 (letter of notification) 3,000 shares of common stock (par $1). **Price**—At market (about $6.75 per share). **Proceeds** — To Louis Daitch, Chairman of the Board. **Underwriter**—Hirsch & Co., New York.

NEW ISSUE CALENDAR

November 6, 1952
Pacific Gas & Electric Co. — Common
(Bids 11:30 a.m. EST)

November 10, 1952
Garrett Freightlines, Inc. — Debentures
(Allen & Co.)
Smith-Douglass Co., Inc. — Common
(F. Eberstadt & Co., Inc.)
Standard Tungsten Corp. — Common
(Scott, Khoury & Co., Inc.)
United Gas Corp. — Common
(Offer to Electric Bond & Share Co. stockholders)

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.)
Byrd Oil Corp. — Bonds
(Offering to stockholders—underwritten by Dallas Rupe & Son; Carl M. Loeb, Rhoades & Co.; and Straus, Blosser & McDowell)
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 17, 1952
Long Island Lighting Co. — Bonds
(Bids noon EST)

November 18, 1952
Boston Terminal Corp. — Mortgage Note
(Bids noon EST)
Detroit & Toledo Shore Line RR. — Bonds
(Bids noon EST)
St. Louis-San Francisco Ry. — Equip. Trust Ctfs.
(Bids 1 p.m. EST)
Thurston Chemical Co. — Preferred
(Stern Brothers & Co.)

November 19, 1952
Duquesne Light Co. — Common
(Bids 11 a.m. EST)
Household Finance Corp. — Preferred
(Lee Higginson Corp.; Kidder, Peabody & Co.; and William Blair & Co.)
North Pennsylvania RR. Co. — Bonds
(Bids noon EST)
Quebec (Province of) — Debentures
(The First Boston Corp. and A. E. Ames & Co., Inc.)

November 20, 1952
Suburban Propane Gas Corp. — Preferred
(Eastman, Dillon & Co.)
Trans World Airlines, Inc. — Common
(Offering to stockholders—no underwriting)

November 24, 1952
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)

November 28, 1952
Cleveland Electric Illuminating Co. — Common
(Offering to stockholders—no underwriting)

December 1, 1952
Consolidated Gas, Electric Light & Power Co. of Baltimore — Debentures
(Bids to be invited)
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 10, 1952
Wabash RR. — Equip. Trust Ctfs.
(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)

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, of an estimated 700,000 shares.

● **Dow Chemical Co., Midland, Mich.**
Sept 23 filed 625,000 shares of common stock (par $5) being 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 close on Nov. 26. **Price**—$31 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

● **Duquesne Light Co., Pittsburgh, Pa. (11/19)**
Sept. 30 filed 250,000 shares of common stock (par $10), of which 80,000 shares will be offered by company and 170,000 shares by the Philadelphia Co. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Lehman Brothers; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Blyth & Co., Inc.; Carl M. Loeb, Rhoades & Co. and Wertheim & Co. (jointly); Stone & Webster Securities Corp. **Bids**—Expected to be received up to 11 a.m. (EST) Nov. 19.

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.

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 Merrill Lynch, Pierce, Fenner & Beane handled last bond financing which was done privately. **Offering**—Expected on or about Dec. 1.

★ **Florida Telephone Corp., Ocala, Fla.**
Oct. 27 (letter of notification) 25,500 shares of common stock (par $10), to be offered for subscription by common stockholders. **Price**—$11.75 per share. **Proceeds**—For expansion program. **Address**—Box 1091, Ocala, Fla. **Underwriter**—None.

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.

★ **Forest Lawn Co., Glendale, Calif.**
Oct. 29 (letter of notification) $300,000 of 3% debentures, series I, due June 1, 1972 (in denominations of $50, $100, $300, $400 and $500 each). **Price**—At par. **Proceeds**—For capital improvements and investments. **Office** — 1712 South Glendale Avenue, Glendale 5, Calif. **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.

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★ Franklin Custodan Funds, Inc., New York
Oct. 29 filed 60,000 shares of Common Stock Series, 40,000 shares of Bond Series, 30,000 shares of Utilities Series and 30,000 shares of Income Series (all par 1 cent). **Price**—At market. **Proceeds**—For investment. **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.
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. **Offering**—Scheduled for today, (Nov. 6).

★ Grayson-Robinson Stores, Inc.
Oct. 29 filed 20,000 interests in corporation's Profit Sharing and Stock Bonus Plan, aggregating $800,000 and 200,000 shares of corporation's stock purchasable under plan. **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 being offered for subscription by common stockholders of record Oct. 3 in the ratio of one new share for each 10 shares held. Rights will expire Nov. 26. **Price**—At par ($20 per share). **Proceeds**—To repay short-term notes and for new construction. **Underwriter**—None.

★ Hazel Park Racing Association, Inc., Detroit, Mich.
Oct. 28 (letter of notification) 24,107 shares of common stock (par $1). **Price**—At market (approximately $3.50 per share). **Proceeds**—To Richard A. Connell, the selling stockholder. **Underwriter**—White, Nobel & Co., Grand Rapids, Mich.

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.

★ Household Finance Corp., Chicago, Ill. (11/19)
Oct. 30 filed 100,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for working capital. **Underwriters**—Lee Higginson Corp. and Kidder, Peabody & Co., both of New York, and William Blair & Co., Chicago, Ill.

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. (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.

★ Ispetrol Corp., New York
Oct. 29 filed 49,500 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—To finance purchase of crude oil for Israeli enterprises and to purchase crude oil and oil products for resale in Israel. **Underwriter**—Israel Securities Corp., 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.

★ Julian (C. C.) Oil Associates, Inc.
Oct. 29 (letter of notification) 27,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—To develop oil and gas lease. **Office**—417 Sinclair Bldg., Fort Worth, Texas. **Underwriter**—None.

★ Kayel Machine & Tool Co., Detroit, Mich.
Oct. 23 (letter of notification) 150,000 shares of common stock (no par). **Price** — $1 per share. **Proceeds** — For working capital. **Office**—3280 E. Woodbridge St., Detroit 7, Mich. **Underwriter**—None.

★ Kwik-Kafe Coffee Processors of America, Inc.
Oct. 30 (letter of notification) 3,000 shares of common stock. **Price**—$100 per share. **Proceeds**—To acquire certain assets of Rudd-Melikian, Inc., of Philadelphia, Pa., and for working capital. **Office**—Philadelphia, Pa. **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.

★ Loomis-Sayles Mutual Fund, Inc., Boston, Mass.
Oct. 31 filed 212,491 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

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.

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.

★ Mercantile Acceptance Corp. of California
Oct. 31 (letter of notification) 42 shares of first preferred stock, 5% series. **Price**—At par ($20 per share). **Proceeds** — For working capital. **Underwriter** — Guardian Securities Corp., San Francisco, Calif.

★ Mercantile Acceptance Corp. of California
Oct. 24 (letter of notification) $56,700 of 10-year 5% junior subordinated debentures. **Price**—At par. **Proceeds** — To Harold G. Snodgrass, the selling stockholder. **Underwriter**—Guardian Securities Corp., San Francisco, Calif.

★ Mex-American Minerals Corp., Granite City, Ill.
Nov. 3 filed 113,000 shares of 6% cumulative preferred stock (par $5) and 113,000 shares of common stock (par 10 cents) to be offered in units of one share of each class of stock. **Price**—$6 per share. **Proceeds**—For working capital. **Business**—Purchase, processing, refining and sale of Fluorspar. **Underwriter** — To be supplied by amendment.

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.

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.

★ Missouri Research Laboratories, Inc., St. Louis, Mo.
Oct. 29 (letter of notification) 25,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For working capital. **Office**—2109 Locust St., St. Louis, Mo. **Underwriter**—Morfeld, Moss & Hartnett, St. Louis, Mo.

★ Monarch Petroleum Co., Salt Lake City, Utah
Oct. 31 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To drill wells. **Office**—169 South 4th St., Salt Lake City, Utah. **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.

★ Multicrafters, Inc., Lincolnwood, Ill.
Oct. 28 (letter of notification) 99,900 shares of 6% convertible prior preference stock. **Price**—At par ($3 per share. **Proceeds** — For new machinery and equipment. **Office**—3517 Touhy Ave., Lincolnwood, Ill. **Underwriter**—Steele & Co., 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.

★ Multnomah Plywood Corp., Portland, Ore.
Oct. 24 (letter of notification) $300,000 of 5-year 7% unsecured registered debenture bonds to be offered to present stockholders, employees and suppliers. **Price**—At par (in denominations of $100, $500 and $1,000 each). **Proceeds**—For general corporate purposes. **Office**—1500 S. W. Harbor Drive, Portland 1, Ore. **Underwriter**—None.

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 Credit Card, Inc., Portland, Ore.
Oct. 22 (letter of notification) 150 shares of class A common stock (no par), 150,000 shares of class B common stock (no par) and 150 shares of class C preferred stock (par $1,000) to be offered in units of one share of each class. **Price** — $1,001 per unit. **Proceeds** — For working capital. **Office**—Times Bldg., Portland 4, Ore. **Underwriter**—None.

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. (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.

★ **Paul Valve Corp., East Orange, N. J.**
Oct. 31 (letter of notification) $50,000 of 5% debentures due Oct. 30, 1956., and 50,000 shares of common stock (par 10 cents), to be offered first to common stockholders in units of one $1,000 debenture and 1,000 shares of stock for each 2,391 shares of common stock held. **Price**—$1,100 per unit. **Proceeds**—For working capital. **Offices**—Of corporation, 545 North Arlington Ave., East Orange. N. J.; of Henry W. Proffitt, Secretary, 72 Wall St., New York 5, N. Y. **Underwriter**—None.

Peoples Gas Light & Coke Co. (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.

★ **Power Condenser & Electronics Corp., Boston, Mass.**
Oct. 24 (letter of notification) $233,000 of one-year non-interest bearing promissory notes and 6,990 shares of common stock (par $1) to be offered in units of one $100 note and 3 shares of stock. **Price**—$1,000 per unit. **Proceeds**—For research program and working capital. **Office**—60 State St., Boston, Mass. **Underwriter**—None. **Offering**—Made on Oct. 31.

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.

★ **Quebec (Province of) (11/19)**
Oct. 31 filed $25,000,000 (U. S. funds) of debentures due Dec. 1. 1972. **Price**—To be supplied by amendment. **Proceeds**—To pay $23,000,000 Treasury bills and for improvement of roads. **Underwriters**—The First Boston Corp. and A. E. Ames & Co., Inc., both of New York.

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.

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. 28 filed 50,000 shares of common stock (par $1—Canadian). **Price**—To be supplied by amendment. **Proceeds**—To Ken Kelman, the selling stockholder, who will offer the shares from time to time either on the New York Curb Exchange or in the over-the-counter market. **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.

● **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.

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. (11/10-14)**
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 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.

★ **Standard Tungsten Corp. (11/10)**
Oct. 29 (letter of notification) 284,999 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For acquisition of properties. **Underwriter**—Scott, Khoury & Co., Inc., New York. George A. Searight (Tel. WHitehall 3-2181) is dealer relations representative.

State Street Investment Corp.
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.

★ **Steak 'n Shake of Missouri, Inc., St. Louis, Mo.**
Oct. 23 (letter of notification) 48,000 shares of common stock (par 25 cents) being offered for subscription by stockholders of record Oct. 27 at rate of one new share for each 9½ shares held (with an oversubscription privilege); rights to expire on Nov. 29. **Price**—$2.25 per share. **Proceeds**—For expansion of subsidiary. **Office**—4294 Chippewa St., St. Louis, Mo. **Underwriter**—None.

★ **Stout Oil Co., Denver, Colo.**
Oct. 23 (letter of notification) 1,000,000 shares of common stock (par five cents). **Price**—Nine cents per share **Proceeds**—To acquire oil and gas leases. **Office**—1729 Stout St., Denver, Colo. **Underwriter**—Dansker Brothers & Co., Inc., New York.

Streeter-Amet Co., Chicago, Ill.
Aug. 27 (letter of notification) 2,367 shares of common stock (par $50) to be offered for subscription by common stockholders at rate of one new share for each four shares held. **Price**—$100 per share. **Proceeds**—To increase equity capital to take care of increased business and increased costs. **Office**—4101 Ravenswood Avenue, Chicago 13, Ill. **Underwriter**—None.

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.

★ **Telecomputing Corp., Burbank, Calif.**
Oct. 28 (letter of notification) 1,000 shares of capital stock (par $1). **Price** — At market (approximately $28.87½ per share). **Proceeds**—To Ward W. Beman, the selling stockholder. **Underwriter**—Hill Richards & Co., Los Angeles, Calif.

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.

★ **Texas Northern Oil Corp., Houston, Tex.**
Oct. 27 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For acquisition and exploration and for completion of well. **Office**—1403 Melrose Bldg., Houston, Tex. **Underwriters**—Weber-Millican Co. and R. V. Klein Co., both of New York.

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. **Offering**—Later withdrawn.

★ **Trans World Airlines, Inc. (11/20)**
Oct. 31 filed 381,916 shares of common stock (par $5) to be offered for subscription by common stockholders of record Nov. 19 at rate of one new share for each seven shares held. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—None. Hughes Tool Co. (which holds 75% of outstanding Trans World stock) will purchase any unsubscribed shares, so that the net proceeds will be at least $5,000,000.

● **United Gas Corp., Shreveport, La. (11/10)**
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 Nov. 10; 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.

★ **Value Line Fund, Inc., New York**
Nov. 3 filed 1,000,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

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.

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.

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.

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★ **Wyoming National Oil Co., Inc., Denver, Colo.**
Oct. 31 (letter of notification) 150,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds**—For working capital. **Office**—1608 Broadway, Denver, Colo. **Underwriter**—None.

★ **Zodomok Mines, Inc., Durango, Colo.**
Oct. 27 (letter of notification) 50,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For new equipment and mine construction. **Office**—3270 W. Main St., Durango, Colo. **Underwriter**—None.

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.

★ **Baltimore & Ohio RR.**
Nov. 1 it was reported company plans soon to issue and sell approximately $8,400,000 equipment trust certificates to finance purchase of 62 diesel electric locomotive units costing about $10,500,000. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ **Boston Terminal Corp. (11/18)**
Nov. 3 it was announced bids will be received by the company at Room 438, South Station, Boston, Mass., up to noon (EST) on Nov. 18 for the purchase from it of a $3,500,000 mortgage note to be repayable in monthly installments of principal and interest of $21,000 each. Commencing 30 days after the date of consummation of the plan of reorganization of Boston Terminal Co.

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.

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. (11/18)**
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.; The First Boston Corp.; Smith, Barney & Co.; Kidder, Peabody & Co.; Shields & Co. **Bids**—Expected to be received about Nov. 18 at noon (EST).

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.

★ **Federal Electric Products Co.**
Oct. 28 it was reported that early registration is expected of 225,000 shares of common stock. **Proceeds**—For working capital. **Underwriter**—H. M. Byllesby & Co. Inc., Chicago, Ill. **Offering**—Expected in November.

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. **Underwriters**—Blair, Rollins & Co., Inc.; W. C. Langley & Co.; Boenning & Co., and Hallowell, Sulzberger & Co.

● **Garrett Freightlines, Inc. (11/10)**
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.
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.

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.; Glore, Forgan & Co.; Kuhn, Loeb & 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 $6,000,000 of first mortgage bonds due Dec. 1, 1982. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp.; Union Securities Corp. **Registration** — Expected about Nov. 14. **Bids** — Tentatively set for Dec. 15.

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.

★ **New York, New Haven & Hartford RR.**
Oct. 31 it was announced company plans to issue and sell $14,000,000 of bonds. **Proceeds**—Together, with other funds, to refund $14,482,000 Harlem River & Port Chester first mortgage 4% bonds due May 1, 1954. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; The First Boston Corp.; Smith, Barney & Co. **Bids**—Expected to be received late in November or early in December.

★ **North Pennsylvania RR. Co. (11/19)**
Bids will be received by the company up to noon (EST) on Nov. 19 at Room 909, 1421 Chestnut St., Philadelphia 2, Pa., for the purchase from it of $6,000,000 mortgage bonds to be dated Dec. 1, 1952, and to mature Dec. 1, 1972. They will be guaranteed unconditionally by the Reading Co. The proceeds will be used to refund a like amount of bonds which mature in 1953. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Northern Indiana Public Service Co.
Sept. 18 it was reported company may issue and sell shortly after the close of this year some additional preferred and common stock. **Underwriters**—May be Central Republic Co. (Inc.), Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane.

Northern Natural Gas Co., Omaha, Neb.
Sept. 17 company sought FPC authority to construct pipeline facilities to cost an estimated $69,826,000. This would include about 442 miles of main pipeline additions; installation of a total of 73,600 h.p. in new and existing compressor stations; and numerous branch line additions. Probable bidders for debentures or bonds; Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First mortgage pipeline bonds, and preferred and common Boston Corp. and Kidder, Peabody & Co. (jointly). Common stock financing will probably be done via rights.

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); Blyth & Co. Inc.; Glore Forgan & Co. (2) For preferred stock, Blyth & Co., Inc.; Dillon, Read & Co., Inc.; Harriman Ripley & Co., Inc. and Stone &

Webster Securities Corp. (jointly); Glore, Forgan & Co.; Lehman Brothers; The First Boston Corp.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly). **Bids**—Tentatively expected to be received on Jan. 20 at 11 a.m. (EST).

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); Equitable Securities Corp.; Carl M. Loeb, Rhoades & Co. **Bids**—To be received up to 11:30 a.m. (EST) on Nov. 6 by The North American Co., Room 1901, 60 Broadway, New York 4, N. Y.

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 450,000 shares to be offered to stockholders). **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.

★ Peoples Gas Light & Coke Co.
Oct. 24 it was announced that company and each of its subsidiaries will issue mortgage bonds or other debt securities. **Proceeds**—To finance construction programs. **Underwriters**—To be determined by competitive bidders. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Kuhn, Loeb & Co.

★ St. Louis-San Francisco Ry. (11/18)
Bids will be received by the company up to 1 p.m. (EST) on Nov. 18 at 120 Broadway, New York 5, N. Y., for the purchase from it of $2,805,000 equipment trust certificates, series K, to mature in 15 equal annual installments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

San Diego Gas & Electric Co.
July 1, L. M. Klauber announced that of the more than $18,000,000 required for capital improvements in 1952, approximately $4,000,000 will become available from depreciation reserves and earned surplus, while the remainder must be secured through the sale of securities. **Underwriter**—Blyth & Co., Inc. handled previous preferred stock financing.

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.

★ State Securities, Inc., Santa Fe, N. M.
Oct. 27 it was reported company plans to issue and sell 60,000 shares of class A convertible common stock (par $1). **Price**—$5 per share. **Proceeds**—For general corporate purposes. **Underwriter**—Paul C. Kimball & Co., Chicago, Ill.

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.

★ Wabash RR. (12-10)
Bids will be received by the company on or about Dec. 10 for the purchase from it of about $6,000,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ Western Light & Telephone Co., Inc.
Nov. 1 the company announced that it will have to raise approximately $6,000,000 through new financing to carry its construction program through the year 1953. In order to provide a portion of these funds, the company plans to offer at an early date additional shares of its common stock for subscription by common stockholders, at the rate of one new share for each. It is the present intention to fix a period of approximately 10 days during which subscriptions may be made. It is expected that the additional requirements will be secured from bank loans to be incurred from time to time as the funds are needed, which will later be taken up by permanent financing.

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.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League standing as of Oct. 30, 1952 are as follows:

Team—	Points
Donadio (Capt.), Demaye, Whiting, O'Connor, Rappa, Seijas	31
Meyer (Capt.), Kaiser, Swenson, Frankel, Wechsler, Barker	27
Goodman (Capt.), Smith, Valentine, Meyer, Farrell, Brown	27
Murphy (Capt.), Manson, D. Montanye, O'Mara, Pollack, Gavin	26
Serlen (Capt.), Gersten, Krumholz, Rogers, Gold, Young	25½
Hunter (Capt.), Klein, Weissman, Sullivan, Murphy, Searight	25
Mewing (Capt.), Bradley, Weseman, Hunt, Gronick, Huff	22
Leone (Capt.), Greenberg, Tisch, Werkmeister, Leinhard, Lopato	19
Burian (Capt.), G. Montanye, Voccoli, Siegel, Reid, McGovern	18
Lytle (Capt.), Growney, Craig, Fredericks, Bies, Lyons	17½
Krisam (Capt.) Ghegan, Jacobs, Gannon, Cohen	16
Bean (Capt.), Frankel, Strauss, Nieman, Bass, Krassowich	16

200 Point Club	5 Point Club
Tom Greenberg 217	Hoy Meyer
Hoy Meyer 216	

SECURITY TRADERS CLUB OF ST. LOUIS

At the inaugural party of the Security Traders Club of St. Louis held Oct. 30, 1952, at Norwood Hills Country Club, Richard H. Walsh, Newhard, Cook & Co., was elected President succeeding Earl L. Hagensieker of Reinholdt & Gardner. The other officers elected were as follows: First Vice-President, Haworth F. Hoch, McCourtney-Breckenridge & Company; Second Vice-President, Ralph Moberly, I. M. Simon; Third Vice-President, Wm. J. Blake, Fusz-Schmelzle & Company; Secretary, Walter A. Becker, Paul Brown & Company; Treasurer, Ernest Willers, Boatmen's National Bank.

The new officers were elected for the term of Oct. 30, 1952, to on or about Oct. 30, 1953.

Our Reporter's Report

Current strength in the high-grade bond market may have been generated partly by buying in anticipation of the outcome of the national elections. But the consensus among astute observers is that it marks a basic change in the underlying trend.

They see little politics involved, but rather a reappraisal of the overall situation by large institutional investors who find funds piling up and the outflow of new corporate issues extremely light and seemingly destined to continue so, well into next year.

It really boils down to the simple financial elements of supply and demand. What is equally interesting, they note, is that the prospects for private placements, that is direct financing, likewise point to contraction.

Some of the major insurance companies are still committed ahead to some extent in the latter direction and also in the field of real estate mortgages. But long-term prospects here are regarded as less rosy.

Accordingly, with the year-end approaching, the tendency of portfolio men is to do a bit of trading with a view to upgrading their holdings, rearranging maturities and perhaps secure a bit more in the way of yield.

This, it was observed, makes for more interest in the secondary corporate market, particularly since new issues which were overhanging only a few short weeks ago have been pretty well cleared away.

Sellers' Market

For months buyers, chiefly institutions, have had the upper hand marketwise. With a heavy flow of direct placements and a rather wide open mortgage market they have been able to sit back and be mighty choosy.

But now it appears, the scene has shifted. There is an evident greater willingness to look over public offerings since even the largest investors do not want to be disproportionately committed to the mortgage market.

Moreover, business loans have been rising at the banks. But from now to the end of the year the trend is seasonally downward. In money circles belief is that the contraction could be more than seasonal and carry well into 1953. With emphasis off business loans the banks could conceivably be back in the high-grade bond market as prospective buyers.

Forward Calendar Thin

The roster of new issues for the balance of this month, and for that matter the rest of the year, is slim at best. Next week promises only one corporate undertaking.

International Minerals & Chemical Corp. through a negotiated underwriting will sell $20,000,000 of subordinated debentures Thursday, Nov. 13.

The following week will bring three offerings to market, namely Long Island Lighting Co.'s $20,000,000 of first mortgage bonds on Monday. On Wednesday bankers are slated to offer $25,000,000 of 20-year debentures for the Province of Quebec. And on the same day Duquesne Light Co. will open bids for 250,000 shares of common stock.

Other Issues Ahead

The final week of the month will bring up three other issues to be sold through competitive bidding. Gulf States Utilities Co., on Nov. 24, will open bids for $10,000,000 of its 30-year mortgage bonds.

The next day, Pacific Telephone & Telegraph Co. will look over bids for $35,000,000 of 27-year debentures to repay loans and to finance new construction. Later this company will market 703,375 shares of common stock on "rights."

And, on December 1, Florida Power & Light Corp. will sell $15,00,0000 of new 30-year first mortgage bonds, also through the bidding process.

Auchincloss, Parker Opens Mid-Town NY Branch

Auchincloss, Parker & Redpath, members New York Stock Exchange, announce the opening of a mid-town office at 41 East 42nd Street. The new office will offer complete investment - brokerage facilities, including mutual fund and investment advisory departments.

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Dealer-Broker Investment Recommendations & Literature

North Canadian Oils Limited—Bulletin—Kelly-Manly, Inc., 30 Broad Street, New York 4, N. Y.

Philco Corporation—Analysis—Rothschild & Company, 135 South La Salle Street, Chicago 3, Ill.

Public National Bank and Trust Co. of New York—Memorandum—C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y.

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

Southern Railway Company—Bulletin—(No. 112)—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Tecumseh Products Company—Report—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Thompson Products—Memorandum—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

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A Higher Rate Needed for VA and FHA Mortgages

an unmarketable rate, and when natural market forces refuse to make loans at that rate, except at a discount, discounts are rigidly restricted in an attempt to force them to do so.

It is this same philosophy which continues to demand additional funds for FNMA to purchase defense housing loans which investors will not buy.

All of these factors, when considered by a person who attempts to approach Federal policy in this field impartially, can hardly help but spell out the conclusion that in this area, problems are being handled not on the basis of sound economics, but on the basis of "politics as usual."

The general principles which I have spelled out above are sometimes simplified by members of MBA in the statement: "There is nothing the matter with a GI loan that a 4½% rate will not cure." This statement appeals to the sense of simplicity and directness which any business man can understand, but like most such statements, it is an oversimplification and does not really get at the basic problems which need to be corrected.

Although all of us would like to see the influence of the Federal Government entirely removed from our various spheres of business activity, such thinking is pretty unrealistic today. In my opinion, the Federal Government is too deeply committed in the credit field to withdraw. It is going to continue to be with us whether we like it or not and no matter who is elected in November. Furthermore, most of us will recognize how badly we needed the lift which the FHA System of insured loans provided when it was created and how great a use we have made of it in the years since it was put into existence.

What we should do, then, is not simply to make speeches about "those bureaucrats in Washington," but to attempt to see that Federal activities in this field are premised on sound economics.

There are some indications that some progress is being made in these directions. For example, one of the most influential factors in dealing with the subject of veterans' loans is the veterans' organizations themselves, which, until recently, have frequently taken a short-sighted view as to what a veteran is or should be entitled to insofar as a home loan is concerned. As evidence that these organizations may be changing their thinking, I call to your attention a report from the American Legion Convention which was held in New York in August.

Another matter which we must consider seriously is the question of our own inconsistencies in dealing with Federal intervention in our field.

For example, at the same time MBA was testifying before Congressional Committees in opposition to further appropriations for FNMA, I received numerous telephone calls from individual members of the Association, the substance of practically all of which was "When are we going to be able to start selling loans again to FNMA"?

I have frequently pointed out to members of my own Association that when the Federal Government guarantees or insures a loan and then, through the medium of FNMA, purchases the loan, there is a very little difference between this procedure and the Federal Government's making the loan direct, and that unless we are willing to forego the benefits of FNMA, we are in no position to complain effectively about the unsoundness of a direct lending program.

Notwithstanding all of the problems which we do face in dealing with the Federal Government, we have all enjoyed, in general, a prosperous year. I have been representing MBA in Washington for six years, and in my recollection, there has never been a year in which we were not worried about what the Federal Government was going to do and how what they might do might put us out of business.

While recognizing the validity of these worries, I like to point out to our members that in each one of these six years our industry has continued to grow in size and importance.

For example, even in the year 1952, when we have been subject to credit controls, materials controls, and all other forms of hampering uncertainties, we have built and financed houses at a rate that would have been thought impossible a few years back.

One of the things that it is difficult for me to understand is that even with all the statements about there being no market for VA and FHA loans, the statistics show that the average monthly volume of such loans that are being guaranteed by the VA or insured by the FHA is well up to such averages for the year 1951 and preceding years.

It is true that these averages may have been held up by the sale of such loans at discounts and that this is an unsatisfactory procedure. Nevertheless, we are all still in business.

I would be willing to wager that if you could look at your convention records for the years 1902, etc., you would find your speakers for those years experiencing similar worries and fears to those we have experienced today. Yet despite all the gloomy predictions you are still holding conventions and as a matter of fact, your present meeting is an indication of the fact that you have survived 50 years of change and are still alert and vigorous. It is my confident prediction that by the time you hold your 51st anniversary convention, people will still be putting money in savings banks in large amounts and that a respectable proportion of these funds will continue to be invested by you in mortgages, a large percentage of which I hope you will have purchased from members of MBA.

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Less Government Spending And Our Standard of Living

predictions of poor business conditions them. Yet the fundamental conditions of high and not fully used productive ability along with unprecedented purchasing power and the opportunity for further expansion in the standard of living remain unchanged.

For years we have been alternately harassed by two schools of economic thinking—both defeatist and both encouraging further government controls:

(1) We can't produce enough, or
(2) We can't consume enough

Those who doubt our ability to expand production to meet defense as well as civilian needs call for a strictly planned economy with controls to cut credit and purchasing power, fix prices, restrict consumption, allocate production, compel savings, and force heavier taxes to bring the civilian standard of living down to an austerity level.

On the other hand, those who doubt our ability to expand consumption along with production also call for a strictly planned economy that will "make work," expand unemployment benefits and social welfare, tax to share the wealth rather than create more wealth and provide price supports and subsidies. This was the philosophy of the "mature economy," which so retarded our progress in the '30s, but we again see expressions of this thinking every time there is a peace rumor and the spectre of unemployment looms up with fears of cuts in military needs.

Neither of these schools of economic thinking recognizes the opportunity that exists for **expanding both production and consumption** and having, through our increased productivity, both a strong defense and a better standard of living. Yet if we do succeed in selling an advancing standard of living, this level of prosperity plus the superior striking force of weapons thus financed can be an invincible combination against Communistic forces.

"Guns and Butter" Misunderstood

In building toward our peak of defense production in 1953-1954 some of you may have heard that it is wrong and even unpatriotic to buy or to encourage others to buy civilian commodities which we could get along without. It has been said that such purchasing would hamper national defense. Nothing could be further from the truth. The patriotic thing is to maintain and further raise our standard of living in order to supply the revenue for defense.

The doubts sometimes expressed are the result primarily of the differences in understanding of what is meant by the "butter" part of "guns and butter." So many of the press stories imply a major conflict between armament needs and products for civilian use. They emphasize the probable shortages of civilian goods without defining the relatively small part of the civilian needs that is likely to be included in these shortages.

Actually, an analysis of total consumer expenditures for goods and services in 1951 showed that only 10% of the nearly $208 billion fell in classifications where there was any serious conflict with the military program. Included in this 10% was the entire grouping of such durable goods as refrigerators, washing machines, sewing machines, electrical appliances, radios, and automobiles.

It is that 10%, however, that most people think of as the "butter" whereas one should look upon the "butter" as the 90% of our civilian standard of living which can be maintained at a high level without conflicting with a vigorous armament program. In fact, the importance of **expanding** this 90% should be emphasized as a means of maintaining a source of tax revenue to pay for armament.

Much of our inflation in prices since Korea was caused by just the opposite policy — by scaring the American people into believing there would be shortages of almost everything, and by crying for restrictions on production, and credit and purchasing power. This caused an abnormal buying spree in July and August of 1950 and again in January, February, March of 1951 when we had so much publicity of controls, possible rationing, shortages and "inevitable" price rises. Naturally, peoples' fear of shortages and increased prices contributed heavily to inflation by scare buying beyond immediate needs. At the same time this scare buying was magnified manyfold on the part of retailers, wholesalers and even manufacturers who wanted to get in ahead of the promised price increase and shortages. This scare buying, unfortunately, was not confined to that 10% of items which might reasonably have been considered in conflict with the defense program. It spread all over the field with a resultant build up of heavy inventories in such lines as textiles, clothing and many raw materials that could not be absorbed by our armament production level. Prices were forced up unnecessarily in the last six months of 1950 and the first three months of 1951.

Since the spring of 1951 the talk of shortages, inflation and probable price increases has continued but the public, having been fooled twice (July 1950 and January 1951), has been skeptical and has held its purchasing to a level low in relation to current income. Inventories of most goods at the wholesale, retail, and manufacturers level are still far above the prewar Korea level. Wholesale prices and basic raw material prices have been declining pretty steadily for a year and a half. Many consumer industries now are nowhere near capacity operation. An over-all increase of 10% in production of civilian goods and services in 1953 could be accomplished without interference with defense. Such an increase could be an important step in covering the transition from peak defense levels toward the goal of a third better standard of living. But it would require courageous advances in advertising and selling pressure to create the demand.

From a standpoint of government tax revenue, an increase of 10% in personal consumption of items not in conflict with defense would add substantially to the level of corporate profits which was a source of some $27 billion of tax revenue in 1951.

Every effort, of course, should be made to curtail Federal expenditures that are not absolutely essential in building our defense. On the revenue side, however, an increase can be obtained more easily and less painfully by encouraging an over-all increase in production **and consumption,** thereby broadening the base for taxes rather than by further increase in tax rates which tend to stifle production.

Even in War and Defense Our Standard of Living Has Increased

An anlysis of what happened to the real standard of living between 1940 and 1952 shows that our miraculous increase in productivity made possible an increasing standard of living even during all-out war as well as during our present defense economy.

When al figures in dollars are converted to 1951 prices in order to remove price fluctuation and to indicate relative physical volume it can be shown that we successfully absorbed the shock of dropping defense production from the war peak in 1944 and had a substantial advance in the standard of living. The cut-back in defense expenditures from 1944 to 1947 was the equivalent of $125 billion at present prices—yet many now warn of depression if only $20 billion is to be cut from our new defense peak of $60 billion.

A 10% Increase in Standard of Living Could Offset Defense Slump

It would require only a 10% increase in personal consumption expenditures to offset a $20 billion drop in defense production. A change, therefore, in our standard of living of only 10% would be enough to maintain our over-all

Production and Consumption—In 1951 Prices (Billions)

	Prewar 1940	War Peak 1944	Postwar Low 1947	Defense Economy 1952 (2d Qtr. Rate)
Gross National Product	$197.4	$316.3	$272.3	$337.3
Defense	4.7	139.3	14.1	50.0
Other Govt. Expense	25.2	15.2	20.8	28.1
Private Investment	29.6	5.4	47.5	47.3
Personal Consumption	137.9	156.4	189.9	211.9
Durable Goods	15.7	9.4	25.1	25.2
Nondurable Goods	80.3	96.4	107.2	118.0
Services	41.9	50.6	57.6	68.7
Population (millions)	132.1	138.4	144.1	156.7
G.N.P. Per Capita	$1,490	$2,290	$1,890	$2,150

Production and Consumption—In 1951 Prices (Billions)

	1952 (2d Qtr. Rate)	Defense Peak 1953	Defense Slowdown 1954
Gross National Product	$337.3	$355.0	$355.0
Defense	50.0	60.0	*40.0
Other Government Expense	28.1	30.0	30.0
Private Investment	47.3	50.0	50.0
Personal Consumption	211.9	215.0	†235.0

*Down $20 billion. †Up 10%.

production at the level anticipated during our peak of defense effort.

Defense expenditures in the second quarter of 1952 were at the annual rate of $50.0 billion. They are expected to reach a peak of $60 billion in 1953. Then a cut of some $20 billion is anticipated, but few believe that defense expenditures can be lower than $40 billion annually for some years to come.

Our productive ability by 1953 will be such that the $60 billion peak defense can be accomplished and still allow for enough civilian goods and services for further increases in personal consumption **—providing the demand can be created!**

One-Third Higher Standard of Living Possible by 1957 Along With a Strong Defense

Production in 1957 no greater than the per capita rate proved possible in wartime 1944 would mean a gross national production of over $390 billion—enough for continued expansion of civilian goods and services by one-third over present levels even after $40 billion annually for defense, and ample allowance for other government purchases and private investment. The figure of $40 billion for defense is used as a reflection of current estimates that defense may drop $20 billion from peak levels but cannot safely go below $40 billion annually for some years to come.

In terms of constant 1951 dollars our per capita productivity increased from $1,490 in 1940 to $2,290 in 1944 (Real Gross National Product divided by population). A similar per capita productivity for our 170 million population in 1957 could mean a Gross National Product of $390 billion in 1957 in terms of 1951 dollars, and could provide the purchasing power for a standard of living approximately one-third higher than at present.

The level of productivity necessary to provide for $40 billion of defense and an increase of one-third in the standard of living by 1957 should be considered a minimum opportunity because it would require only reaching the level actually reached per capita in 1944 when our tools of production were far less adequate.

We entered World War II with tools of production that were woefully obsolete and inefficient following a long period of depression and limited expenditures for new plant and equipment. In the five-year period of 1937-1941 prior to World War II only $35.6 billion had been spent for producers' plant and equipment. Now our equipment for production has been improved by the expenditure of over four times as much in a similar five-year period—$146.3 billion in the period 1947-1951.

In 1950 we entered the new conflict, therefore, with bettter productive equipment than in 1940, a much larger and better trained labor force and a much stronger financial position of both consumers and business. Between 1940 and 1944 our labor force expanded by 10 million from 56 million to 66 million in order to meet the demands for production and in order to increase the Armed Forces from 390,000 to a peak of 12,130,000. In June 1950, on the other hand, we started out with a labor force of 66 million which probably can expand to about 72 million by 1957. Our defense plans for an Armed Force of 3½ million, however, meant drawing only two million additional from the labor force instead of the nearly 12,000,000 withdrawn from the much smaller labor force in World War II. (Armed Forces stood at 1,337,000 in August 1950 and about 3,500,000 in 1952.)

In 1944 our civilian labor force (excluding the Armed Forces) averaged 54,630,000 or 39.5% of the total population, but during 1951 our civilian labor force averaged 62,884,000 or 40.5% of the population. Hence to reach the same per capita production in 1957 as in 1944 would require actually less productivity per person in the civilian labor force. But, with the better equipment and know how, the productivity per person in the labor force should be considerably higher than in 1944. The figures shown here for productive ability in 1957, therefore, should be looked upon as a minimum opportunity — we are capable of surpassing them.

It should be noted, also, in speaking of production and potential increases in production that manufacturing alone is not the major source of production and productivity in our economy. In pre-Korea 1949 only 25% of our employed civilian labor force was engaged in manufacturing and manufacturing represented only 29% of the total national income.

But, even the minimum level of production at the 1944 per capita level and its accompanying increase in purchasing power, while entirely possible of attainment, will remain **only a dream** unless the **demand is created** for the goods and services we can produce beyond military needs. This demand cannot be legislated, or created by government deficits — it must come voluntarily through a change in the standard of living as a result of education and the creation of new desires through advertising and selling.

Can We Consume One-Third More?

Purchasing power is created by production. Our increased productivity has made possible an advance in our real standard of living—even after adjustment for inflation and in spite of many crippling restrictions on production and incentive. Further utilization of our productive ability per capita can continue to add to our real purchasing power. If we utilize our productive ability only up to the point proved posssible in 1944 we can have the purchasing power to give our people a standard of living one-third higher than at present.

Here are some facts on present purchasing power that means sales opportunities:

Shift In Income Distribution of Families Provides Increased Market Potentials for Both Savings and Goods

Between 1941 and 1952 there were some very significant shifts upward in the distribution of families by income groups. About 23 million consumer spending units moved up to the level above $3,000 with an increase in this group from 5,703,000 or 14.5% in 1941 to 28,620,000 or 54% in 1952.

Increased taxes, of course, have cut heavily into the income of those who have moved above the $3,000 income level. After taking federal income taxes into account, however, there still exists a startling shift upwards in income groups.

In 1941 only 1,564,000 consumer spending units had incomes over $5,000 before taxes; but in 1952 8,400,000 had incomes over $5,000 **after federal income taxes.** In 1941 there were 5,703,000 with incomes over $3,000 before taxes; by 1952 about 26,420,000 or about four and one-half times as many had incomes over $3,000 **after federal taxes.**

When families move up from one income group to the next as rapidly as this there is a substantial increase in discretionary spending power, even after taxes and after applying the present increased costs of living to the basic items that made up the family's former standard of living.

The net of these shifts was an increase of 57% in real purchasing power in 1951 compared with 1940 after taking into account increased taxes and increased prices.

The 57% increase in real purchasing power in 1951 compared with prewar 1940 had affected the opportunity for increased savings and increased standard of living in all income groups — but more particularly in the middle income groups.

Opportunity for Production and Consumption In 1951 Prices (Billions)

	1952 (2d Qtr. Rate)	Defense Peak 1953	Opportunity 1957
Gross National Product	$337.3	$355.0	$390.0
Defense	50.0	60.0	40.0
Other Government Expense	28.1	30.0	30.0
Private Investment	47.3	50.0	40.0
Personal Consumption	211.9	215.0	*280.0
Population (millions)	156.7	162.0	170.0
Production Per Capita	$2,150	$2,190	†$2,290

*One-third higher. †Same as in 1944 war peak.

Distribution of Consumer Spending Units by Income

—Money Income Group—	1941	%	1952	%
Under $1,000	13,311,000	33.9	6,890,000	13.0
$1,000 to $2,000	11,967,000	30.5	7,950,000	15.0
$2,000 to $3,000	8,306,000	21.1	9,540,000	18.0
$3,000 to $5,000	4,139,000	10.5	17,490,000	33.0
Over $5,000	1,564,000	4.0	11,130,000	21.0
Total	39,287,000	100.0	53,000,000	100.0
Total Over $3,000	5,703,000	14.5	28,620,000	54.0

COMING EVENTS

In Investment Field

Nov. 19, 1952 (New York City)
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.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—One of the most difficult problems confronting the new administration of Dwight Eisenhower is how to turn the so-called conservative Democratic - Republican coalition in Congress into a positive working force which will lend support to his major legislative policies.

Although Mr. Eisenhower personally swept the country, control of Congress was in doubt at this writing. This control is itself, of course, of great importance. With control comes organization of the Houses of Congress and power to initiate or surpress legislation, as the case may be. Regardless of the final outcome of the Congressional races, however, it appeared that the GOP margin throughout Congress would be so close as make the new President dependent upon support from conservative southern Democrats to get any kind of a program through Congress.

In a situation of this kind it would be normal to expect conservative Democrats to revert to partisanism. It was conservative Democrats who, in the pre-Roosevelt days, helped so much to throw the political harpoon into Herbert Hoover. When not responsible for legislation—responsible in the political sense—Democrats tend to become Democrats first and conservatives second.

A Union of Convenience

As this correspondent has harped about for years, the so-called coalition was inherently a casual relationship of mutual convenience. When Truman or Roosevelt proposed legislation which struck at the roots of power of conservatives from the South in Congress or seemed to strike at the social order, the conservative Democrats went along with conservative Republicans to stop the White House.

This was, however, essentially a negative rather than a positive force. What was lacking was even an informal "policy committee" of conservatives to take the initiative for legislation, to develop a program and keep an organization at work following it through.

This may not prove to be an insoluable problem. However, nothing of its kind has been created in recent history. Perhaps if Mr. Eisenhower follows through with his plan to place an outstanding Southern conservative or two in his cabinet, the basis for a more durable liaison might be established.

One of the broad implications of this Congressional vote, therefore, would appear to be that Dwight Eisenhower will have to lean heavily upon his Congressional lieutenants and take them into the most active kind of a partnership in policy-making. This means that the White House will be dependent upon two key men of like thinking on economic problems, Senator Robert A. Taft in the Senate and Rep. Joseph Martin, who will be Speaker if the Republicans finally roll up a majority of the House.

Irresponsible Partianship Unlikely

Southerners here pointed out, however, that the tremendous vote which the Republican nominee was given in the South will discourage any normal resurgence of politically irresponsible partisanship for quite some time.

So impressed will these conservatives be with Eisenhower's popularity, that the door quite likely will be open to the White House if the General seizes the opportunity to sew up some kind of a formal or even informal partnership with the conservatives of the South.

This may be the great opportunity of the Eisenhower administration and one of its more far-reaching achievements if the opportunity is utilized.

In another respect the landslide personally won by the GOP Presidential nominee will be of help. Just as it is normal tendency for Democrats to act like opposition when they are not in control of the White House, so it is also normal tendency for Republicans to close ranks.

In other words, many of the Mavericks, possibly excluding Senator Morse, will, while the new President retains his popularity at least, tend to go along even if some of the White House proposals are not as "liberal" as they might want them.

With the comfortable advantage of hindsight, the Eisenhower victory now appears to conform to the classical American pattern for unseating a strongly-intrenched political party.

This pattern is that one selects a new and relatively glamorous nominee, especially a General, appears to adopt a great part of the program of the party in power, and concentrates on the grievous mistakes of the incumbents.

As such the victory would not necessarily be an indication of any preponderant trend away from the left-wing programs, especially specifically - intrenched welfare enactments, of the Roosevelt-Truman era.

On the other hand, the tremendous GOP vote in the South, and certain of the Congressional results, seem to point definitely to a conservative trend in national thinking.

As political observers see it, however, whether there is or is not such a conservative trend is not so likely to dictate the course of future legislation as how the newly-elected President interprets his mandate.

Nature of Cabinet Important

A very decisive set of clues which will shed light on how Dwight Eisenhower personally interprets his mandate will come in the selection he makes for his chief lieutenants in the new administration. The most immediate problem of the successful nominee is to select these men, to find men who not only will reflect Eisenhower's thinking, but will be of stature sufficient to enhance the prestige of his administration and at the same time represent the various blocs of political power to which he must inevitably pay some tribute.

Chronologically, observers think that after the newly-elected nominee has selected some of his key lieutenants, he will go to Korea. Next in sequence, they think, will be that Eisenhower will set up a sort of staff committees to dig into the background and come up with recommendations for him on leading national issues, such as the volume of government spending, the possibility of tax reduction, the necessity or absence thereof for continued controls on prices and industrial raw materials, and so on.

NATO in Jeopardy

Mr. Eisenhower may find, however, that the European defense community concept may be kicked over by Western Europe. Unless Europe participates substantially in its own defense, the whole NATO concept thus becomes merely an unilateral undertaking by the United States to defend Western Europe.

Whether to try to preserve, modify, or drop the whole collective security program may hence become a pressing problem even before Mr. Eisenhower is inaugurated Jan. 20.

Overall, observers believe that the greatest change which the election immediately will bring about is an abatement of the pressure of governmentalism. Many will hope that the tremendous organized pressure for new advances in governmental activity with the prospect of constantly-rising taxes has come to an end.

The Korean Dilemma

If the General is able to resolve the Korean conflict, he may be able to offer as early as 1953 some tangible prospect for substantial reduction in government expenditures with the accompanying possibility of tax reduction, either in 1953 or later.

Many believe that it was impossible under a Democratic administration to pull out of Korea, with substantial "face" if possible. So long as it was a political issue, Mr. Truman chose to ignore the elemental underlying fact that with China secured to the communists, Russia would not tolerate having the U. S. A. established in military force on the mainland of Asia, especially in Korea where such a beachhead would serve as a constant threat to Russia's position in Asia.

Tax Reduction Outlook

Without a resolution of the Korean War and its drain on the Treasury, informed observers do not anticipate any dramatic reduction in government spending in the first year.

Unspent appropriations for all governmental activities even if $79 billion is spent as forecast this year, will aggregate $80 billion next July 1. Of this, more than $68 billion will be for security programs. Past experience suggests that the government bureaucracy will do its utmost, and probably will succeed, in obligating most of this money. Once obligated in contracts signed and construction projects started, it is one terrific job to cut back.

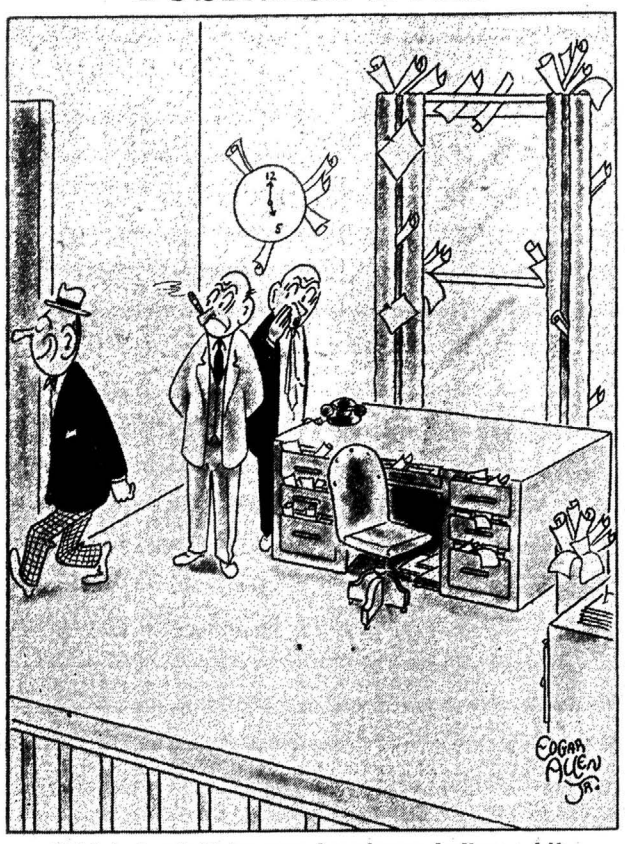
So the new President may find himself saddled with possible expenditures of $80 billion for the fiscal year 1954, his first full year in Congress, even if he and the Congress are able to cooperate to cut a very good many billions from new appropriations and authorizations for fiscal 1954 and later years.

Few expect the General, even with his knowledge of the military, to achieve any dramatic economies in military spending unless contracts are cut back, or the Korean war ends, or there is a revision in the United States foreign policy calling for a lesser military establishment.

In the long run, over many years, Mr. Eisenhower may be able to inculcate into the military the notion that the thousands and thousands of personnel who spend money must make it their business to avoid unnecessary and extravagant outlays.

(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



"Think Goofoffsky may be pigeon-holing a bit of his work?"

Clevenger V.-P. Of Albert Frank

Russell R. Clevenger has been elected a Vice-President of Albert Frank-Guenther Law, Inc., 131 Cedar Street, New York City, it was announced by Howard W. Calkins, Chairman of the Board. Mr. Clevenger rejoined the agency in May, 1950 after a few years absence during which he held an executive position with the New York Stock Exchange. During his previous association with AFGL he was identified with work for the broadcasting industry and for industrial and public utility companies.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Allen J. F. Ziegler has become affiliated with Merrill Lynch, Dixie Terminal Building.

Joins Hess Inv. Co.

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QUINCY, Ill. — Mrs. Leona A. Williams is now affiliated with the Hess Investment Company, Illinois National Bank Building.

Business Man's Bookshelf

Control of the Location of Industry in Great Britain, The—John Jewkes — American Enterprise Association, Inc., 4 East 41st Street, New York 17, N. Y.—Paper—50c.

It's Your Hospital and Your Life—Lucy Freeman—Public Affairs Committee, Inc., 22 East 38th Street, New York 16, N. Y.—Paper—25c.

Report on the American Communist—Morris L. Ernst & David Loth — Henry Holt & Company, 383 Madison Avenue, New York 17, N. Y.—Cloth—$3.