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The COMMERCIAL and FINANCIAL CHRONICLE

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EDITORIAL

As We See It

On the surface at least events in the political field moved rather rapidly during the week following the election. President Truman seemed determined to give the President-elect and the general public the impression that public business was exceptionally urgent at this time, and that prompt, not to say hurried, cooperation between him and the incoming Administration was needed in order to avert serious difficulties. Similar overtures by President Hoover to President-elect Roosevelt in the autumn of 1932 were rejected, but Mr. Eisenhower has taken a different attitude—and is "cooperating."

Precisely what the conferences arranged in accordance with this program will accomplish remains to be seen. So far as any dealings with foreign powers are concerned, it is obvious that anything more than a maintenance of *status quo ante* would present difficulties until such time as the program of the incoming Administration is known and probably in advance of some sort of understanding as to what its position is to be on various matters.

The requirements of such a situation are, of course, matched by dangers to the Eisenhower regime which meanwhile, naturally, has no authority or control over what is to be done or promised. Doubtless the events of the political campaign will lead the Republican leaders to be wary in all such matters—and it is certainly to be doubted on the record that the Truman Administration will consent to change any of its attitudes or programs on the basis of the voting.

There are ways open to those in power to make the transition less difficult, and real cooperation

Continued on page 26

After Mobilization, What?

By CLAUDE L. BENNER*

President, Continental American Life Insurance Company, Wilmington, Del.

Pointing out it is not too soon for the country to begin to do some serious thinking on post-mobilization readjustment, Mr. Benner warns government, in trying to help the transition, may actually make it worse. Says we have been traveling some dangerous roads since close of World War II, and they do not lead to an economic paradise. Cites increase in public and private debts as a danger, and lists prospective economic changes that may lower business level.

The prevalent forecast as to the outlook for business in the days ahead runs somewhat as follows. Total volume of business is likely to expand as long as defense expenditures keep rising. Irrespective of the way this volume is measured, whether in physical units or in dollars, new heights are certain to be reached. The Federal Reserve Index number of physical production is estimated to go five points higher. Gross national product, that is the value of all goods and services created, may well increase another $10 billion. Wages will continue their upward movement and prices will have a tendency to do likewise. The Excess Profits Tax will be permitted to expire and there is hope that profit margins may not be squeezed much farther than they were this year.

Claude L. Benner

On the whole, the picture painted is a rosy one so long as the economy is supported by ever increasing government orders for armaments. While no one knows, of course, just exactly when the volume of these expenditures is likely to decline, it is estimated that the peak will be reached some time during the latter half of

Continued on page 28

*An address by Mr. Benner at the Annual Banquet of the American Institute of Real Estate Appraisers, Miami Beach, Fla., Nov. 11, 1952.

Oil in Next Quarter-Century

By T. S. PETERSEN*

President, Standard Oil Co. (Cal.)

Pointing out no single physical factor has played a greater and more important role in recent economic development than petroleum, Standard Oil executive forecasts still greater impact from progress of petroleum-wrought energy. Discusses question of maintenance of oil reserves, and looks for refinement of secondary recovery techniques, as well as exploration, to open up new sources of supply. Says within 20 years atomic energy may be able to compete economically with coal and oil energy, but will supplement and not supplant present sources.

Youngsters don't read Jules Verne any more—and it's not hard to understand why. Yet you and I are old enough to recall the day when the Verne vision of things to come—along with the sensational Sunday supplement and the novels of H. G. Wells—created for us a wonderfully exciting, if improbable, world of the future. Improbable, did I say? Today it's the world we live in. If any of you are science fiction fans, you know that the authors of this particular brand of literature are hard-pressed to keep fact from breathing down the neck of fiction. So swiftly does modern science sweep us toward the future that a prophet is not only likely to be without honor—he may find his prophecies fulfilled before they reach print.

T. S. Petersen

With that background and those restrictions on the size of my crystal ball, I still am going to attempt to prophesy the role that oil will play during the quarter-century that lies ahead. It would seem, in view of the record, that I can fail only in the direction of understatement. Perhaps I could, without fear of failure, guess that the incredibly versatile hydrocarbon molecule within the next 25 years will clothe us,

Continued on page 24

*An address by Mr. Petersen at the 32nd Annual Meeting of the American Petroleum Institute, Chicago, Ill., Nov. 13, 1952.

NSTA CONVENTION ISSUE OUT TODAY—Section Two of today's "Chronicle" constitutes an 80-page Special Supplement devoted to the Annual Convention of the NATIONAL SECURITY TRADERS ASSOCIATION at MIAMI BEACH, FLA.

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

ALBERT CROISSANT
Pasadena, Calif.

Pacific Airmotive Corporation

Alert minds got a sharp stimulant in mid-July, wondering about the financial implications of startling front-page headlines: "Pilot Flies 1,239 Miles Per Hour, 15 Miles High in Stratosphere!"

Albert Croissant

Navy Secretary Daniel A. Kimball revealed that test-pilot Bill Bridgeman flew 79,494 feet above the earth and almost doubled the former speed record (671 miles per hr.) by streaking along at 1,239 mph. The old altitude record was 72,394 feet, made in 1935, in an Army balloon over Rapid City, S. D. Engine powered flights had reached an altitude of approximately ten miles, as compared to a five mile ceiling during World War II.

This sensational smashing of both speed and altitude records by such a tremendous margin faces science and the airplane industry with some new problems. For a long time we heard a lot about the much-feared "sonic wall"—the supposed air-block at the speed of sound, which it was thought might disintegrate a plane or at least cause a lot of difficulty.

But in six test flights made last summer, Pilot Bridgeman zoomed his needle-nosed, forty foot research plane so smoothly through the sonic barrier — which is reached at about 660 miles per hour at 35,000 feet and over—that he said he was "not especially conscious of speed. . . . You notice high speed only when you make a mistake. Then the ship jumps and gets hard to control. Generally, though, there's so much blue sky and so many things to do that speed isn't noticeable."

The revelation most pregnant to the investor interested in the future of the aviation industry was Bridgemen's further remark: "The sonic barrier isn't a problem. . . . Theoretically, man might some day fly 10,000 miles an hour if we can lick the aero-dynamic barrier. **Heat is the problem now**, and the question is, 'Can we go higher and faster without having to use an impossibly bulky cooling system'?"

The officials of the National Advisory Committee declared that at twice the speed of sound (i.e. the speed already reached by Bridgeman) aerodynamic heating could increase the temperature on the outer surface of an airplane to 250 degrees Fahrenheit. Aluminum would lose 10% of its strength at that temperature.

At three times the speed of sound, the temperature would approach 565 degrees and the loss of strength in aluminum alloy would be about 90% — and to counteract this heat a single-place research plane must carry 500 pounds more of refrigeration equipment.

Clearly, then, the sudden advent of supersonic, high altitude flying has created virtually a new industry in the field of temperature and pressure controls — controls that must be automatic, for a pilot is too busy and the changes of altitude — i.e., pressure and temperature—come so fast that a pilot has no time to watch dials and manipulate controls for it.

Bridgeman's Douglas Skyrocket carried refrigeration equipment enough to cool a theatre of 3,000 seats in order to keep him from being roasted alive and to keep the metal from turning soft; but he didn't need it because his record flights — beginning at —65 degree cold—lasted only 11 to 16 minutes. After dropping his rocket-ship from the bomb-bay of a B-29 mother-ship at 40,000 feet elevation, Bridgeman turend his plane to a 50-degree climb and saw his air-speed indicator open to 1,000 mph.

Planes which can climb at such speeds can leave the sizzling heat of the earth and in one minute be up in a level where it is sixty below zero. And, of course, they can come down even faster! Jet fighter planes that are now reaching 50,000 feet elevation in four minutes can dive at over 6 miles per minute.

These high speeds and high altitudes have given birth to two new industries since World War II. The first of these manufactures aircraft electronic equipment and the second concerns itself with aircraft pressurization and air-conditioning for both human cargo and electronic devices. A "brain," whether a human pilot or electronic radio, is highly sensitive to its environment and must be suitably protected to perform with the instant accurate reactions that are a necessity.

An investor seeking to share in the vast new field of supersonic planes and guided missiles will see at once the importance of aircraft pressurization and temperature controls, and he will discover that there are only two companies that make complete pressure and temperature systems. They are AiResearch Corp. and **Pacific Airmotive Corporation**, both of Southern California. Pacific Airmotive, the second in size of these two companies, does more business in this field than all the lesser companies combined.

Several companies, the Hamilton Standard Propeller (a division of United Aircraft) and the Stratos Division of Fairchild Engine & Aircraft, make cooling turbines which are specially designed for this type of air-conditioning. A number of other companies are active in making cooling equipment alone, but none of these as yet has gone into the manufacture of the intricate and numerous valves required. The individual valves necessary number as many as 100 in each airplane and all of them must be integrated so that each performs its proper function at the proper time and sequence of operations. They must all be completely automatic.

Because of the "hush hush" nature of the work, little material has appeared in any type of publication about the test or operational flights or about manufacturing activities. The investing public as yet knows little about the key positions and potentialities of certain companies. A few technical journals have carried the bulk of the material. An illuminating article appearing in "Western Aviation" for October 1951, entitled "Giving Aid and Comfort to the Pilot," describes in detail the basic requirements and the importance of the automatic devices which accomplish fool-proof air-pressurization and air-conditioning of the cabin in high altitude and high speed flying.

The remarkably compact and reliable gadgets made by Pacific Airmotive Comany of California may be found on 90% of the pressurized planes of American manufacture, and the company's present production rate will be materially increased as the production of jet planes accelerates in the next five years. Envisioning the events above described, the management of PAC in 1948 acquired a company producing aircraft pressurization valves and temperature control systems for a mere $300,000. Present sales are already approximating an annual rate of $2 million, and in this manufacturing division the company is making over 100 propietary items which are used on nearly all jet aircraft built in the United States.

This division of PAC will doubtless receive another great expansion in the field of equipment for guided missiles, as "electronic brains" and other similar precision equipment **will require even greater controls of air-pressures and changing temperatures than human pilots.** Many experts predict pilotless fighter-craft within the next five years (we already have successful experimental models) — which should also result in additional increases in demand for the type of products engineered and made by this division of Pacific Airmotive Company.

Pacific Airmotive Company (50% owned by Union Oil Company) is both the oldest and largest privately owned organization in the country engaged in the service and maintenance of aircraft engines. It has four basic divisions: (1) Engine Overhaul; (2) Airframe Overhaul; (3) Manufacture, primarily for pressurization and temperature control systems for high altitude aircraft; and (4) Parts Distribution. PAC is the first and largest distributor of Pratt & Whitney engines and parts, and exclusive distributor of Hamilton propellers in regions where it operates, and an extensive distributor of Bendix products.

The new budget presented to Congress is based on an air goal of 143 wings, with a 1953 budget of approximately $20.7 billion. Perhaps only a few people know that the U. S. Air Force is the biggest business in the world today. Presently, with expenditures of $16.2 billion annually, it will purchase more in dollar volume annually than General Motors, Standard Oil of New Jersey, American Telephone & Telegraph, U. S. Steel and Du Pont **combined.** It will provide maintenance for aircraft and equipment on a scale 10 times greater than all the U. S. commercial airlines combined. ("Air Force" magazine, May, 1952.)

Obviously, PAC will be among the beneficiaries of this huge program, for it is one of the few organizations with the facilities and the finances necessary to handle the tremendous amount of engine and airframe overhaul business now being contracted for by the Armed Forces. Such

Continued on page 27

Investment Bankers' Role In Finance Companies

By JAMES J. MINOT*

Partner, Paine, Webber, Jackson & Curtis
Members, New York Stock Exchange

Investment banker, in explaining function of investment banking in supplying capital to sales finance companies, gives data on growth and investment status of this category of business concerns. Describes methods of finance company financing and reveals use of the "subordinated debentures." Finds giving expert advice on markets is one of the most important functions of the investment banker.

Recently I read with interest a book prepared by the Commercial Credit Company on "The Role of the Sales Finance Companies in the American Economy." I am not going to crib or paraphrase what is contained in that book. All of you are even more fully aware than I am of the importance of your industry to the growth of the country and its contribution to the improved standard of living which has taken place.


James J. Minot

Back in the early 20's, and not yet erased from the minds of all investors, finance companies were considered by some as not quite respectable and many people erroneously thought of them as glorified pawnbrokers. Your progress has been almost incredible and the record of your financial soundness can in my opinion not be matched. While more education continues to be needed, the safety of your securities, both as to continuous dividends and prompt meeting of principal in the case of debt, is something of which all of you can be proud.

To go back to your great service to our economy, mass production is an important factor in the improvement in the standard of living, and in turn mass production is largely dependent upon time sales. Certainly the great growth of automobile finance companies was to a large extent responsible for the enormous increase in automobile production and both date back some 40 years.

During this 40 years we have suffered two wars; we are now in a period of a so-called cold war. We went through the maddest boom in 1929 and the worst depression in 1932. We had bank holidays; we went off the gold standard; and certainly this 40-year period is sufficiently long under sufficiently diversified conditions to prove conclusively the general soundness of finance company securities. Again let me observe that the public recognition of this fact has been slow and even today is far from complete.

Some Statistics

Before I give you my opinion on the present state of the capital market for the securities of finance companies, I believe you will be interested in some historical and present day statistics.

A check through the 1952 edition of "Corporate Holdings of Insurance Companies" reveals that at the end of 1951 insurance companies held a total of some $316,409,000 of finance companies' subordinated debentures or notes. In most instances the insurance companies had acquired the entire issues of the subordinated debentures or notes as the result of private financing transactions. Details of holdings of subordinated debentures or notes by insurance companies are given in detail on pages 11 to 17.

In 1929 the common stocks of but two finance companies were listed on the New York Stock Exchange (Commercial Credit Company and Commercial Investment Trust which is now C. I. T. Financial Corporation). In addition four issues of preferred stocks of Commercial Credit Company, two issues of preferred stocks of Commercial Investment Trust and one issue of preferred stock of Household Finance Corporation were listed on the New York Stock Exchange at that time (the common stock of the latter was then very inactively traded "over-the-counter"). All of these preferred stocks were subsequently retired by being paid off or through exchange offers. In the event exchange offers were not accepted, the preferred stocks were called. After taking into account stock dividends and split ups the common stocks of both of these companies are selling at prices well in excess of the 1929 price. Details are as follows:

Commercial Credit Company common stock sold at a high of 62⅝ in 1929. Subsequently the company paid two stock dividends on its common stock—20% in 1936 and 100% in 1952—resulting in each 1929 share becoming 2.4 shares at the present time. The current market of 37 for the present common is therefore equivalent to $88.80 for each share as it existed in 1929. Dividends were paid on the common stock in each year 1930 to Oct. 1, 1952, inclusive, except for the year 1933. During this period a total of $79.17 was paid on each 1929 share, an average of $3.48 per annum equiv-

Continued on page 20

*An address by Mr. Minot delivered before the American Finance Conference, Chicago, Ill., Nov. 7, 1952.

INDEX

Articles and News

MORE ARTICLES IN SECTION TWO

SECTION TWO of today's "Chronicle," devoted to the recent Annual Convention of the National Security Traders Association at Miami Beach, Fla., includes the following articles:

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Other Publications

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The Roads to Roam

By IRA U. COBLEIGH

Author of "Expanding Your Income"

Pointing up the need for more motor arteries; the probable march of road building, even if other industries become depressed; and outlining a few roads to income from highway-slanted enterprises.

It won't do you a great deal of good to get behind the wheel of one of the forthcoming 1953 200 h.p. chrome-lined chariots from Detroit, if the only outlet for all that power and acceleration is the bumper of the car ahead. High compression in your motor may be wonderful, but compression of 1,000 cars into two miles of road is murder. Did you ever stop to think that if all the 55 million motor vehicles in America started to hit the road at the same time, nobody—but nobody—could move? Fortunately, trucks are off the road Sundays when the holidrivers are in full cry, so we never see how bad traffic could really be, but we'll all admit it's bad enough!

Ira U. Cobleigh

Hence, the clamor for a bumper crop of new roads. Highway creation was, of course, expendable during the war, what with gas rations diluting traffic, and correct economic emphasis on arms production. Came 1946, and what happened? A torrent of new vehicles started pouring out from Detroit into the shift-starved paws of the populace. A road program planned to accommodate 45 million cars and trucks by 1960 proved woefully deficient. Not only were new roads a high-octane necessity, but a great deal of deferred maintenance on old ones became *de rigueur*. So America got down to earth—highway grading that is—and started planning and paving to catch up; and the fabulous highways projected for us in the "Futurama," you may remember from the General Motors exhibit at the World's Fair, began to come to life.

Representative Toll Roads

The pioneer of this super-highway vogue was the Pennsylvania Turnpike, started before World War II and earning but moderately during it. It struck real pay dirt in 1951, when it racked up $13.9 million at the toll houses, against cost of operation and bond interest totaling $3,733,000. This road should pay. It now runs for 327 miles from outside Philadelphia to the Pittsburgh district, taking the bite out of the mountains in the central part of the state. Moreover, the original section was built at a cost of, I believe, $480,000 a mile, while its new neighbor, The New Jersey Turnpike, cost over $2 million a mile. These two units, together with the 241-mile Ohio Turnpike (to be built at a total cost of about $325 million) will permit the cruising motorist to zoom, unimpeded save for toll gates, from New York to Indiana.

The giant of them all, however, is now a'building—the 535-mile New York State Thruway—slated to cost over $500 million. Something less than 100 miles of this is already complete, in what will be an unbroken stretch of hot rodder's delight running from the Berkshires to Buffalo.

Others, already in being, would include, of course, the Wilbur Cross-Merritt Parkway system in Connecticut, the 118-mile New Hampshire Turnpike, and the Overseas Highway built years ago from Florida City to Key West—122 miles. Construction has also been authorized or is now underway, on the Garden State Parkway, N. J. (164 miles), the West Virginia Turnpike (88 miles) and the $160 million toll road across Massachusetts. Total major toll roads now collecting fees, or in a stage somewhere between blueprints and Buicks, extend for 2,300 miles.

All this takes building money—a lot of it, $500 million for the New York item, $326 million for Ohio, and so on. Well, two standard financial forms have been employed. Originally, state roads were usually paid for by offering of bonds pledging the full faith and credit of the issuing state. They were called "highway" or "road" bonds, and sometimes the revenues from tolls (if any) were to be directly allocated to servicing the bonds; but in any event the state was responsible for payment of principal and interest. State bonds keep interest rates down, but balloon state debt. More recently, however, taking a page from bridge and tunnel enterprises, public and private, bonds have been issued by specially created Turnpike Authorities; and the bonds (while still exempt from income taxes, Federal, and in the state of issuance) depend for dough for interest and principal, solely on the tolls collected. Because the Pennsylvania Turnpike has been so good an earner, and the N. J. Turnpike exceeded by 250% its projected income, and toted 84,000 cars in a single day, bankers and investors have taken a liking to turnpike revenue coupon carriers, on high density traffic ribbons.

High Tax-Exempt Yields

Just glance at the sample securities listed in Table I and you'll get a good idea of the quite high tax-exempt income available in this department. There'll be more issues like these, so look for them.

To long suffering taxpayers, like you and me, this atavistic scheme of charging tolls on public roads, going way back to the 19th century, doesn't seem exactly cricket. In many states, we've been paying gasoline taxes for years at so much a gallon—taxes tagged for the building and maintaining of roads, which often got badly diverted. We really have a squawk coming; we should have had these new pikes for free! But alas, we seem to be those for whom the roads toll!

Another thing about these handsome highways you may have noticed—some are concrete and some are black top. The Penn Pike is concrete; the N. J. Turnpike made with 4 inches of porous stone base, and 4½ inches of bituminous paving on top. "Which is better, which is cheaper, which lasts longer?" you ask. Brother, I don't want to get into the middle of this argument. More aggressive selling by the asphalt wing of the paving fraternity seems apparent now, than ten years ago, buttressed by claims of lower construction cost per mile, higher axle load capacity and absence of lines or joints. On the other side, the traditional permanency and low maintenance costs of concrete are steadily reasserted, and many roads like U. S. #1 between Newark and Philadelphia are pointed to as evidence of concrete durability. I leave the argument to the Road Commissioners and other experts. Just let us have a few thousand more miles of hard top road, black or white.

The Investor's Stake in Toll Roads

Switching over to the investor viewpoint, a way to participate in black top type roads is the purchase of oil company shares. Standard of N. J. is probably the largest supplier of the basic ingredient of bituminous roads, but most of the big petroleum outfits are represented, Standard of California, Gulf Oil, Shell, Texas, etc. Actually buying oil equities to share in the road building is a sort of two way program. Although a relatively small portion of current earnings is derived from asphalt operations here, oil and gas sales should logically expand a lot as the new roads get built.

Concrete for roads has poured earnings into cement companies for decades, so you probably should look into this industry. The largest unit here is Universal Atlas Cement Co. whose stock is entirely owned by U. S. Steel Corp.

Lehigh Portland Cement Co. has been a fine company for years, with sound progressive management, and judicious expansion in the right places. Including a new 1,400,000 barrel plant in Florida, which began operating just this year, Lehigh has 15 plants spread about the country with a total annual capacity of about 22.5 million barrels, and accounts for about 10% of U.S.A. output. Dividends have been paid faithfully since 1936, including a 2-for-1 split in 1951. Balance sheet is a banker's dream—over $13 million in net working capital at the 1951 year-end, no debt and only 1,901,560 shares of common (sole capitalization) selling on N.Y.S.E. around 26¾ and currently paying $1.20.

Another of the first four cement makers is Alpha Portland Cement Co., with 12,000,000 barrels in annual production capacity. Strong cash position, no bonds, no preferred, and only 586,956 common shares paying $3.00 currently, selling on the N. Y. Stock Exchange at 44 to yield about 7%. 1952 operations would appear to justify present payment rate. As a matter of fact, Alpha has done very well by its stockholders, paying dividends, except for 1933 and 1934, in each year since 1916. Alpha is the first letter in the Greek alphabet, and among the foremost cement creators.

My third cement entry is a more speculative one, a smaller company but boasting a fine new plant, Giant Portland Cement. Original plant was in Egypt, Pa. and the new unit in Harleyville, N. C. was acquired in 1948. This is only 70 miles from a new atomic energy plant, and is strategically located to market in the Carolinas, Virginia and Tennessee and Georgia. Together these plants can produce about 3,300,000 barrels. A 5% RFC loan of about $2.5 million is followed by 1,176,384 common shares. Dividends have been spotty, there being none for some years till 1948. In 1951, 37½ cents per share was paid in cash and 2% in stock. There's a lot of leverage in this situation, and apparently some area for possible market gain above today's over-the-counter quotation of $3.75 a share.

Other avenues for sharing in highway building might include Jaeger Machinery Co. which makes ready-mix cement equipment; road machinery makers like Bucyrus-Erie, Baldwin Lima, Le Tourneau, International Harvester, Caterpillar Tractor, Allis Chalmers, Oliver Corp.

Probably I've exceeded the speed limit in racing over this highway topic. Sketchy as it is, it does outline (1) the need for more highways, (2) the probability that they will be built whether we have good times or a depression, and (3) some of the ways you may, as an investor share in the earnings new roads create. The roads to roam may also be roads to income.

TABLE I

(Market quotations of November 7, 1952)

Issue	Maturity	Rate %	Price	Yield %
West Virginia Turnpike	12-1-89	3¾	96	3.85
Ohio Turnpike	6-1-92	3¼	103	3.12
Oklahoma Turnpike	8-1-90	3¾	101	3.71
New Jersey Turnpike	1-1-86	3.20	106	2.75

The Changing Economic Climate of Canada

By W. F. LOUGHEED*

Economist, The Canadian Bank of Commerce

Describing Canada's progress as due to: (1) expansion and diversifications of industrial plants; (2) a more permanent political and economic position in world affairs; (3) adoption of a program of "full employment" along with wider acceptance of welfare concepts; and (4) a shift from the negative to more positive role of government. Mr. Lougheed stresses the rapid increase in Canada's capital investment as well as Canada's increasing role in the world economic picture. Points out importance of Canada's foreign trade and cites Canada's ten-fold increase in government revenues and outlays in last decade.

Since the turn of this century Canada has been emerging into what is now being called an economic entity. In this process during the past half century there have been many adjustments and changes in the patterns of trade, of industry and of commerce. What might have been envisaged by planners of that day—and they existed then too—doubtless bears little resemblance to the existing scene.

W. F. Lougheed

During the late nineties on through to 1914 (or perhaps 1920) we had our first period of expansion and for that time an accompanying high degree of prosperity. Beginning in 1946, we in Canada have embarked on another program of commercial and industrial expansion, and this has been accompanied by generally prosperous conditions from coast to coast. Since 1900 we have participated in two world wars, we experienced a short-lived stock market boom in the late twenties, and we went through a very severe and debilitating depression in the thirties. The dynamic characteristics of our economy are obvious.

What perhaps distinguishes the current economic scene from other periods in the past is, first of all, the expansion of industrial plant and the widening industrial horizon; secondly, I would note our changed political and economic position *vis a vis* other nations; thirdly, the fairly widespread acceptance of the doctrine of "full employment"; fourth, a wider acceptance of welfare concepts than at any previous period in our history, and last, but by no means least, a noticeable shift from a negative to a more positive role of government. The slogan, "the best of all governments is the one that interferes the least" has given way, not necessarily to the converse, but in any event to a lot more and more costly government—far more than any of us who began our study of political science and economics in the late twenties and early thirties believed possible in our time. These changes have made it necessary to revise our economic outlook and it is to these developments and their implications that I propose to direct attention.

Postwar Canada Is Different

I do not believe it is fully (or for that matter widely enough) realized that Canada today is a far different country from the Canada of 1938-39. The geographic characteristics—with of course the addition of the Province of Newfoundland—are much the same, but I venture to suggest that both the outlook and attitudes of our present population differ in many respects from those of the population in the pre-1939 period; and I know that our economic climate has changed greatly.

At the time war broke out in 1939 our Canadian population was in the neighborhood of 11.5 million; at present it is estimated at 14.5 million—an increase of approximately 25%. In 1939 our labor force in combination with our factories, farms, mines and forests and water resources produced a pile of goods and services valued at some $5.7 billion — in economic terminology, Gross Nation Product. By war's end our productive output measured in dollars had doubled. Between 1946 and 1951, production, in dollar terms, steadily increased to $21 billion. This year it is estimated that the Gross National Production will be in the neighborhood of $22.75 billion.

For many years our economy was principally devoted to agriculture and to the production and export of primary products—base metals, pulp and products of the forest and the sea. The recent war transformed Canada from an economy that was predominantly pastoral to one of better balance in our modern world. Agriculture, forestry and mining now contribute about 20% to the National Income and manufacturing about 30%. It should be pointed out, however, that industrial development has not achieved its predominant position at the expense of agriculture. Today relative to the thirties there are fewer farmers, but more acres under cultivation; productivity has increased and cash farm income has risen from $750 million in 1940 to an estimated $2.8 billion this year. In considering the contrasts it may be suggested that industry generally, and manufacturing in particular, have undergone more noticeable changes and that employment opportunities have been widened, if not high-lighted, in recent years.

There is little doubt that our industrial and commercial expansion which began during the war years has been largely sustained since the end of the war by the high and steady volume of capital investment, both private and government. In 1937, new invest-

*An address by Mr. Lougheed to the Canadian Purchasing Agents 27th Conference, Toronto, Can., Oct. 24, 1952.

Continued on page 36

The State of Trade and Industry

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

For the nation as a whole total industrial production in the past week moved slightly higher and continued to be noticeably above that of a year ago. In fact, it approached the highest level attained since the close of World War II and was about 8% below the all-time high point reached during that conflict.

Unemployment was slightly over one million, the smallest total in seven years. The defense effort, according to one trade authority, accounted for approximately 15% of total output.

Steel ingot production the past week dropped to 105.9% (revised) of capacity from 107.3%, the record level reached in the preceding week.

Plans are already being made in Washington to bring about an orderly decontrol of steel as quickly as possible, states "The Iron Age," national metalworking weekly, the current week. The timetable is expected to shape up like this: (1) First will come decontrol of civilian requirements. (2) Industry will return to a free market and re-establish customer relationships as it girds itself to meet a buyer's market by mid-1953. (3) Complete decontrol of military and atomic energy requirements will be deferred for some time. Even when these controls are dropped the steel industry will continue its pledge to meet all defense needs first. (4) There will be no unseemly haste in ditching controls because of the election landslide. (5) Historic use will be given more weight in placing steel orders on the books. In addition, such decisions will be influenced strongly by an honest desire of steel industry people to operate on the basis of what's best for the country, declares this trade authority.

No sharp cutting in actual arms or defense items is expected. Some cuts will be made but they will be aimed at eliminating waste as far as possible without impairing the defense program.

An intensified and continuing effort will be made to end the Korean war. If this is successful, price and wage controls will probably be allowed to expire on April 30, this trade paper notes.

The untimely death of Phil Murray, President of the CIO and United Steel Workers of America, will not end the efforts for harmony in the steel industry. Though Mr. Murray was to have played a key role in a series of harmony conferences at grass roots level, steel leaders expect to continue the program with his successor. Keynote of this program will be solving little problems before they have time to grow into major issues, "The Iron Age" states.

Bolstered largely by automobile producers and their suppliers, the conversion market continues to be a strong factor in steel production. Others helping keep pressure on conversion are appliance makers, oil companies and business machine manufacturers, this trade juornal points out.

Labor and material shortages cut auto production 5% last week from that of the preceding week, but the industry still made 29% more cars than a year ago, according to "Ward's Automotive Reports."

This year's total so far is 3,630,800 autos, down 24% from the 4,783,100 assembled in the corresponding period last year.

"Ward's" also blamed "a lull following the end-of-October drive for strong volume" for the past week's drop.

General Motors Corp.'s car-truck production volume last week fell 8%; Ford's declined 7%, and independents showed about a 3% decrease.

Steel Output Scheduled at Higher Level This Week

Increasing freedom in the steel market is a good bet for early 1953, says "Steel," the weekly magazine of metalworking, with the election of General Eisenhower to the Presidency, an increase in the steel industry's capacity and production and the attainment of a plateau in defense production. As a result there should be less and less government interference in the buying and selling of steel, it adds.

The landslide victory of General Eisenhower certainly will not slow down the fade-out of controls. If anything it will hasten it, continues this trade journal. Meanwhile, steel capacity and production will continue to grow and further lessen the need for controls.

Formal admission that the steel supply is improving was made in the Defense Production Administration's latest "List of Basic Materials and Alternates," states this trade weekly. It takes the "most critical" designation off cold-drawn carbon bars, hot-rolled carbon bars and semifinished steel, plates and seamless tubing. They are still the most difficult of all steel products to obtain but they are classed now as being only in short supply. The only ferous products remaining on the government's list are nickel-bearing stainless steel, and steel castings and gray iron castings of more than 3,000 pounds.

The heavy flow of steel from the mills is taxing the supply of railroad freight cars for shipping it. Some producers are resorting more and more to trucks to haul it.

While large carbon bars, both hot-rolled and cold-finished, are among the scarcest of steel products, there are continuing signs of improved supply in the second quarter of 1953 with much of the heavy demand stemming from defense needs declares "Steel."

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at an average of 106.4% of capacity for the week beginning Nov. 10, 1952, equivalent to 2,209,000 tons of ingots and steel for castings. In the week starting Nov. 3, the rate was 105.9% (revised) of capacity and actual output

Continued on page 33

The New Administration . . . What It Will Do in Finance and Business

By A. WILFRED MAY*
Executive Editor, "Commercial and Financial Chronicle"

Citing indications of swing to the Right, as make-up of new Congress, likely Cabinet appointments, and landslide overwhelming of labor bloc vote; and on other hand, of continued Socialist tendencies because of widespread vested interest in inflation, fear of electorate's subsequent reprisals, and international tension; Mr. May predicts new Administration will locate slightly Right-of-Center. Expects emphasis on reconstitution of tax structure, with curtailment of present abuses; in lieu of across-the-board reduction. Maintains while stocks may decline because of public's expectations of deflation, presence of good intrinsic values and absence of premium for inflation-hedge provide a comfortable market floor.

Developments post-election reinforce our conviction previously expressed** that the landslide proportions of the General's victory have altered the direction of his course over the single or double term a bit to the Right of Center from the middle of the road.

A. Wilfred May

New Lineup

On the one "Right" hand, Senator Taft, who is slated to continue in his all-powerful role as Republican policy chairman in the Senate, together with the conservative Representative Joseph W. Martin, Jr., who will return to the Speakership of the House, will be the most influential Republicans in the new Congress. And the key committees will in nearly all instances be controlled by the Old Guard. The Labor and Public Welfare Committee will be headed by Senator Taft, Banking and Currency by Senator Capehart, the important Appropriations Committee probably by Senator Bridges. The prospect for sound reconstruction in business, tax and other fiscal issues are likewise enhanced by the scheduled accession to the chairmanship of the Finance Committee of Senator Eugene D. Milliken, who was Ike's first visitor at the Augusta headquarters; and by the prospective appointments of Lucius Clay, W. Randolph Burgess, Charles E. Wilson, John J. McCloy, and W. Walter Williams, or their ideological equivalents, to Cabinet posts and the Reserve Board chairmanship; and by such straws as the President-elect's designation of Joseph M. Dodge, former ABA head, as his "Ambassador to the Truman Budget."

In view of the electorate's surprising overthrow of the "labor vote," and with so large a segment of the farm and Southern voters shunning the Democratic column, the new Administration should be able to effect a sharp curtailment of price and wage controls; an end of the new social and welfare experiments, with a reduction in the existing programs; cutting-down-to-size of union labor from its lofty political privilege of the past 20 years, and an overall general reduction in "Big Government."

On the other hand, this unfortunately, does not mean that we can expect the transformation to go as far as "Small Government"—the elimination of bureaucracy, or its reduction to pre-New Deal proportions. Such Utopian result would mean a two-thirds reduction in the civilian pay-roll and 95% in total spending. Although the election result indicates (in addition to Ike-glamorization) a resounding whack to Fair Dealism in principle, we must remember that many of the important sound savings items recommended by the Hoover Commission were opposed by Republican as well as Democratic lawmakers.

Only a Gradual Cure From the Dope

Just as any party in power cannot operate in a vacuum oblivious of pressure group exigencies, the Republicans cannot suddenly and completely do the job of wiping off the New Deal-Fair Deal bounties which have so pleasantly narcotisized the country. Remember the President-elect's promise to the farmers of full rather than 90% parity, and on social security, "I would support and press for adoption of legislation designed to lighten the burden of the high cost of living on our senior citizens." And he seems to be committed to Federal funds for school building in the poorer states. Too often, as Norman Thomas has said, the test of the degree of a measure's socialism lies in the fact of who has voted for it.

Dislodging the Vested Interests

Surely an electorate-conscious government with so much of the community having a vested interest in the facets of inflation is going to abstain from measures entailing too great or sudden dislocation; it is not going to upset the apple cart of "having it so good" to lay itself open to the "depresssion-party" epithet. Thus, although Eisenhower will start out with more power to have his way with the voters than has the present-day Churchill, who barely squeaked by the electorate, some similarity may well develop between the Republican Administration and the both-shoulder-water-carrying of the British Conservative government since October, 1951. This week's London "Economist" in its lead article appraising the Churchill government's record, concludes: "The first year of Conservative Government has to its credit a fairly successful rescue operation. But almost nothing has been done to restore enterprise and initiative, to create the incentives to efficiency, or to stimulate a massive increase in productivity. Those are the real foundations on which a solvent and secure economy—and an alternative to Socialism — can be built."

Here, as in England, the degree of international tension will be controlling, all that we can

Continued on page 37

*From an address before the New York Area Chapter of the American Statistical Association at Remington Rand Hall, New York City, Nov. 14, 1952.

**cf. Our article on the Election results and the outlook which appeared last week in this space.

The Outlook for Business

By MARCUS NADLER*
Professor of Finance, New York University

Dr. Nadler foresees present high level of business maintained for several months, but with sellers' market rapidly coming to end. Holds unanswered question is whether transition to buyers' market will be moderate or intense, but that, considering the various factors in situation, one can look forward to future with confidence.

The business pattern in the United States after World War II was entirely different from that experienced after all other major wars. The historic pattern previously had been a period of inflation followed by a period of deflation and, after the downward readjustment was completed, a considerable expansion lasting for several years. Following World War II, however, the boom, with the minor exception of the setback in 1949, has continued for a longer period of time than had been generally anticipated. It is, of course, true that the international political situation and the necessity imposed on the free world to spend huge amounts for national security have contributed to maintaining this boom. In spite of this development, however, the question remains whether the old pattern has been abolished entirely and, if not, whether a serious downward readjustment in the not distant future may not take place.

Marcus Nadler

The general consensus of opinion at present seems to be that business will remain at a high level during the next six to nine months and then witness a decline. Beyond that very few people who have studied the situation are willing to express opinions as to the business outlook and business pattern. This unwillingness to predict the long-range future is justified because of the serious international political uncertainties which, as past experience has shown, have a tremendous impact on the economy of the country.

The business outlook, and how it will affect the petroleum industry as seen at the moment, and, of course, subject to revision if some unforeseen event should take place, may be briefly summarized as follows:

(1) The present high level of business activity will be maintained for several months. The momentum is so great that practically nothing can stop it. Military and capital expenditures will be large. The disposable income in the hands of consumers is increasing. Employment is plentiful, wages are high, and the soft-goods industries have overcome the period of readjustment and are increasing output and sales.

(2) The sellers' market is rapidly coming to an end and, before many months are over, the buyers' market will re-assert itself with full force in all lines. Because of the increased productive capacity of the country and increasing competition from abroad in the domestic as well as in the foreign markets, business will be more keenly competitive than it has been for a great many years.

(3) The international political situation will exercise an influence on total military expenditures. If the tension is eased, the stretchout of our armaments program may be extended again. If, however, the situation becomes more serious, military expenditures will be increased; but, even in the latter case, the United States today is in the favorable position of having both an ample supply of civilian goods and at the same time being able to meet all the requirements for national defense short of a major war.

(4) During this immediate period it goes without saying that the oil industry will share in the prosperity of the country as a whole.

The real question which arises is whether the readjustment which is bound to come when the transition from the sellers' to the buyers' market is in full swing, will be a moderate one, as was witnessed in 1949 and of short duration, or will be more serious in character and last a longer period of time. Predictions are hazardous, particularly in view of the great uncertainties which prevail throughout the world. However, based on an analysis of the known forces operating in the economy, one can feel confident that the downward readjustment, when it comes sometime in 1953 or perhaps in 1954, is not likely to be very serious in character nor last very long. This conclusion is based on the following considerations:

(1) The economy of the country is dynamic. The population is increasing at a greater rate than was expected in the '30's, and the standard of living of a large number of people has increased considerably. New inventions have been manifold, and are creating new values while destroying old ones. In spite of the sharp increase in the public debt and the rather steep rise in private indebtedness, the financial position of American business and of individuals is sound, and there is a huge backlog of liquid savings at the disposal of the people.

(2) Not only has there been a substantial increase in the population, but considerable geographical shifts have also taken place from one part of the country to the other, with a resultant favorable impact on the construction of roads, homes, utilities, and other public works. Moreover, the trend toward decentralization away from the cities and the suburban areas still continues, and this too will affect business activity in general and the oil industry in particular.

(3) Great changes have taken place in the field of credit and capital. Bank failures such as occurred in previous depressions are a thing of the past. The same may be said about foreclosures of homes and farms. Speculation with bank credit is at a minimum, and there is no danger of a forceful reduction in the volume of loans, and hence of deposits, which are purchasing power.

(4) The savings of the people which are used to finance the development of industry have become increasingly institutional in character. Whereas in the '20s, the bulk of private investment was financed from individual savings, at present such funds come primarily from institutions such as insurance companies, pension funds, etc. The accumulation and investment of the savings by such institutional investors are much less volatile than in the case of private investors.

(5) The factor of obsolescence is bound to play a much more important role in the future than in the past. Wages are high, and a reduction in money wages cannot be envisaged. Under these circumstances, management will endeavor to operate at as low a cost as is humanly possible. The attempt to reduce costs means the constant acquisition of new machinery and equipment. The rising depreciation, because of the huge investment in plant and equipment and the higher cost of equipment during the past few years, will assure a considerable demand from depreciation reserves for machinery and all kinds of labor-saving devices. These dynamic forces will continue to operate in the future.

(6) To these should be added the profound social changes which have taken place in the country during the past decade, which are bound to have a powerful influence on industry and trade. The economic security of the individual today is greater than in previous periods of business adjustment, and unemployment and old age do not now reduce so drastically as before the purchasing power at the disposal of individuals. The role of government in business, although it may undergo changes, will continue to be great, and will play an important role in housing, in farm prices, and in other fields.

Based on the aforeoutlined forces, one can look forward to the future with confidence. This however, does not imply that business activity will continue on a straight line upward. A dynamic economy of necessity is bound to be marked by ups and downs. However, unless something unforeseen should occur, the "downs" will not be very pronounced, nor will the period of readjustment last very long.

In considering the future, one must also take into account the international economic position of the United States. Because the real problem confronting the free world is to win the cold war and to disprove conclusively the communistic thesis that the capitalistic system is rapidly decaying and is bound to collapse, careful attention must be paid to the international economic position of the United States.

Because of circumstances over which nobody had any control, this country became the leading creditor of the world. To date the various efforts which have been made to eliminate the dollar gap have not been successful. Exports from United States to a considerable extent have been financed through grants and loans which can be considered as only temporary measures.

A creditor must make it possible for the debtor not only to repay his debt, but also to continue to buy in the creditor country; otherwise the creditor must be willing to invest abroad and/or to make loans and grants to debtor countries. If one is a realist, one must reach the conclusion that the United States will not open its gates to foreign goods which may come into direct competition with American production and American labor. It is, however, of the utmost importance in order to win the cold war that the dollar gap be eliminated because, once this is achieved, it will make possible the free conversion on current account of the leading currencies of the world. To achieve this objective, one must find ways and means to increase the flow of American capital to foreign countries, particularly to the underdeveloped areas of the world. The recent action of the government in guaranteeing certain American investments abroad against confiscation and transfer difficulties is a step forward. A possibility which merits careful consideration is the granting of certain tax advantages to American exporters of capital, particularly as regards direct investments. Development of economically retarded areas will lead not only to an increase in the international trade of the world, but also to an increase in the standard of living of the people, which is the best method of fighting communism.

So far as the oil industry is concerned, the outlook is bright. The demand for petroleum and petroleum products will continue to rise, although perhaps at a slower rate. Not only will there be more cars on the roads of the world; not only will more and more diesel engines be used, more farm equipment bought, more homes heated by fuel oil, but also chemical research will accelerate the use of oil as an important raw material. As with the rest of the economy of the country, the oil industry too will have its ups and downs; but, as experience of the past has shown, even a sharp decline in business activity—as was the case in 1938—does not lead to any significant reduction in the consumption of gasoline.

The international economic situation is, however, of the utmost importance to the oil industry. The industry has made huge investments abroad, and has contributed a great deal to the development of economically retarded areas. It has, therefore, a great stake not only in maintaining international political stability, but also in assisting the economic and financial comeback of the rest of the free world and the restoration of currency convertibility on current account. Difficult as the international problem is, it can be overcome if the people in the United States fully realize what is at stake, viz., the survival of the system of private enterprise and the freedom of the individual at home as well as abroad.

*Summary of address by Dr. Nadler at the Accounting Session of the 32nd Annual Meeting of the American Petroleum Institute, Chicago, Ill., Nov. 11, 1952.

Can the U. S. Economy Stand the Cold War?

By EDWIN G. NOURSE*
Former Chairman, President's Council of Economic Advisers

Former top Administration economist, estimating military drain will soon drop from 14 to 8% of gross national product, asserts that economy can bear such strain. Citing apparent "deal" between Truman and John Lewis as latest instance of making the consumer "low man on the totem pole," Dr. Nourse says crucial question is whether the people will stand what 10 more years of this kind of cold war involves.

If one is going to give a reasonable answer to the question: "Can the U. S. Economy Stand the Cold War?" he must first define what we mean by "cold war." My definition would be a state of preparedness over a more or less indefinite period that would cost us from \$35 to \$40 billion a year.

Edwin G. Nourse

Then let us say that the period of time we are talking about is ten years. What would be a fair estimate of the strength of the economy during that time? Well, gross national product is now running about \$340 billion a year, and competent estimates are that we would be able to turn out something like \$425 billion to \$450 billion a year by 1960 or 1962. Putting these two figures together shows the military component of the economy under cold war conditions as averaging about 10%. Or, in other words, the drain which this level of military preparedness would put on the civilian economy working at reasonably full capacity would average about 10% for the decade or would in that period run down from about 14% to 8%.

Now, as we look around us, it seems evident that the economy is able to stand the strain of a 14% sacrifice for the military effort.

"We Never Had It So Good"

In fact, it probably amounted to several percent more than this in terms of actual secrifices for the military build-up at the tightest point between 1950 and today. And yet even in that period, we have been told on high authority that "We never had it so good." Personally, I think the financial underpinnings and the probable permanence of that prosperity need close scrutiny. But in the purely physical sense, there can be little question that the nation as a whole has been better fed, better clothed, better housed, and better entertained during this period than ever before. We are not cracking under the physical strain. And if the tension ratio were to be practically cut in half during the next ten years, the danger of collapse would seem quite remote.

But this is perhaps not the most significant or suggestive way to state the issue. Instead of saying "*Can* the *economy* stand the cold war?" I would suggest we inquire: "*Will* the *people* stand what ten more years of this kind of cold war involves?" Will farmers and industrialists, merchants and taxpayers and voters stand the slower rate of economic progress or living standards which is entailed by this degree of military build-up or arms race or calculation of the risk which we have to meet? Even admitting that the conditions of life are not really austere (pretty soft according to the standards of most countries), will our people in their business relations and in their political capacities refuse to accept them?

If there were a real resistance movement and it followed political lines of expression, this would mean that the people would compel the government to abandon or curtail the program of rearmament of ourselves and our allies. If resistance expressed itself in the business or market area, we would see it as stubborn strikes, as bitter resistance to cost absorption, or as withdrawal of crops. This would produce a general business situation that would sabotage the full economic effort, that would minimize production and thus minimize the actual burden of the cold war.

Let us put the matter in terms most pertinent to the week after the Presidential election. In spite of claims by the outgoing Administration that they had so solved our economic problems and provided such built-in stabilizers that there is no possibility of a harmful recession, I think the case is by no means that reassuring. The basic conditions necessary to get continuously workable terms of

*A talk by Dr. Nourse before the Associate membership of the New School, New York City, Nov. 9, 1952.

trade among producers, savers, and spenders have not been faced and met.

The deal arranged between Mr. Truman and Mr. Lewis at the White House just two weeks ago breaks the whole destabilizing process loose again. The final outcome of that episode promises to be a capitulation to Mr. Lewis' claim that "his boys" don't have to bear any part of the burden of the cold war. Then Mr. Moses' position seems to be that his operators cannot or will not, out of that degree of prosperity which they have been enjoying, "absorb" any part of this burden. If the O.P.S. accepts this proposition also, the consumer is to be the low man on the totem pole.

It is sometimes said that this way of trying to "pass the buck" of cold war strain is "collusion against the consumer." But the consumer is all of us, so this process is self-defeating. For a time, the consequence is inflation. We lose as consumers what we gain as businessmen or workers. As Walter Reuther picturesquely puts it: "Hard won wage advances are paid in wooden nickels."

Collusion vs. the Economy

But since we are looking ten years ahead, we have to consider another and more serious outcome of this way of dealing with the costs of the cold war. It would be more illuminating to call it collusion against the economy. There is a possibility, which for some has already become a grim reality, that the worm will turn. Consumer resistance causes the market to begin to dry up and to threaten the downward spiral of disemployment.

This line of analysis gives us an answer to the problem which confronts the new Administration which is much less optimistic than that with which I began. It suggests, in effect, that an economy which in terms of physical resources could meet the strain of cold war may not have the resources in terms of institutions and practices that will enable it to do so. The economy in terms of the leadership of top executives of labor, business, and government may not of itself be able to stand the strains that a cold war puts upon their economic intelligence and their human forbearance. If that in fact is true, it would probably have proved true also in the absence of an armament strain of these dimensions.

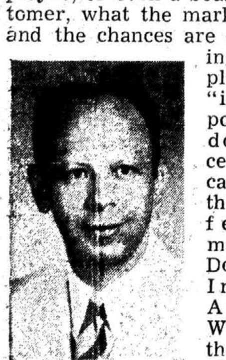
Is the Dow Jones Industrial Average Representative?

By SAM GLASSER

San Antonio, Texas

Mr. Glasser gives history of changes in the Dow Jones industrial average and the method of computing the divisor, which fixes the "average." Concludes the index exaggerates the net results of a day's fluctuations, but holds, despite criticisms, the Dow Jones average is here to stay, "the minds of men being more poignantly concerned over 'where' it will stay."

Ask a brokerage house employee, or even a boardroom customer, what the market is doing and the chances are overwhelmingly the reply will be, "it's up a point, or it's down fifty cents," as the case may be, the "it's" referred to meaning the Dow Jones Industrial Average. While it is the most popular and utilized index, of late the "familiar" industrial average has been rhetorically and widely criticized as being non-indicative of the trend as well as a distortion of the true level of security prices.



Sam Glasser

To better understand the picture and status of the DJ industrial average, a brief history of its inception and subsequence might be of assistance.

History of DJ Averages

The average was first compiled in May, 1896, and consisted of 12 stocks — American Cotton Oil, American Sugar, American Tobacco, Chicago Gas, Distilling & Cattle Feeding, General Electric, Laclede Gas, National Lead, North American, Tennessee Coal & Iron, U. S. Leather Preferred and U. S. Rubber. The average was computed on a straight arithmetical basis of merely totalling the value of the stocks and dividing by 12.

Almost immediately many substitutions occurred in the list. Pacific Mail took the place of U. S. Rubber in late 1896, and then U. S. Rubber replaced General Electric in 1898, which reappeared in 1899 instead of Laclede Gas. Swaps and reswaps of this nature continued and finally in September, 1916, the list was broadened to 20 stocks, as follows:

American Beets Sugar, American Can, American Car & Foundry, American Loco, American Smelting, American Sugar, American Tel & Tel, Anaconda Copper, Baldwin Loco, Central Leather, General Electric, Goodrich, Republic Iron & Steel, Studebaker, Texas Company, U. S. Rubber, U. S. Steel, Utah Copper, Westinghouse Electric, and Western Union. The divisor, as surmised, was lifted to 20.

From September, 1916, to Oct. 1, 1928, 19 changes were made in the average and nine splits or stock dividends took place. The divisor, howver, remained at 20. On Oct. 1, 1928, the number of issues was raised to 30, and the divisor, which was changed for the first time on Sept. 10, 1928 to 12.7, was revised to 16.67.

The first 30 stocks used were: Allied Chemical, American Can, American Smelting, American Sugar, American Tobacco B, Atlantic Refining, Bethlehem Steel of New Jersey, Chrysler, General Electric, General Motors, General Railway Signal, Goodrich, International Harvestor, International Nickel of New Jersey, Mach Trucks, Nash Motors, North American, Paramount, Postum, Radio Corporation, Sears Roebuck, Standard Oil of New Jersey. Texas Corp., Texas Gulf Sulphur. Union Carbide, U. S. Steel, Victor Talking Machine, Westinghouse Electric, Woolworth, and Wright Aero. Through 1929 only two substitutions took place but seven stocks splits or stock dividends occurred which necessitated a cut in the divisor each time the event happened, meaning nine changes. From Oct. 1928. to the end of 1929. the divisor dwindled from 16.67 to 10.47.

There were 22 changes in the average from 1929 to 1939, and during that decade the divisor was revised from a low of 9.85 in January, 1930, to 15.74 in August, 1934, and back to 15.1 in March, 1939. Since the latter date, when United Aircraft replaced Nash Kelvinator, and American Tel & Tel was substituted for International Business Machines, there has been no change in the composition of the DJ industrial average which now lists the following: Allied Chemical, American Can, American Smelt, American Tel & Tel, American Tobacco, Bethlehem Steel, Chrysler, Corn Products, Du Pont, Eastman Kodak, General Electric, Goodyear, General Motors, General Foods, International Harvestor, International Nickel, Johns Manville, Loews, Inc., National Distillers, National Steel, Procter & Gamble, Sears Roebuck, Standard Oil of Calif., Standard Oil of New Jersey, Texas Co., Union Carbide, United Aircraft, U. S. Steel, Westinghouse Electric, Woolworth. The divisor, however, has under-gone many revisions. Numerous splits and stock dividends have necessitated 25 changes since 1939, and today it stands at 6.16.

How Divisor Is Computed

How the divisor is computed is a good query at this point. To reduce the matter to its simplest form, let us assume that the average is composed of but five stocks selling at 10, 12, 14, 16, and $18 per share respectively. To arrive at an average we would merely total their market values, which is 70, and divide by five, and the result would be 14. Now let us say that the stock selling at 12 is split 3-for-1. Under ordinary circumstances, the new stock, "ex-split," would sell for $4 per share. Totaling the stocks now in our five stock average, we would get 62, and dividing by five, our new average would amount to 12.40 versus 14. To "weight" the average for the split, the following adjustment takes place. First we compute the percentage amount that the aggregate of the average has diminished. Since the total value of the average dropped from 70 to 62, this would amount to a loss of 11.43%. We now take 11.43% away from the old divisor of five, and arrive at the new figure of 4.43. Perhaps there is an easier method to effect these revisions but the principle remains the same.

Today's divisor of 6.16 is worth commenting upon. From it stems much of the criticism as to the average's true portrayal of a day's fluctuations. It is readily discernible that if every stock in the industrial average gained one point, under a simple arithmetical computation the index would show a plus mark of "1.00" more commonly called "one point." Applied to the present average, however, the gain is not one point, as has in reality occurred, but 30 points divided by 6.16, which equals a rise of 4.87. Each day's net gain or loss, therefore, is magnified five fold. This should be of some solace to the disappointed customer who learns from his broker that the market had soared four points, referring to the averages of course, but that the client's stock had only advanced five-eighths. The fractional rise was exactly in line with what actually took place.

Do the Selected Stocks Reflect the Market?

Further censure is aimed at the average with the pointed query—do the 30 stocks sufficiently reflect the character and breadth of the whole market? To those who have held the many lagging, and even declining, groups such as the airlines, beverages, department stores, movies, rail equipments, textiles and tobaccos, to say nothing of hundreds of lower prices miscellaneous issues, the answer is a stentorian no! Employing an obvious yardstick, however, these results are disclosed. Since June, 1949, the average has climbed from around 161 to a high in 1952, of 280, a gain of almost 74%. For the same period the total value of all listed securities on the New York Stock Exchange rose from approximately $64,200,000,000 to over $116,000,000,000, an enhancement of about 81%. Of course many new additions to the New York Stock Exchange list have been made since 1949, so that allowances for the validity of this gain must be considered. Adjusting for the added listings, one would still find that the industrial average satisfactorily mirrored this major swing.

Viewing the shorter and more recent market movements, the following results are in evidence. On Dec. 31, 1951, total value of N. Y. Stock Exchange issues were $109,500,000,000, and at the end of March, 1952, the valuation had risen 3½ billion or about 3.3%. The DJ Industrial average on both dates was almost unchanged at around 269.50.

From the start of 1952, to the low point, so far, this year in May, the industrial index lost about 5%, the aggregate value only 1½%. The average rose 9.3% from the May low level to the high point, thus far, this year while the total dollar value annexed 8.3%.

On many other occasions the percentage change in the average was almost identical with that of the total money valuation, so that all that can be deduced from the foregoing is that sufficient statistics are available to prove—or disprove—anything.

In summation, the only concrete conclusion that can be drawn is that the index does exaggerate the net results of a day's fluctuations.

While many other valid criticisms will rise and wane, it does appear that the Dow Jones Industrial Average is here to stay, the minds of men being more poignantly concerned over "where" it will stay.

W. W. Sims Joins Reynolds in Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William W. Sims has become associated with Reynolds & Co., 39 South La Salle Street. Mr. Sims has recently been with Fahnestock & Co. and prior thereto was an officer of Sills, Minton & Co.

Dealer-Broker Investment Recommendations & Literature

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

Air Freight Way to Lower Costs and Better Service—Booklet—The Flying Tiger Line, Inc., Lockheed Air Terminal, Burbank 8, Calif.

Electronics—Discussion—Goodbody & Co., 115 Broadway, New York 6, N. Y. Also available is a bulletin on **Denver & Rio Grande Western.**

Federal and State Stock Original Issue and Transfer Tax Rates—Booklet—Registrar and Transfer Company, 50 Church Street, New York 7, N. Y.

Glass Fiber Industry—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Investment Tax Planning—Survey—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

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.

Possible Beneficiaries of Republican Victory—List of selected stocks—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Real Estate Issues—Reports—Amott, Baker & Co. Incorporated, 150 Broadway, New York 38, N. Y.

Short Term Bonds—Bulletin—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

World Time Chart—Showing time differences in over 100 countries throughout the world as compared with Eastern Standard Time in New York City; also included is a map of the standard time variations in the United States—Foreign Department, Manufacturers Trust Company, 55 Broad Street, New York 15, N. Y.

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AMI Incorporated—Bulletin—O. B. Motter & Associates, 500 Fifth Avenue, New York 36, N. Y.

Arrow-Hart & Hegeman Electric—Memorandum—Barnes, Bodell & Goodwin, 257 Church Street, New Haven 10, Conn. Also available are memoranda on **Collins Co., Emhart Manufacturing Co., Marlin Rockwell Corp., North & Judd Manufacturing Co., Torrington Co., and Veeder-Root, Inc.**

Black, Sivalls & Bryson, Incorporated—Analysis—F. S. Yantis & Co., 135 South La Salle Street, Chicago 3, Ill.

Britalta Petroleums Limited—Analysis—Burns Bros. & Company, 44 King Street, West, Toronto, Ont., Canada.

Central Oklahoma Oil Corp.—Details—Israel & Co., 111 Broadway, New York 6, N. Y.

Central Public Utility Corp.—Memorandum—Link, Gorman, Peck & Co., 208 South La Salle Street, Chicago 4, Ill.

Christiana Securities Company—Analysis—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Cinerama—Analyzed in the current issue of "Over-the-Counter Securities Review" — year's subscription, plus a copy of "Over-the-Counter Dividend Champions"—$3.50—Dept. 18-B, Over-the-Counter Securities Review, Jenkintown, Pa.

Consolidated Edison Co. of New York—Data—Abraham & Co., 120 Broadway, New York 5, N. Y. In the same bulletin are data on **Federated Department Stores, National Distillers, Tidewater Associated Oil, and Union Bag & Paper Corp.**

Consolidated Mining & Smelting Company of Canada Ltd.—Analysis—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, Man., Canada and Royal Bank Building, Toronto, Ont., Canada.

Detroit Steel Corporation—Bulletin—Gartley & Associates, Inc., 68 William Street, New York 5, N. Y.

Dobeckmun Company—Brochure describing processing of transparent films—The Dobeckmun Company, Cleveland, 1, O.

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

General Aniline & Film Corporation—Analysis—Remer, Mitchell & Rietzel, Inc., 208 South La Salle Street, Chicago 4, Ill.

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

Long Bell Lumber Co.—Memorandum—Pacific Northwest Co., Exchange Building, Seattle 4, Wash.

Missouri Kansas Texas Railroad Co.—Memorandum—Reynolds & Co., 120 Broadway, New York 5, N. Y.

Missouri-Kansas-Texas Railroad Company—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

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

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

Southern Railway—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Telecomputing Corporation—Supplementary bulletin—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Cal.

Temco Aircraft Corporation—Bulletin—de Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Texas Eastern Transmission Corp.—Memorandum—Straus, Blosser & McDowell, 135 South La Salle Street, Chicago 3, Ill.

Third Avenue Transit—Bulletin—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Ward Baking Co.—Bulletin—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

White's Auto Stores—Memorandum—Sills, Fairman & Harris, 209 South La Salle Street, Chicago 4, Ill.

Wisconsin Public Service Corporation—Special report—Loewi & Co., 225 East Mason Street, Milwaukee, Wis.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York announces the following candidates have been nominated to hold office for the year 1953:


John J. Meyers, Jr.


George V. Hunt


John S. French


Nathan A. Krumholz


Alfred F. Tisch

President—John J. Meyers, Jr., Gordon Graves & Co.

First Vice-President—George V. Hunt, Starkweather & Co.

Second Vice-President—John S. French, A. C. Allyn and Company, Inc.

Treasurer—Nathan A. Krumholz, Siegel & Co.

Secretary—Alfred F. Tisch, Fitzgerald & Company, Inc.

Directors (Two Year Term): Richard M. Barnes, A. M. Kidder & Co.; Thomas Greenberg, C. E. Unterberg & Co.; George V. Leone, Leone & Pollack; John F. McLaughlin, McLaughlin, Reuss & Co.

Trustees of Gratuity Fund (Two Year Term): Bernard J. Conlon, P. F. Fox & Co.; Bernard Weissman, Siegel & Co.

National Committeemen: Samuel Magid, Hill, Thompson & Co., Inc.; John D. Ohlandt, Jr., J. Arthur Warner & Co., Incorporated; Stanley L. Roggenburg, Roggenburg & Co.

National Committeemen Alternates: James P. Cleaver, Goodbody & Co.; Edwin J. Markham, Wertheim & Co.; Barney Nieman, Carl Marks & Co., Inc.; John J. O'Kane, Jr., John J. O'Kane, Jr. & Co.; Walter F. Saunders, The Dominion Securities Corporation.

Nominating Committee (Four (4) members to be elected): Jules Bean, Singer, Bean & Mackie, Inc.; Joseph C. Eagan, Frank C. Masterson & Co.; Walter L. Filkins, Troster, Singer & Co.; William Frankel, J. F. Reilly & Co., Incorporated; James E. Gavin, Walston, Hoffman & Goodwin; E. Michael Growney, Joseph McManus & Co.; Charles M. Kaiser, Grady, Gerwald & Co., Inc.; Joseph M. Kelly, J. Arthur Warner & Co., Incorporated; Wilbur

Continued on page 43

A. Pidgeon Partner In DeWitt Conklin

The admission of Ashley A. Pidgeon as a general partner of the DeWitt Conklin Organization, stockholder relations counsel, has been announced by DeWitt Conklin.


Ashley A. Pidgeon

Mr. Pidgeon was previously head of the Underwriting Department of the investment banking firm of E. W. Clucas & Co. and prior to that a partner in the investment banking firm of Tobey & Co. Earlier he was a Vice-President of Poor's Publishing Co.

He served as a Captain in the 150th Field Artillery Regiment of the Rainbow Division during the first World War.

DeWitt Conklin Organization was formed in 1948 by Mr. Conklin and T. Park Hay.

Stephenson With C. S. Ashmun Co.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Stephenson Wells has become associated with C. S. Ashmun Company, First National Soo-Line Building. Mr. Wells was formerly an officer of Mullaney, Wells & Company, Chicago.

Walston, Hoffman Display

Walston, Hoffman & Goodwin, members of the New York Stock Exchange, is devoting its 1370 Broadway branch display window during November to an exhibit portraying products and services incorporated in represented companies of Chemical Fund, Inc.

Number 22 in a series of displays portraying the work of companies listed on the major stock exchanges, the exhibit highlights 30 diversified products typifying operations of Chemical Fund securities in the fields of medicine, agriculture, textiles, home, industry and transportation.

Eugene V. Flood

Eugene V. Flood, President of Frank Knowlton & Co., Oakland, Calif., passed away Nov. 9 following a heart attack. Mr. Flood was well known on the Coast having been in the investment business for the past 25 years.

Investment Service Adds

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—Paul E. Yeaman is associated with Investment Service Corporation of Denver.

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

Jan. 16, 1953 (New York City)
New York Security Dealers Association 27th Annual Dinner at the Biltmore Hotel.

Prospective Supply of Institutional Investments

By DONALD B. WOODWARD*
Vice-President, Mutual Insurance Co. of New York

Mr. Woodward calls attention to important role of institutional investors in absorbing bulk of public's personal savings, and points out level of business and employment, therefore, is a prime factor in determining supply of institutional investments. Estimates investment institutions' growth has been more rapid than long-term private debt, due in large part to postwar application of savings to life insurance, pension and retirement funds. Sees need of gradual increase in investments available to institutions, and points to insurance company investment in housing and in common stocks and finance company obligations as means to this end.

I suppose that I should set your minds at rest in regard to any apprehension that you may have by making a prediction in the beginning. I can predict, I think, with assurance, that the life insurance companies will continue to be large buyers of securities for an indefinite period of time ahead. Having let you know that I am not going to bring bad news, I will try to put the subject in perspective.

Donald B. Woodward

You know that institutional investment, institutional savings, are a large part of the savings and investment operation in the economy.

Savings in the three major types of institutions, that is, life insurance companies, mutual savings banks, savings and loan associations, for the last couple of decades, except in the abnormality of war, have accounted for an amount equal to about two-thirds of total personal savings as reported by the Department of Commerce.

In the war, of course, the war bonds came in and altered the whole picture, but in the period from '29 to '33 the figure was 66%; '34 to '39, the figure was 67%; '46 to '51, the figure was 65% —remarkably stable, you see, in the non-war period. In 1951, we added some estimates for pension trusts and mutual funds which are not available over a period of time but which might also properly be accounted institutional savings, and it gives a larger total of institutional savings; but, on the other hand, personal savings were up, as you know, in '51, so the ratio fell to 55%, a seeming anomaly. Those figures give you an order of magnitude of where the institutions are.

During this recent period it will be evident to you that there has been no noticeable trend in the proportion of savings that flow through institutions.

The supply of institutional investments, the subject on which I am supposed to talk, fluctuates over a very wide range, essentially with the fluctuations of general business and employment. You are all familiar with the statistics of new issues, but just to remind you of the great magnitude of the fluctuation in the supply of investments you may recall that in 1929, according to figures compiled by the "Commercial and Financial Chronicle," the total of new capital and refunding issues was given at $11½ billion, and in 1933 it was given at $1 billion; it came back in 1951 to $12¼ billion.

In the mortgage field, the fluctuations are also wide. Recordings of non-farm mortgages of $20,000 and less in 1939 were $3½ billion, and again in 1943 it was $3.9 billion, while in the last two years the total has been running at an annual rate of $16 billion. If we went back into the depression, back of that '39 figure, or if we used mortgages on new construction alone, the fluctuation would be over an even wider range, and if we had figures for farm mortgages made, we would find a very wide range there.

Fluctuations in Supply of Investments

That will indicate—rather, more accurately, it will remind you of —the extremely wide range over which the supply of investments fluctuates. It may be observed that the amount of savings, the volume of savings, flowing to the institutions, fluctuates over a lesser range.

Well, if you ask then, about the outlook for the supply of investments to institutions, it pretty clearly is the condition of business which is the most important single determinant. We will have a large amount of offerings in periods of good business and a small amount in periods of poor business. So in this case, as in a great many other cases, you come squarely back to the problem of a business forecast.

This boom now has gone on for a very long period and to a very high level—both the duration and the height are historically unprecedented. This may mean that we have happily in some way obliterated the conditions that gave us sizable fluctuations in business in the past. However, I think it would be a little extreme to bet too much money that we have reached that happy state of affairs. Therefore it seems to me that the more time passes, the more cautious one can well become and the more suspicious one can become that so very large a volume of mortgages and securities will continue to be available to the institutions.

There are other aspects of the subject at which you may want to look, and I will try to outline them briefly before we go to the question period.

Growth of Savings Institutions

Over a longer period of time than the recent two decades that I have covered, the savings institutions have been growing at a rate that has exceeded the growth of private long-term debt. This fact has been testified to both before a Congressional investigation in 1949—when a number of the insurance companies and other investment people attempted to lay bare the bones of this business —and was also developed at some length before the committee of the New York State Legislature a couple of years ago when permission was requested to buy common stocks.

The salient figures of the matter are that in 1916 the assets of the leading savings institutions were equal to about 26% of the non-Government long-term debt. By 1927 the figure had gone to 38% and by 1951 it had gone to 79%.

Now, evidently it is the increase in Government securities that has prevented that condition from being as much of a pinch on the institutions as it otherwise would have been.

Incidentally, I might call to your attention, if you want to pursue this, the issue of the Duke University publication, "Law and Contemporary Problems," for the winter of 1952, which is entirely devoted to institutional investment, and is an unusually good job.

While in recent times, as I said earlier, there has not been much of a trend in the proportion of savings that is institutionalized, over a longer period there has been a growing proportion of savings of the economy institutionalized.

Raymond Goldsmith, with a large grant of funds from the life insurance companies, is completing, I think, the most far-reaching and comprehensive study of savings and investment that has ever been made.

One of the summary points which he made in a recent memorandum says: "The distribution of personal savings among forms of savings is characterized, save for the two wars and the great depression, by a considerable increase in the share of savings through consumer durables, the insurance and pension and retirement funds and by a decline in the share of savings through corporate bonds and stocks, mortgages and real estate. The share of savings in the form of deposits with financial institutions has not shown pronounced, long-term changes but has exhibited a tendency to decline since World War I."

There are wide year-to-year fluctuations, and these long-term trends may not be the significant factors for any year or even for any period of years, but they may help a bit in perspective.

The growth of institutional funds, more rapid than private long-term debt, over a period of time, plus the inventiveness and ingenuity of the institutions and of the investment bankers working with them, has brought about a steady, gradual increase in the investments that are available to or eligible for the institutions.

Both in the Duke University publication and in the Congressional hearings in 1949 you will find this point of expanding eligibility for institutions rather fully developed, and I will not duplicate it now more than to touch a few of the highlights.

For example, it has been said that in 1928 consumer finance was often regarded as a hock-shop business, and not appropriate for institutional investment.

New Institutional Investments

Since then, partly through ingenuity, and partly through growing respectability, the obligations of finance companies, even subordinated debentures, have become widely used investment instruments.

Another instance has been the development of the pipelines which not many years ago would have been very poorly regarded; now many of the institutions have large investments in pipelines.

Institutions have made a sizable volume of loans on both oil and gas in the ground. I am sure that finance committee members of many of the institutions 25 years ago, and perhaps even 10 years ago, would have been deeply shocked by such investments.

Then there has been direct investment in housing. A number of institutions have very large investments at many parts of the country in this form, and one or more companies now own and lease railroad equipment. Mutual of New York now owns a very large fleet of passenger automobiles and another large fleet of trucks which are rented to reputable businesses which have need for them for salesmen and for transportation. We have been financing toll roads in considerable volume, including the New Jersey Turnpike, and this has been very attractive.

About two years ago the New York companies, after some 45 years, got authority to buy and hold common stocks. We had been prohibited from doing so from the time of the Armstrong Investigation in 1906 and 1907. The authority is only, as you know, not more than 3% of the assets or a third of the surplus, whichever is less, and it is hedged about by prohibitions of bank and insurance company stocks and the requirement of rather long earnings records. In other states life insurance companies are privileged to go further in common stocks than in New York. As you know, the trust companies have recently got a very much more liberal allowance for common stocks out of the New York State Legislature than have the life insurance companies, and the savings banks are now knocking on the Legislature's door. Savings banks in other states do have the authority to buy common stocks in fair amounts, particularly bank stocks and insurance company stocks.

In the opening of this talk, I predicted that the institutions are going to continue to grow. Let me tell you the reason I think this is so certain. This country has a growing population. The ideas of a leveling off of population that were prevalent in the 1930's have been completely kicked in the ashcan by the baby boom of the last half dozen years. As you probably remember, about 25 million babies have been born. So we have a growing population, and we have a growing productivity of that population through the use of technology and investment, so that real wages are increasing. An increase of real wages and a growing population means that the total of savings can be and will be certainly very large. To an increasing degree, that population is urban, and an urbanized population does not to the degree that an agricultural population does, invest its own funds, as, for example, in improving the farm. The urban population, with its rising size and rising income, looks to somebody else to invest its savings, and that is the reason for the rising trend of institutional savings. And, with this prospect, unless we are to be destroyed by a war, it seems to me hardly conceivable but that the institutional trend, the institutional growth, will continue on a large scale.

Prospects of Institutional Demand For Investments

With that growth we will have, I think, the same trend that we have had over the last 20 or 40 or 60 years: that is, the growth of institutional demand will be much more regular, more of a straight line, than the supply of investments, which, as I have pointed out, is apt to be much more irregular.

In that situation I suppose what will happen will be what has happened in the past, that you will help the institutions and they will work on their own and somehow the amount of investments and the kinds of investments that are eligible to institutions will expand. Even in periods when the supply is dipping because of business fluctuation, institutions will be finding, as they did in the 1930s, ways to make more investments eligible so as at least in part to offset that decline.

The major part of the business of the investment departments and of the investment bankers will, I suppose, continue to lie in the accepted fields. Yet certainly in the last 10 or 15 years the job of finding new techniques, new ways to make securities available that have not hitherto been available, has been of enormous importance. I expect it is going to be of enormous importance in the future years.

I believe that the process of institutional investment does in itself make a contribution and can make a larger contribution to lessening the instability in employment in the entire economy. This is an extraordinarily profitable field for exploration and it has great promise. One of the most significant forces in this economy lies in this field of investment: that is the extreme cheapness of plant and equipment in terms of the cost of labor. This is true in the factory, in the office, in the home, and on the farm.

The job of mechanization or of doing things with inanimate machines and power instead of with human labor has never had the promise nor the need that it has now.

I gave a few charts on this in the issue of the "Commercial and Financial Chronicle" of Dec. 11, 1947. Obviously they are not up to date. If those charts were brought up to date, they would be even more striking than they were then because labor costs have certainly gone up more vigorously in the last five years relative to machinery than prior to that time.

The popular science version, the Sunday supplement version,

Continued on page 27

*Stenographic report of an address by Mr. Woodward in the lecture course, "The Economics of the Securities Industry," sponsored by the Investment Association of New York, New York City, Oct. 29, 1952.

Natural Gas in an Expanding Economy

By RALPH E. DAVIS*
Consultant, Houston, Texas

Stressing increasing importance of natural gas as supplying needed energy in an expanding economy, Mr. Davis describes peculiarities of the natural gas production and the responsibility of petroleum industry for future supplies. Discusses Federal regulation of natural gas industry and the threat of price regulation as revealed by recent decision of courts in rate regulations. Says Federal Power Commission can destroy all incentive and all possibility of incentive in the industry's growth.

The National Materials Problem

In the decade since Pearl Harbor, the economy of this nation has experienced an expansion which has astonished other nations, and which has been revealing even to ourselves. However, in the process, we have drawn more and more heavily upon our resources, and upon those of other parts of the world.

Ralph E. Davis

If our economy continues to expand, we will use up more and more minerals and other raw materials. Many of these are not replaceable at the relatively low costs which prevailed in the past. This is true, for example, of our principal sources of primary energy—coal, oil, and natural gas. As Mr. Justice Jackson has said: ". . . the wealth of Midas and the wit of man cannot produce or reproduce a gas field . . ." If our nation hopes to enjoy continued economic expansion, then we must look to the fundamental relationship between the economic welfare of the nation and the energy resources base on which it rests.

The Increasing Importance of Natural Gas

In the past 25 years, the annual consumption of energy has increased about 60%. Coal consumption has declined; oil consumption has increased three times; and the consumption of natural gas has increased more than five times.

It is estimated that in another quarter of a century we may be consuming twice as much energy as we consume today. And if natural gas is sufficiently available, it may supply 25% of that consumption as against about 20% now.

Even allowing for a wide margin of error, such projections put the spotlight on natural gas. They show the national urgency to find more gas. And they warn us to be prudent in the use of reserves already proved.

Some Peculiarities of the Natural-Gas Industry

Natural gas is unique among the sources of primary energy. Because, up to now, it has been discovered principally in the search for oil, efforts to find natural gas have been related more to the field price of oil than to the field price of gas. Field gas prices have considerable bearing on the conservation and use of gas. In the past, gas prices have had little influence on exploratory efforts in the Mid-Continent and Gulf Coast areas.

Second, natural gas differs from oil in that it cannot, by present means, be transported in tankers; and it cannot be stored above ground in large quantities. It is physically possible to import gas from Canada or Mexico, but not from Iran or the Far East. Our sources of future gas supply are, therefore, limited to North America and principally to the United States itself.

Finally, the price of natural gas to consumers is a function of public-utility regulation more than of the value of gas in competition with substitute fuels. In recent years, as coal and oil prices have risen, gas rates have fallen behind. Gas prices to consumers fail to reflect the relative scarcity of gas as compared with substitute fuels; and because of the regulation and resulting low price, there is a national demand for gas which is not warranted by the available national supplies. Today, in many areas, it costs approximately $200 a year to heat an average home with oil; $145 with bituminous coal . . but only $90 with natural gas.

*An address by Mr. Davis at the 32nd Annual Meeting of the American Petroleum Institute, Chicago, Ill., Nov. 12, 1952.

Divided Responsibility for Future Supplies

These peculiarities add up to this: The natural-gas industry is only partially responsible for taking care of the nation's growing requirements for natural-gas service. It is largely up to the oil industry to find the necessary gas. And it is largely up to the regulators, particularly at the Federal level, to provide an atmosphere which will encourage the search for more gas and its wise and prudent distribution and use.

Certainly the record shows that in finding gas, the oil industry has done the larger part in the past. We must hope it will do so in the future. But we have no assurance that it will be able to find enough gas to take care of all the potential demands, especially under a regulation which prevents gas prices from reaching levels competitive with other fuels.

In the case of Federal regulation, I do not believe the record has been favorable. It is becoming imperative that regulation take a more realistic approach, lest it continue to retard the national problem of finding and distributing the additional supplies of natural gas necessary to our growth and well being. Accordingly, most of my discussion to you today will deal with the development of regulation, its impact on the natural-gas industry, and what we ought to expect in the future.

Nature and History of Public-Utility Regulation

Public-Utility regulation is usually reserved for certain types of economic public-service activities which, by their very nature, are monopolies. Generally speaking, it has not been found economical to have two electric, telephone, or gas companies in the same community offering identical service to the same local customers. The three principal matters regulated are: prices or rates; quality of service; and extensions or abandonments of service.

Public-utility regulation developed gradually in this nation, beginning in the final quarter of the 19th century. In several important instances about the turn of the century, state legislatures gave to municipalities the authority to regulate retail rates charged by local utilities. Several principles, basic to the public-utility tradition, became generally accepted: First, the administrative agency had no powers not given it by the legislature, which means that regulation is essentially a legislative function; second, in determining rates, the agency must not bring about confiscation, and must allow the company a reasonable return on its investment; and, finally, the question of whether a rate yielded a reasonable return was a judicial one; reasonableness of rates was a matter of law, not the arbitrary judgment of commissioners.

The 50 years of growth of public-utility regulatory principles developed at the state level rather than in the Federal Government. Except for common-carrier regulation of railroads, the national government did not enter this field until about 1935, only 17 years ago.

Conservation Regulation

In roughly the same half century that public-utility regulation was developing, states producing oil and gas were working out principles for the physical conservation of oil and gas. Conservation policies gradually came to be accepted, provided they passed one of these tests: (a) They prevented physical waste, underground and aboveground, in a reasonable manner; or (b) they protected the correlative rights of owners in a common pool.

In this conservation development, the Federal courts recognized that production of oil and gas is essentially a mining operation. As such, it has been a local matter, to be regulated by the states rather than by the Federal Government, even though the mined product is destined for interstate commerce. The problems of conservation were considered, and properly so, primarily problems of the states.

Federal Regulation of the Natural-Gas Industry

The Natural Gas Act of 1938 conferred upon the Federal Power Commission the duty to regulate the rates charged by companies doing an interstate business in natural gas. Thus the Natural Gas Act is public-utility regulation, directed at companies transporting and selling natural gas in interstate commerce for resale, rather than conservation regulation directed at the natural gas itself or the producers thereof.

In order to understand better the impact of this Federal regulation, we should look briefly at the industry in the days before such regulation began.

The Background

At the turn of the century, the annual consumption of natural gas was around a 100 billion cubic feet. In the next quarter century, it increased steadily until, by 1925, it reached 1.2 trillion cubic feet.

Until that time, the principal markets for natural gas were near the fields of production. The development of seamless pipe of better steel and other technological improvements began to make it economical to transport natural gas much greater distances. As a result, in the late 1920's there were some important pipeline expansions. In the depression years of the 1930's, the natural-gas industry experienced very little growth because coal was cheaper than natural gas in many large markets, and money was tight. As a result, the nation developed a backlog of "surplus" natural-gas reserves during the depression decade.

Even with the expansion in use of natural gas before the days of Federal regulation, we were experiencing declining prices because supply was generally greater than demand. In 1922, when natural gas accounted for only 4% of the nation's energy use, the average value of natural gas at points of consumption reached a peak of 29 cents per thousand cubic feet. From then on, the average cost to consumers decreased; while at the same time, the value of gas at the well declined even more sharply. In 1922, the average was 11 cents; by 1940, it was only 4.5 cents.

The continually widening spread between values at wells and at points of consumption reflected in part the greater expenses of transportation as gas was transported to markets more distant from points of production. However, I believe that, more importantly, it reflected the age-old economics of growth of supplies far in excess of demand. The existing unfavorable price relationship between natural gas and competing fuels in populous markets at great distances from the new supply areas discouraged early pipeline expansions. Demand did not keep pace with supply, and this fact was reflected in declining field prices.

When Federal regulation began in 1938, natural gas had a very low field value in many areas, and there were very large supplies of gas searching for a market at almost any price. On the other hand, at many major consuming points natural gas was expensive relative to competing fuels. Thus, there was little cause for industry expansion.

Industry Growth Since Federal Regulation Began

The mere imposition and administration of Federal public-utility regulation could not rouse the natural-gas industry from its doldrums. What was required were expanding markets. Such markets began to appear as coal prices rose, and as the national demands for all forms of energy began to increase under the influence of the war effort.

In the 1940's and continuing into this decade, the industry has experienced its major period of development. The market expansion has been national in scope, so that the transmission from sources of supply to such new markets has increasingly assumed an interstate character. At the same time, there have been major expansions in gas consumption within the natural-gas producing states themselves.

The recent expansion has been possible because of the tremendous backlog of gas reserves which was built up during the 1930's. Now these are largely contracted for, so that the growth of the industry in the future will depend upon the success in finding more natural gas. Therefore, it is important to consider critically those aspects of Federal regulation which have a bearing on the future supply and distribution of additional natural-gas reserves.

Federal Regulation and Future Industry Growth

There are many important ways in which the administration of the Natural Gas Act affects the supply and distribution of natural gas. I would single out two for particular discussion, because I believe that, unless the Federal Power Commission becomes realistic in its approach to these two points, the natural-gas industry will have greater difficulty in meeting the growing demands being made upon it.

The Threat of Field Price Regulation

A critical effect which the administration of the Natural Gas Act has had upon the field supply of natural gas has been that it has discouraged the sale of gas reserves to interstate pipelines. Many oil companies, controlling a substantial portion of the nation's proved gas reserves, have been unwilling to sell gas to such markets, because they wished to avoid Federal regulation. Thus major natural-gas supplies, which might by this time have been dedicated to national markets, are still physically available and undedicated to any present use.

This situation is a result of indecision on the part of the Federal Power Commission as to the meaning of Sept. 1 (b) of the Act. That section defines the aspects of the industry to be regulated, and excludes production in these words: ". . . but shall not apply . . . to the production or gathering of natural gas."

In one of the early jurisdictional cases in 1940, the Commission decided that a company which drills wells, produces gas, gathers it, and sells it to a pipeline transmission company is excluded from Commission authority, under the language of the Act quoted above. But one of the Commissioners dissented, saying that: "It is the sale which is the jurisdictional activity, not the mere acts of producing and gathering . . . The sale was not part of the production and gathering, and therefore the sale was not exempt . . ." If that Commissioner had had his way, then every company which sold gas in the field to interstate pipelines, either directly or indirectly, would be regulated as a public utility. It is no wonder that natural-gas producers were disturbed by such an interpretation.

In 1947, the Commission issued a formal statement, saying that it would not assert jurisdiction over producers and gatherers as such. But when the Kerr Bill was vetoed, the Commission changed its mind, and rescinded the 1947 statement. Then it investigated the Phillips Petroleum Company as a test case, to decide the question of jurisdiction. Again its decision was the same as it had been in 1940. And again a Commissioner dissented, in this case Mr. Buchanan. He felt that the Commission should have asserted authority over Phillips. So this threat of field-price regulation, and of Federal regulation of natural-gas production is still with us.

This threat has a great deal to do with current field-price trends. As public demand outstrips the growth in available supply, the problem of finding the necessary gas is becoming serious for many companies. Instead of looking for gas at former prices of 8 and 10 cents at the well, some transporters serving major consuming areas of the nation foresee field prices at 15 to 20 cents and higher. Even at such higher prices, it is probably better economics to contract for 500 billion cubic feet of gas or more from a single seller, rather than to turn away new demands in the consuming areas. If prices go high enough, the threat of regulation may possibly seem less important to oil companies than the opportunity to make a good sale; and the wary producers may then contract to sell their gas to interstate companies. Without this threat presently hanging over the producers, large volumes of gas would have been and still would be available at lower than current prices.

In any case, such an atmosphere of distrust is not desirable. If the threat of Federal public-utility control did not hang over the business of gas production and gathering, then it is very likely that oil and gas producers would be spending more money and effort to find additional gas reserves and to prepare them for market.

Transmission Companies as Gas Producers

The administration of the Natural Gas Act has discouraged exploration and development of gas reserves by regulated companies. In 1940, the eight major interstate pipelines then operating produced nearly half of the gas they transported and sold. But every large system authorized and constructed since that date has relied most entirely upon gas purchased from others, to the exclusion of ownership of its reserves.

As additional field supplies become increasingly difficult to find and costly to buy, it would be to the advantage of consumers at the end of long transmission lines if the regulated pipeline companies were actively engaged in searching for additional reserves to take care of market growth. A transmission line could adjust its field development and rate of well production to accommodate its line facilities and seasonal variations in demand. Furthermore, it could take gas from its own reserves at variable rates to offset the more rigid contractual obligations and delivery performance of purchased gas.

Many recent contracts contain a "favored nations" clause, which requires that the transmission line grant the supplier an increase in the price of gas each time the line makes a new gas-purchase contract at a higher price. At times, a transmission line may need a relatively small volume of additional gas to compensate for accelerated depletion of one of its gas supplies, or to take care of additional sales or increased line capacity. The additional volume of gas may not be available at the same price paid previously for contract gas. In paying the new higher price, the transmission company automatically is obligated to pay higher prices for gas purchased under older contracts from the same district.

The Office of Price Stabilization and the Federal Power Commission have indicated recently that they would oppose the operation of the favored nations clause. And the Commission has hinted that it will not grant rate increases to compensate for the increase in gas cost resulting from the application of the clause. If transmission lines developed their own reserves, the effects of the clause would be minimized.

The nation needs to find more gas. The long-distance pipe lines, in particular, have a vested interest in developing additional reserves in order to take care of their markets and to prolong the value of their pipe-line investments. The Federal Power Commission can encourage the development of additional reserves if it uses a commodity-value approach to company-owned reserves, rather than the present totally inappropriate public-utility approach. As Mr. Justice Jackson has written:

"For good or ill, we depend on private enterprise to exploit these natural resources for public consumption. The function which an allowance for gas in the field should perform for society in such circumstances is to be enough and no more than enough to induce private enterprise completely and efficiently to utilize gas resources, to acquire for public service any available gas or gas rights, and to deliver gas at a rate and for uses which will be in the future as well as in the present public interest."[1]

Until the Commission does bring its policies into agreement with the economics of the natural-gas industry, then the industry must continue to depend largely upon the oil industry to find the required additional gas reserves.

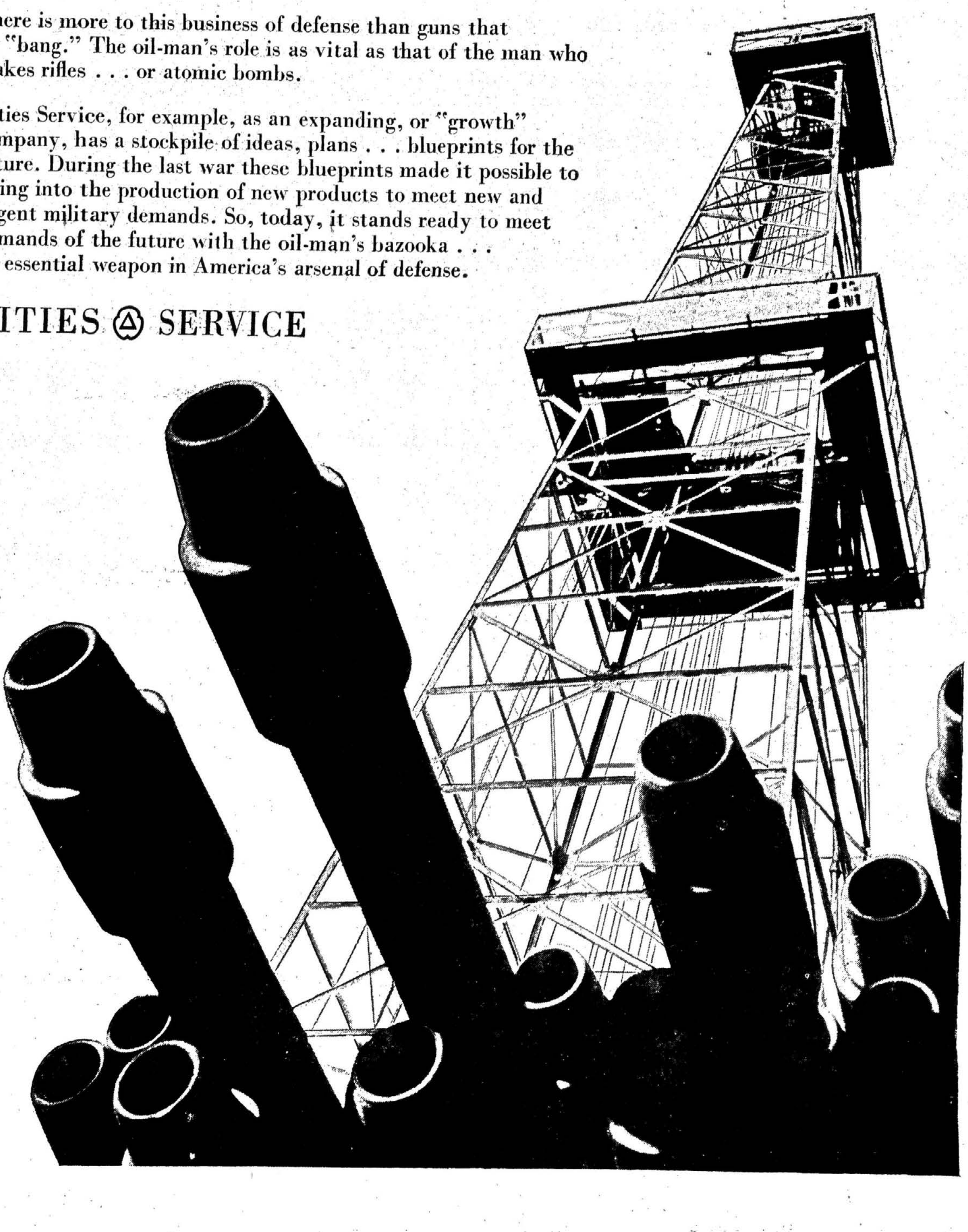
Regulation of Rates

(1) *Rate Base*—The other important aspect of Federal regulation which affects the future of natural-gas supply is rate making. In order to fix rates, the Commission determines a rate base on which the regulated company is permitted to earn, and then determines a rate of return which is thought to be fair and reasonable. In such a formula for determining "reasonable" price or rates, consideration is not given to the commodity value of natural gas either at the well or at the market.

In applying the public-utility pricing formula, the Commission has chosen to use original cost of properties as the proper measure of the rate base. Whatever merit "original cost" may have from the standpoint of valuing man - made facilities like pipe lines, it has no merit at all from

Continued on page 31

1 FPC et al vs. Hope Natural Gas Co. 320 US 491.



The Savings and Mortgage Picture

By WENDELL T. BURNS*
President, Savings and Mortgage Division, American Bankers Association
Senior Vice-President, Northwestern National Bank, Minneapolis

Mr. Burns calls attention to the growth and extent of savings, and the role banks are playing in the picture. Tells of work of the Savings and Mortgage Division of the ABA, and the efforts to increase the breadth and depth of savings in banks. Points out commercial banks generally are looking with favor on savings, and are prepared to compete with mutual savings banks and loan associations. Reveals proposed legislation on savings and loan branch offices.

At the outset, I should like to make a few comments about savings and their growth. To encourage principles of thrift and the habit of savings among our people is of great importance to the economic welfare of our nation. It is a policy in which banks may participate with enthusiasm, knowing they are contributing to the security and happiness of our people. It brings to banks another opportunity to participate in maintaining a sound business economy.


Wendell T. Burns

Banks are ever broadening their influence in this field. This is evident from the extraordinary record of savings growth during the past 12 months. Recently, the growth in savings has nearly equaled the unprecedented gains that were achieved during the days of World War II, when full employment and high wages, coupled with a scarcity of things to buy, resulted inevitably in an exceptionally large rate of savings. Today we do not have a scarcity of goods for sale; yet savings are at an exceptionally high level.

Banks have had an important hand in this accumulation of savings. Of the total growth during the past year, the largest dollar volume of liquid savings has been in banks. The combined total of savings increase in banks was $4.1 billion for the 12 months ending July 30, which brought the total of savings in all banks in the country to $61.3 billion. It is interesting to note that the percentage increase in mutual savings banks was 7%, which was nearly identical to the percentage increase made by the savings departments of commercial banks. The total accumulated savings on July 30 held in commercial banks was $39.4 billion and in mutual savings banks was $21.9 billion.

Another source of savings that reflects similar growth is the outstanding reserves against life insurance policies. Savings of this type also increased 7% during the year ended June 30 last, and totaled on that date $59.5 billion.

The greatest percentage growth in savings in the past year appears in State and federally chartered savings and loan associations. They had an increase for the year ended June 30 of 18%, with a total in share accounts on that date of $17.6 billion. This total is something less than 30% of the dollar amount of savings in the banks of the country.

In contrast to the growth of savings in these privately managed institutions, new money invested in United States Savings Bonds during the past year was $1 billion less than redemptions. Nevertheless, the Savings Bond program remains substantial and vitally important with almost $58 billion of all series outstanding on Sept. 30.

There has also been a decline in postal savings deposits. This is a trend that has been continuing for several years. They now stand at $2.6 billion. The high in 1947 was $3.4 billion.

There are, of course, other investments and cash accumulations which reflect the savings of the nation, but the types here discussed are the most important that we think of as personal liquid savings. Savings of the nation in these forms now total almost $200 billion.

Savings of the kinds here discussed amounted to less than $12 billion at the end of 1911. They have multiplied 18 times in 40 years. They have quadrupled in the past 20 years. They are today approximately 300% of what they were just ten years ago. This phenomenal growth of savings points up the importance to banks of aggressively seeking a larger share of this business.

The Savings and Mortgage Division of the American Bankers Association has worked continuously and is increasing its efforts to encourage the development of more savings in banks in the belief that this is good for the bank, good for the individual, and good for the country.

*An address by Mr. Burns at the Regional Savings and Mortgage Conference of the American Bankers Association, Minneapolis, Minn., Nov. 10, 1952.

Work of Savings and Mortgage Division

I would now like to report to you briefly some of the things this Division of the American Bankers Association is doing. I will try to tell you some of the things we are accomplishing and some of the things we are attempting to accomplish. These efforts largely center around the promotion of savings and the sound investment of those funds. Much of the work of the Division is done by and through committees whose membership comes from banks in every section of the country. Much of this report, therefore, will refer to the work of the committees.

Promotion of Savings

Our Committee on Savings and Mortgage Development has aimed at increasing the breadth and depth of savings in banks. By breadth, I refer to the effort to see that thrift services are available in every nook and corner of the country. By depth of savings, I refer to the Committee's urging that more advertising dollars go for savings promotion. The Committee has already prepared much advertising material on savings, and now in cooperation with the Public Relations Council is preparing a "Savings" booklet suggesting methods of reaching the public for the promotion of thrift and the encouragement of savings accounts. To be incorporated in this manual are findings of a public opinion survey designed to find out how much the general public knows about the differences in set-up and purposes of a bank and a savings and loan association. In competing with savings and loan associations, we need to keep before the public the advantages of doing business with a bank. Generally, commercial banks cannot profitably compete on interest rate due in part to the different conditions and legal requirements under which we operate and to the greater cash reserves and more liquid investments of banks. Nor do we propose unprofitable operations. But we can compete on product. We can compete on the bases of broader and more complete service, of greater liquidity for our depositor, of more cash reserves behind his deposit and of sounder and greater diversity to the investment of his funds.

This Committee believes that commercial banks generally are looking with growing favor on savings deposits and are more and more prepared to fight for them and that mutual savings banks are doing a better competitive job. This is all to the good and most encouraging.

School Savings

One promising form of savings is school savings. Five hundred banks, principally the mutual savings banks, have $92 million of these deposits. For the country as a whole, the average account is around $27. Thrift work with children is appealing and promising for the future. Our Committee on School Savings and the staff of the Division stand ready to assist any bank wishing to set up such a plan.

Nationwide Surveys of Savings and Savings Cost

Our Committee on Savings Management and Operation this summer completed a nationwide survey on savings including an inquiry on trend of interest rates on savings and on methods used in computing interest. Ray Dunkerley, this afternoon, will discuss this report.

This Committee, in cooperation with the Country Bank Operations Committee, has also just completed a nationwide survey among the smaller commercial banks to determine the amount of earnings that banks derive from savings deposits. The survey reveals several important factors in the operation of a savings department. For example, operating expense is usually small; and the per cent of gross income retained as net profit contributes favorably to bank earnings. Generally speaking, it is believed that a net profit to a bank of at least ½ of 1%, after providing reserves for possible losses, should be obtained from operation of the savings department of a commercial bank.

We believe that not only is operation of a savings department profitable but that offering thrift facilities plays an important part in fulfilling community needs, and thereby many intangible benefits accrue to the bank. The promotion of thrift makes possible a more sound local and national economy, which in turn means stronger banking institutions.

Legislation on Savings and Loan Branch Offices

One of the matters which has occupied the serious attention of the American Bankers Association and of the Division in the past year has been the competition of savings and loan associations. Our Committee on Federal Legislation, has endeavored to obtain Congressional action restricting branch offices of Federal savings and loan associations.

A bill sponsored by the American Bankers Association was introduced in the Senate this year jointly by Senators Maybank and Frear, seeking this result. A second bill was introduced a little later by Senator Frear at the request of state supervisors of Savings and Building and Loan Associations.

The bills were similar. The bill favored by the American Bankers Association would restrict branch privileges to those permissible to state-chartered savings and loan associations. The state supervisors' bill would permit Federal savings and loan associations to select the more favorable provisions applying to either state-chartered savings and loan associations or other thrift institutions, and would also permit already existing branches to continue, even though unlawfully established. The latter bill was approved by the Senate Banking and Currency Committee and was awaiting action by Congress at the time of adjournment in July. Plans to reintroduce the branch bill favored by the American Bankers Association are being made for the new Congress, and careful attention will be given to its progress.

In addition to this specific legislation affecting Federal savings and loan associations, the entire Home Loan Bank Board and the Federal Home Loan Bank System are under investigation by a Congressional Committee. We hope that many of the abuses of authority and assumption of prerogative not granted by Congress which have characterized their actions in the past may be corrected.

The Postal Savings System

There has been an increasing awareness of lack of need for savings facilities supplied by post offices under the Postal Savings System. The American Bankers Association has taken an active part in pointing out this situation for many years, and at the last session of Congress a bill was introduced by Senator Bennett of Utah which would provide for abolishing the System.

The Postal Savings System was created in 1910. It was intended primarily at that time to encourage thrift among immigrants, who had no knowledge of banks, and with the hope that these people would shift their deposits to banks as they became adapted to the ways of America. Its continuing purpose has been to provide savings deposit facilities in communities where adequate savings bank services do not exist.

A report of a survey of the Postal Savings System completed Sept. 30, 1951, by the General Accounting Office, and submitted to Congress Mar. 13, 1952, by the Comptroller General of the United States, recommended that Congress give consideration to the question as to whether or not under present conditions there is a need for a Postal Savings System. It was pointed out that 90% of post offices designated to receive postal savings deposits are where other savings facilities are available. Only 1% are in fourth-class post office districts operating in small communities.

Arthur Sands, Chairman of the Subcommittee, appeared recently before the Postal Service Committee of Congress and emphasized these facts brought out in the Comptroller's report. Especially with FDIC insurance as a protective measure, the small saver should be less and less interested in postal savings. We are hopeful that this unnecessary form of competition by the Federal Government will eventually be eliminated.

Bond Investments

One of the important tasks performed for the Savings and Mortgage Division is that done by the Committee on Investments. This Committee has as its objective the development of sound policies for investment of savings deposits. Under its direction, studies are in progress for the analysis of quality characteristics of public utility bonds as well as the preparation of a survey of state investment laws regulating legal investments for savings funds.

The Committee will also bring to investing institutions valuable data revealed by long range studies of corporate bonds made by the National Bureau of Economic Research. The American Bankers Association and other organizations have participated with the Bureau in this research.

The data will appear in the December issue of "Banking" magazine in a series of articles prepared by members of the Committee on Investments and outstanding leaders in the investment field.

Among the subjects to be covered are: a history of bond defaults over a 50-year period; a record of the increase in corporate bonds outstanding, and a comparison of this increase with the growth in savings accounts; a comparison of the growth of public debt outstanding over the years with the growth of total private debt; the value of mortgage security as a protection to invested assets as revealed by actual experience; and a comparison of the relationship between yields on investments over the years with prevailing interest rates.

Mortgages

Mortgages have for generations been one of the most important and, at times, *the* most important form of investment for the mutual savings banks of the country. Since World War II, they have been of growing significance in the loan portfolios of commercial banks. At the end of 1951, they totaled more than $14 billion for all commercial banks—300% of what they were at the end of 1945 — and represented 25% of total bank loans.

As the relative volume of mortgages in the banking system grew, the Division increased its interest in mortgage loan activity. Formerly, this Division was known as the Savings Division. The name was changed to its present form in 1948. Joe Jones, the very able Chairman of our mortgage panel, tomorrow afternoon is the new Chairman of the Committee on Real Estate Mortgages.

The past year has been one of transition in the field of housing and mortgage credit. After two years of Regulation X and the companion regulations of FHA and VA, these controls have been suspended. This brings us to a point in our economy when excessively liberal credit terms for mortgage loans are again possible. This comes at a time of relatively high building costs and after a housing building boom of several years. It is to be hoped that lending institutions will exercise care in the extension of credit in the period ahead.

The Committee on Real Estate Mortgages has worked consistently to urge less domination of mortgage lending by Washington, except in time of emergency; has urged that more reliance be put upon private industry to care for the financial needs of its customers. We have urged that FHA be again made an independent agency free of political control. We have urged that FNMA be abandoned as a support to housing credit, except as an emergency standby organization. That was the burden of our testimony before the Senate Banking and Currency Committee on Housing Legislation of 1952. While more money was voted than we thought desirable for mortgage uses in the bill as finally passed, we were pleased to see that Congress reduced by half the appropriations requested. Results have not been what we have wished, but at times we have seemed to make progress.

We have protested unsuccessfully correction of artificially pegged interest rates on FHA and VA loans. No doubt the VA 4% rate has an important bearing on the availability of funds for veterans' loans. There can be no doubt that bankers generally wish to help the veteran, but bankers also feel that the VA should not be arbitrary in the matter of interest rates.

It is interesting to note that at the last American Legion Convention, a special committee was formed to consult with the Veterans Bureau on interest rates, with a view to discussing the need for a possible upward adjustment. We cannot but feel that flexible interest rates in line with current conditions would help materially to resolve the problem of mortgage loans to veterans.

Conclusion

This is obviously not a full register of the work and influence of the Savings and Mortgage Division. Other and special committees are at work on special problems. Many useful publications are available to you covering all phases of savings—types, promotion, costs; and a variety of books and pamphlets on bond investments and mortgages — several published this past year or in preparation now. The Division is fortunate in having an able and energetic staff who are alert to the new needs and new responsibilities of the savings banker. We want to work with you to develop savings on a sound and expanding basis in the banks of the country. We want to help develop sound programs for the investment of those funds.

It might be of interest to many of you to note that the Savings and Mortgage Division came into being just 50 years ago. It was organized at the Convention of the American Bankers Association in New Orleans, Nov. 11-13, 1902 —almost 50 years ago to the day. The growth of savings in the banks of the country during the last half century has been impressive. May that growth be just as spectacular in the 50 years ahead, and may we handle those funds wisely.

Trust Co. of Ga. May Increase Capital

ATLANTA, Ga.—The Directors of The Trust Company of Georgia have recommended to their stockholders that the present capital of $2,000,000 be increased to $4,000,000 — by transferring $2,000,000 from surplus to capital and declaring a stock dividend on a share-for-share basis, it was announced by John A. Sibley, Chairman, following a meeting of the Board of Directors Nov. 11.

Subject to the approval of the Secretary of State and State Superintendent of Banks, the increase would be effected by increasing the present outstanding 20,000 shares of $100 par value stock to 40,000 shares of $100 par value stock.

Stockholders of the Trust Company of Georgia will be asked to consider the proposal at their annual meeting on Jan. 13, 1953, and at the same time to authorize the necessary charter amendments. It is proposed that the new stock be issued to shareholders of record at the close of business Feb. 18, 1953 in proportion to shares held at that time.

After these changes are made, the capital of the Trust Company of Georgia will be $4 million and the surplus $6 million. Total capital funds, including capital, surplus, undivided profits and reserves for contingencies will be in excess of $12 million.

"This is the first increase in capital stock since 1933," Mr. Sibley explained. "Surplus and undivided profits have grown in that time from $1,784,000 to $9,436,000. The surplus account has been increased out of earnings on nine occasions since the Trust Company entered the commercial banking field in 1933, and the last such increase took place in June of this year. This growth is in line with the announced policy of the Trust Company of Georgia of meeting the banking needs of the rapidly expanding economy of the Southeastern States."

Hemphill, Noyes to Admit F. D. Frost

LOS ANGELES, Calif.—Francis D. Frost, Jr., on Nov. 15 will be admitted to partnership in Hemphill, Noyes & Co., members of the New York Stock Exchange. He will make his headquarters in Los Angeles. He will retire from partnership in Shields & Co. on Nov. 14.

3 With John G. Kinnard

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Elberta A. La Hue, Samuel J. Pitulla, and Jess T. Porteous are now affiliated with John G. Kinnard & Co., 133 South Seventh Street.

Relating the News To Your Investments

By DONALD I. ROGERS*
Financial and Business Editor, New York "Herald Tribune"

Editor maintains all news is economic, or has economic origins, and hence is relevant to investment; and stresses its interrelationship throughout all spheres. Asserts news scrutiny is key to the general economic climate on which corporations' welfare and hence security values depend. Says following of news by investor will be particularly important with advent of Eisenhower Administration.

The news has a direct bearing on your individual investments, just as much as it has on the investments of the corporation executive sitting before the ticker tape machine in the board of directors' room. I think one of the greatest failings we all have is in regarding our own investments as something separate and apart from the whole economy, the whole business picture, the overall economic climate.


Donald I. Rogers

Naturally you ask two questions: *What* news is important to my investments? And how do I *relate* the news to my investments?

At risk of being ponderous, I'll try to tell you how I think you many analyze news and apply it to your investments. Actually I cannot speak with any great authority for, though I am fairly well known in Wall Street, my poor fame, if any, comes from the fact that I hold the record for making bad guesses on the purchase of securities. So, like many of the gentlemen who have been barnstorming the country in the recent political campaigns, I'd advise you: don't do as I do; do as I say.

I'm somewhat like a friend of mine, one of the most brilliant economic writers of our time who, I regret to say, works on a different New York newspaper. I had just finished reading one of his great, studious articles the other afternoon and had taken to heart one of his major points about how the Administration, by exercising a little common sense, could clip $4,500,000,000 off the Federal budget, when the telephone rang. It was the author of this wonderful article, fresh from his economic foray into the Federal budget. "Don," he said, "I know it's only a couple of days to your payday, but I'm broke; could I borrow ten bucks until Wednesday?"

He could tell President Truman how to save four and a half billion dollars, but he couldn't make his own budget stretch from payday to payday. And when I charged him with this inconsistency, he showed why he's truly a great economist. He said, "Well, after all, Truman has a lot more money to play with than I have."

But though I have not distinguished myself by parlaying my investments into a yacht or a summer mink for Mrs. Rogers, I have been a close follower of the news for more than 20 years, and most of that time have tried to interpret it.

So let's forget my investments for a moment and get down to the news.

Practically All News Is Relevant

First, let's start with the premise that *all* news, exclusive of the general run of police and fire news, has a bearing on your investments.

Let's just follow that out logically.

Most news springs from economic origins. Whether the story you read is about politics, about race riots in South Africa, about ideological differences, about nationalism in Iran or Bolivia, or, yes, even about Korea—if you'll scratch beneath the surface of the story, you'll find there's an economic problem.

Now, since most news has its birth in economic problems, let's proceed a step further and consider one more fact: All economic news is related; something bad in one part of the world's economy is bad for the whole economy; and something good anywhere in the economy is good for the entire economy.

So, using that as a basic premise, let's explore the stock market and your investments.

With all due respect to my colleague, Mr. McCormick, President of New York Curb Exchange (soon to be known as the American Stock Exchange) the stock market—his or the other large one on Wall Street—is merely the tail of the dog. And the securities traded in the exchanges are merely little barometers measuring the economic health of the nation and the world.

The value of a stock is usually determined by the amount of money the corporation will earn. Corporations make money because they produce something for sale or sell something that someone else has produced.

Sales, then, hold part of the answer. Will the corporation whose stock you hold be able to sell its products? The news should reveal the answer.

If you own stock in the A. B. C. Cement Corporation, you might think that perhaps your interest in news should end with the items concerning the construction industry.

But how about the Federal Housing Authority with its plans for millions of home units? How about the decisions on freight rates in the Interstate Commerce Commission, for freight rates comprise a substantial part of the price of a bag of cement? How about the plans of the Civilian Defense Agency to decentralize industry, which will call for mammoth new industrial buildings and hundreds of thousands of new homes? How about the economic upheaval in our own cities which is forcing residents to the suburbs by the thousands and causing vast building booms in reclaimed farm lands?

News Outside Financial Pages

All of these stories you'll find *outside* the financial pages. And on the financial pages themselves, you'll find stories about the construction industry, about the cement industry itself, about the bonds of the various states and municipalities which, more than anything else, reflect the construction plans for new highways, airports, throughways and public projects, about the plans of American industry for investment in new plants and equipment.

But, of course, all this is only part of the story, only part of the key.

A corporation can have the largest sales of any company in the whole industry, but if it's an inefficient firm, if its officers are not good, its earnings won't be as good as they should be, and its stock won't have as much value as it could have.

On the financial pages of your newspaper, you'll find the news about companies and their executives; you'll find news about the plans of various corporations, you'll find the expressions of hope or despair from their officers. You'll read of the problems that nettle various industries, of the things that are being done to solve them.

Thus far we have established two things. A stock is of value because of a company's earnings or its earnings-potential. Earnings are good because of a combination of good sales and efficient operations.

Economic Climate

This leads us to the third point, of equal importance with the other two. It's the economic climate in which your corporation lives and breathes. Sales can't be much good when there's no money around to buy the produce your company manufactures. And even the most voluminous sales aren't much good if all the profit is to be taxed away. And certainly you look at your corporation with a perspective eye, considering its long-range health. Is your company going to be able to survive in the new world of reduced tariff barriers when trade flows freely between continents?

This is the "economic climate." You'll find the news relating to it scattered from page one to the back of the paper.

Look in any day's "Herald Tribune," you'll find news about the expenditures of the Mutual Security Agency in Europe, you'll find news about tariff discussions; you'll find news about the European Payments Union or the operation of the North Atlantic Treaty Alliance of the Schuman Plan. You'll also find news about our domestic economy; of plans for greater old age payments, of revisions to the agricultural support program, of projects for reclaiming waste lands or building new Federal hydro-electric power systems.

None of this news is remote. It all has direct bearing on every corporation in America, and if you hold a share of stock in that corporation, it has direct bearing on you. It's your money that's at stake.

As I've said before, nearly all news is economic or has economic origins.

World News

You may wonder how expenditures of the Mutual Security Agency can affect a midwest corporation making automobile parts. In many ways. When the M. S. A. spends half a billion dollars in France to build jet planes, as announced two weeks ago, that money naturally comes from American taxpayers and the midwest corporation, if it's a successful one, is right up in the front line when it comes to making payments. But there's more involved in it than taxes. Where will France get her steel, her iron ore, her molybdenum, her rubber for the jet tires, her fuel for the jet tanks, the screws and rivets, the paint and chemicals?

Yet even more than this is involved. Where will France build these jets? If the jets are built in factories that normally produce civilian goods, what will France do for civilian goods? Will she import them from us? If so, what will she use for dollars? If we are occupying French industry with the production of jets and there are no civilian goods for sale in the dollar market, France can get

Continued on page 37

*A talk by Mr. Rogers before the Federation of Women Shareholders in American Business, New York City, November 7, 1952.

Should Government Regulation Manage the Carriers?

By JOHN S. BURCHMORE*
Walter, Burchmore and Belnap,
Attorneys, Chicago, Ill.

Stating proper role of Government is to administer the law and not to manage the carriers, Chicago attorney claims, in recent years, climate of opinion in government circles, outside the ICC, has fastened idea government's role is to initiate, manage, plan and protect. Cites encroachment of the ICC into field of management, and contends it displays tendency to coordinate various forms of transportation so as to apportion traffic. Foresees possible reorganization of the ICC. Urges return to first principles laid down in original Transportation Act.

The petroleum industry is one of the largest users of transportation—by rail, by highway, by water, and by pipe line. It also fuels and lubricates most of the transportation equipment, including air. Your stake in sound transportation and your interest in the effects of, and limits upon, regulations are great.


John S. Burchmore

Regulation of railroad transportation in the United States is an old story; this was the first branch of commerce to come under close Federal government regulation. Happily, transportation has thrived under regulation, and the tremendous advances made from crudest beginnings in ancient days have continued during the successful administration of the Interstate Commerce Act by the Interstate Commerce Commission in its half-century of regulation. But, in recent years, there have been misgivings, as regulation seemed to evolve into coordination of competing modes of transport—even into management of the carriers themselves. We all share in a public sense of satisfaction and pride that the Interstate Commerce Commission has successfully administered the law without attempting to run the carriers. We are naturally concerned to preserve the fruits of this success, and are apprehensive for the future because of certain signs of the period.

What Lies Ahead?

Today there are endless discussions and innumerable voices raised alleging the existence of problems and difficulties. All manner of changes are being considered, and these are put forward with all degrees of seriousness—ranging from mere talk to bills in Congress. You and I wonder, therefore, what lies ahead. What possible threats do we face; and what avenues are open for real improvement? We seek to know where our energies are needed to protect the successful past and to foster an even more successful future.

Analysis of specific suggestions or proposals cannot be done in a short talk of this kind. On the other hand, we may better employ our time this afternoon than simply to hear a ringing address of devotion to private enterprise or, conceivably, an attack on big business favoring a government-managed economy. (Surely, the former would be applauded, and the latter would deserve groans or a general walkout.) Rather, I propose to consider with you some possible guides by which to measure proposals which are made—to remind ourselves, if you please, of some basic philosophy and proven principles which ought to be the first tests of any suggested changes.

Articles of Faith

We may as well start right out in this discussion by a confession of faith, so to speak, by admitting that we do go along with certain broad propositions or convictions. The first of these—by far the most important and all-embracing—is that the proper role of government is to administer the law, and not to administer the carriers. Government should be the umpire or referee, and not the captain of the team. It should step in to prevent abuses, to right wrongs, to educate the ignorant, to make the rules of fair, honest conduct, and to enforce them—but not to run the game or to insure success and prevent failure.

I may illustrate this by recalling what happened in a recent debate in the British Parliament where a Laborite orator, in defending its program, extolled the virtues of socialized medicine. He was sorely beset by some well trained Tory heckling from the galleries, which finally proved his undoing; for, as he expounded the benefits of paternalistic government medicine, he could not help mentioning the improved plight of British mothers. In quivering tones, he said: "Why, today in Britain, we have more bonny babies than ever before. And why?"

Whereupon one of the least respectful of the hecklers shouted: "*private enterprise.*"

It is anti-climactic to remark now that government was never known to produce anything.

Another Principle

Another principle, or article of faith, which is proven by our successful past, and which cannot be abandoned if our future is to be at least as enjoyable, is this: No policy, or program, or point of view should be adopted or imposed merely upon the decision of the one who proposes it. This goes further than the well-known constitutional principle of separation of powers, or of prohibiting one person from having the dual role of prosecutor and judge. It means that no government agency with the duty or function of exploring avenues of improvement should at the same time have the power to impose a program upon the transportation agencies for whose improvement the exploration is made. You all know the classic remark of the young bride, having painstakingly prepared her her first plate of biscuits. As she passed them to the guests, she said: "Take your pick."

I believe that we must recognize that the cook likes her own cooking and is proud of her own recipes, and the agency which has conscientiously worked out a *solution to a problem* naturally wants to see the solution tried. But in government processes, if the power of law is to be put behind a proposal, it should not be done until that proposal has been passed upon by minds which are inde-

Continued on page 34

*An address by Mr. Burchmore at the Transportation Session of the 32nd Annual meeting of the American Petroleum Institute, Chicago, Ill., Nov. 10, 1952.

Election Returns and Your Financial Returns

By EDWARD T. McCORMICK*
President, New York Curb Exchange

Mr. McCormick predicts President-elect Eisenhower and the Congress will pursue a "peaceful" course, with continued prosperity. Expects natural death for Excess Profits Tax, relaxation or termination of wage and price controls, more friendly climate for business, and retention of high levels of taxation. Maintains while we may have periods of "shaking out," there will be no serious depression. Calls for elimination of double tax on corporate dividends, and shortening of capital gains holding period.

There is no need at this time, I am sure, to go into any detail as to the results of the ballots cast last Tuesday. All of us were thoroughly familiar with them as early as last Wednesday morning, and acquired at that time our glum or happy countenances, as the case may be, for the balance of the week — if not for the balance of four years. Whatever the effect of the vote upon our individual political philosophies, however, I think that it is most important for each of us to keep in mind the sage observations enunciated by both the Republican and Democratic candidates, that we must now lay aside the swords we raised for a few short months as party advocates and remember that we are, and should act as, a united American people. This unity was never more essential than in the trying days of international and domestic struggle that lie before us.

E. T. McCormick

I trust, of course, that all those present will excuse the guarded nature of any remarks I may make concerning the reaction of the stock market or business in general to the recent election. My knowledge and experience in no way qualify me to gaze into a crystal-ball and read the future. While the direct impact of the election on the securities market itself over the next few months cannot be foreseen with definiteness, I can say, however, with all the sincerity at my command that I do believe there will be a continuation of prosperous conditions in the long run.

The important fact for all of us as investors, to keep constantly before us is that this country of ours, though grown to massive proportions and a position of leadership in world affairs, is still an adolescent so far as its productive potentialities are concerned. We still have many a step to take before our seven-league boots carry us to the end of our road of industrial development.

Pessimism Twenty Years Ago

Twenty odd years ago, you well remember that many an investor was willing to give up the ghost. Many believed that they saw the handwriting on the wall pointing to our financial decline as a nation. We have, however, not merely bounded back from the worst financial depression in our history, but in the process have fought and won the most savage of world conflicts. And those who twenty years before had despaired of their investment prospects have found for the most part not merely a resurgence of their capital, but an endless stream of new sources of successful ventures.

We have all been witnesses to the remarkable surge of scientific achievement that has occurred during the past fifteen years—the revolutionary application of jet propulsion to air transport—the piercing of sound barriers — the production of synthetic goods—the introduction of television to our homes—the discovery of penicillin and other anti-biotics—the processing and production of frozen foods — and a host of other achievements too numerous to mention in detail.

Every week, almost each day, has brought to light somewhere in this country, new discoveries, new products, more efficient methods of production and fresh lines of research. Each new idea has stirred intelligent curiosity and opened up before it new vistas of invention. Each improvement in production technique has invited and stimulated rivalry for further improvements. For such is the nature of our free competitive system.

It is difficult for me, as an investor, knowing our past successful history and the men who made it possible, and realizing our present vital and powerful position in the world, to be anything but optimistic as to our general financial future.

Temporary Shaking Out Periods

Although dark clouds float on the horizon by reason of the present strained international situation, I believe that Dwight Eisenhower, the man that we have elected to the Presidency, and the men we have elected to the Congress, will be able to guide this country on a peaceful course during the coming four years. While we may well have temporary periods of "shaking out," I can see no serious depression confronting us. While there will be reactions from time to time, I firmly believe that four years hence we shall find ourselves in a financial position stronger that that which we presently enjoy.

It is fairly generally agreed that the new Administration will provide a climate far more friendly to business than that which has held sway over the past 20 years. While there will be no return to the old *laissez-faire* policies as such, business can look forward confidently to a period of relaxation of former stringent controls, and to a more amicable attitude toward its problems when they are presented in Washington. How soon we will observe tangible results from such a change in atmosphere is anybody's guess. However, it might be well to keep an eye on two dates in the not too distant future — April 30, 1953, when the controls on prices and wages expire, and June 30, 1953, when the excess profits tax comes to an end. I think we can look for the wage and price controls to be terminated or, at least, materially reduced, and it is reasonable to assume that the excess profits tax, which has proved itself to be complex in administration, unfair in application, a deterrent to corporate initiative, and an inducement to corporate waste and inefficiency, will be allowed to die a natural death. One must, however, continue to be selective in the market, for some companies and industries will benefit far more than others from the termination of these controls and taxes. Some companies and industries may actually suffer with the passing of controls.

One of the primary problems of the new Administration will be to develop some satisfactory means to control the inflationary and deflationary cycles of our economy. Economic stability is essential not only on the domestic scene, in the interest of our wage earners and investors, but on the international scene as well, since any instability in the economy of this country has immediate world-wide repercussions. To cut this Gordian knot will be a task of Herculean proportions, but it is a task to which the Administration should, and no doubt will, immediately address itself. Through an understanding of business policy, and the application to its fiscal and monetary problems of conservative and sound financial measures which it has always supported, this Administration is equipped to meet the challenge.

Although the Government is operating at the present time on a deficit basis and defense production expenditures can reasonably be expected to increase up to the middle of 1953, the inflationary spiral which has so dangerously affected our economy over the past years appears to be coming to a halt. It will be one of the primary tasks of the new Administration to see to it that these inflationary tendencies do not reassert themselves. Barring unforeseen additional defense expenditures, this end shoulr be attainable, for the country has shown since Korea that it is able, with its great productive capacity, to deliver goods to our military forces, provide economic assistance to our allies, and at the same time supply a great amount of goods to our own people, an amount, in some cases, in excess of the capacity of consumers currently to absorb them. With this supply of goods constantly increasing, competition for buyers, under our free economic system, should in itself bring prices down without the necessity for price controls.

Reduction in Spending

Directly tied to this problem of stabilization, and control of inflationary factors, is the question of reduction in governmental spend-

Continued on page 26

*A talk by Mr. McCormick before the Federation of Women Shareholders in American Business, New York City, November 7, 1952.

Nature and Functions of The Federal Reserve System

By J. L. ROBERTSON*
Member of Board of Governors, Federal Reserve System

Mr. Robertson, defending the Federal Reserve System as an efficient organization and as "one of the world's great reservoirs of economic strength," describes its functions and activities. Stresses the supervisory service of the Federal Reserve and says System is now in better position than ever before to lend its assistance to member banks in time of need. Reveals organization of Inter-Agency Bank Examination school.

Far be it from me to question the judgment of your officers in inviting me to be with you again this year. For my part, any excuse I can use to get back to Nebraska is a good one. The only thing that troubled me about coming back this time was the question: What will I talk about?

J. L. Robertson

I could talk about the dollar—and about how the dollar doesn't do as much for people as it used to. But I knew if I did that, I should have to point out in some detail that people are not doing as much for the dollar as they used to. Finally, I decided to talk about an institution intimately affecting both people and the dollar, namely, the Federal Reserve System. I shall pursue this subject despite the facts that, first, only one out of three banks in Nebraska — and none of the three banks in my home town of Broken Bow—is a Federal Reserve member; and second, that talking about the Federal Reserve will expose me to charges of boasting, or of the even worse crime of trying to entice new members into the System.

There are, however, considerations on the other side. After all, 74% of the bank deposits in Nebraska are in member banks. Also, many of Nebraska's 277 nonmembers are banks that could not qualify for membership until the capital requirements law was amended just four months ago.

Still other reasons make the Federal Reserve System the most fitting topic for me to talk about today. One is that in recent months we have heard so many derogatory things about certain parts of government that, in fairness to other parts of it, something ought to be said on the other side. A second is that most people know little about the Federal Reserve System in spite of the bearing it has upon their lives and fortunes as one of the world's great reservoirs of economic strength. And a third is that, being a native of Nebraska, and having served on the Federal Reserve Board for nine months, I think it appropriate to report to you on what I have learned about it first hand.

Nature of Reserve System

Of course, everybody knows some things about the Federal Reserve System. To almost everybody, it means a nationwide organization of some 7,000 member banks holding 85% of the bank resources of the country, 12 regionally-located Federal Reserve Banks with 24 branches (one located in Omaha), and a Board of Governors in Washington composed of men appointed by the President with the advice and consent of the Senate.

The thought of the regional Federal Reserve Banks, for most people, is a reminder of the many services the System provides for American business and finance. They picture these banks in terms of the amount of currency they handle each year—enough bills to make a stack 350 miles high, which in falling would litter the highways from Omaha to Minneapolis with one, five, ten, and twenty dollar bills. Or they see the banks clearing checks, your checks and mine — 20,000 checks each minute we sit here, enough in a year to reach to the moon and half-way back.

Pays Its Own Way—Plus

But there is another less spectacular and less well known side of the Federal Reserve System. First of all, it is an efficient organization of 20,000 people, all working toward a single goal: serving the public interest by helping to keep the economy moving along on an even keel, adequately supplied—but not overloaded—with the money needed for producing goods and services on the American scale. It is not a government organization in the usual sense. The people who work for it are not hired as government employees, and they are not paid from government funds. The Federal Reserve does not operate on tax money. Quite to the contrary, it turns over to the government each year the bulk of its earnings, a turnover amounting last year to more than a quarter of a billion dollars.

Yet this organization, which works exclusively for the people, must be classed as "government" in the highest sense. It is an organization that operates in a nonpolitical way to join the hands of banking and government to further the prosperity of American agriculture, industry, and commerce.

In fact, as I see it, the System constitutes one of the best illustrations of democracy at work. The team of 20,000 Federal Reserve workers is directed by more than 250 private citizens. These are the men who serve as directors of the Reserve Banks and their branches — men who contribute their time and efforts to make the organization's performance efficient and effective. To read the roster of their names is to know that they rank among the leading citizens of the nation. They might well be called the keymen in the Federal Reserve System. They serve as listening posts through which the System can keep an ear on the heartbeat of the economy across the nation. They provide advice and counsel that help the System in formulating policy to keep that heartbeat strong.

Nobody would think of labeling these directors as government employees, yet I am sure everyone would agree that they are public servants, for they have dedicated themselves to carry out a public function in the public interest—their reward being the satisfaction they get from doing their country a service.

Now in these past nine months, I have not been able to meet all the directors or all of the 20,000 men and women of the Federal Reserve. But I have been able to observe the work of many of them, including all the Chairmen of the Boards of Directors of the Federal Reserve Banks, the Presidents of those banks, the members of the staff of some of them, the members of the Federal Advisory Council, and, of course, the members of the Board of Governors and all of its key personnel. And I want to report to you that among all of those people there runs a single chord, tying them to the characteristic of the Federal Reserve that I like best—integrity. In any organization, public or private, brilliance is desirable, but integrity is essential.

Function of System

Notwithstanding your familiarity with it, let me discuss for a moment the job the Federal Reserve has to do, and how it carries out its responsibilities, with the cooperation and support of the System membership. And they I hope you will give me, as some of you have in the past, the benefit of your experience, and counsel, so that together we can work for improvement.

Besides providing an elastic currency and serving as lender of last resort, the System bears primary responsibility for influencing the supply, availability, and cost of money and credit. Here the objective is, on the one hand, to prevent excessive expansion in the money supply and thus to curb inflationary pressures; on the other hand, to prevent excessive contraction in the money supply that could accentuate deflationary forces.

The method of contracting or expanding the supply of money and credit varies considerably under different economic conditions, but the Board's principal means include selling or purchasing government securities in the open market and extending credit to member banks through discount operations. Changes in member bank reserve requirements must also be listed as a tool which can be used to affect the availability of credit, even though it is a rather inflexible instrument of monetary policy.

Powerful though System actions can be in mitigating economic swings and preserving the integrity of the dollar, I hope no one is laboring under the misapprehension that monetary measures alone can achieve the goal of stability at high levels of production and employment. Many other factors, both public and private, play important roles. Fiscal operations of the Federal Government are a primary influence, especially with the government's income, expenditures, and debt at present high levels. The activities of consumers and businessmen are important, particularly as they increase or decrease their use of credit and their rate of spending. All of which underscores the need for coordinated public and private action if the stability of our economy is to be assured.

To help provide a basis for coordinated action, the Federal Reserve System undertakes another activity: developing information adding to the knowledge and understanding of economic forces and factors, both here and abroad. One important purpose in providing this information is to facilitate the job of the men who manage the member banks of the System.

I noticed that the October issue of "Banking" magazine asked five prominent economists to pick out, for the benefit of busy bankers, the most important economic indicators available from all sources —a sort of "All American" team for the man who doesn't have time to keep up with all the players. Three Federal Reserve reports were placed almong the ten top indicators by four of the five members of this economic panel. Several other Federal Reserve statistical reports were nominated by one or more of the economists.

Without the aid of banks and business concerns throughout the

Continued on page 32

*An address by Mr. Robertson before the Nebraska Bankers Association Convention, Lincoln, Neb., Nov. 10, 1952.

From Washington Ahead of the News

By CARLISLE BARGERON

The Republicans, flushed with victory for the first time in more than 20 years, are in an awful mess in the matter of organizing the Senate. In fact, to do it with Republicans they are faced with the insufferable proposition of letting Senator Langer of North Dakota, be Chairman of the highly important Senate Judiciary Committee. Under the seniority system he would succeed to this place, relieving the veteran Democrat, Pat McCarran, who ironically enough, as things turned out, worked himself out of a Chairmanship by supporting the Republican Senatorial candidate in Nevada instead of the Democratic candidate.

Carlisle Bargeron

As the count now stands, the next Senate will be composed of 48 Republicans, 47 Democrats and the maverick Morse of Oregon, who now declares himself to be an independent. The gentleman undoubtedly figures he has maneuvered himself into an enviable position. Should he elect to vote with the Democrats when Congress convenes on Jan. 3 there would be a tie which, however, the Republicans could break with Vice-President Nixon on Jan. 20. Morse's price for voting with the Republicans is membership on the Foreign Relations Committee.

With Morse voting with the Democrats, Nixon would not be able to break the tie and give organization of the Senate to the Republicans without the support of Langer. Langer is no more of a Republican, if as much, than Morse, but he still lists himself as that and fully expects to vote Republican on organization if he gets his seniority due, the Chairmanship of the Judiciary Committee.

He is the lesser in offensiveness to the Republicans although he has voted with them on legislation only about one out of every ten times.

Insofar as I know, he voted for Eisenhower but he traveled on the train with Truman through North Dakota and praised him to the skies. In his primary in June the Democratic leaders put up a dummy against him and openly urged the Democrats to go into the Republican primary and vote for him. Morse, on the other hand, campaigned for Stevenson and said after the election that Eisenhower and Nixon had won by fooling the people. It would thus be a pretty bitter pill for the Republicans to swallow to give him a place on Foreign Relations Committee in order to get his vote for organization of the Senate. But it would mean no more than giving him a somewhat better vehicle with which to strut. He couldn't cause any harm on the committee.

Langer's Chairmanship of Judiciary Committee would well nigh be impossible for the Republicans. That is the committee which handles judicial appointments. Manifestly, the Republicans after having had the Federal courts packed with Democrats over the past 20 years, hope within the next four or eight years to get some Republicans on the courts. That would be most difficult with Langer as the Chairman of Judiciary.

Furthermore, this is the committee that handles immigration problems which are becoming more serious year after year. As the ranking minority member of this committee, Langer in the past five years has introduced bills to permit the entry of or to stay deportation proceedings against 1,000 aliens, far more than any other Senator, including such Senators as Lehman and Ives of New York, who naturally are exposed to the efforts to bring in aliens outside the regular immigration procedures. Although Langer's bills have covered practically every nationality, he has gone in a big way to help Pakistanian seamen who jumped ship after arriving in this country. In cooperation with a Pakistanian who has become naturalized and now lives in Arizona, Langer has introduced bills covering as many as 40 Pakistanian ship jumpers at a time.

Not more than a handful of these bills have ever been acted upon by the Committee. Langer after introducing them has not pressed them. But under the regulations of the Department of Justice an alien is not moved against as long as the bill is pending. By reintroducing a bill every two years an alien can be kept in the country indefinitely. This matter was quite an issue against Langer in his primary campaign last June but obviously it was not effective enough.

One smooth way to keep him out of the Judiciary Chairmanship would be to prevail upon Senator Wiley of Wisconsin to take the Chairmanship of that committee instead of that of Foreign Relations. I said this would be a smooth way; rather, it would be a regular way and one against which Langer could not justifiably raise a rumpus because Wiley is entitled to the Chairmanship of either committee. But it would not be a smooth way—I was mistaken. Wiley has been grooming himself for a long time to become Chairman of Foreign Relations and although looked upon as "one of those Middle Western isolationists" all these years, several months ago he married an English woman and overnight became an internationalist statesman.

As against this gloomy picture of the Republicans' predicament, however, there are forces at work which may be the means of ignoring both Langer and Morse. These forces would have the Republicans embrace both Harry Byrd of Virginia, and Senator-elect Price Daniels of Texas. The former would be given a Chairmanship. Inasmuch as Byrd assumes he is serving his last term in the Senate, because of his age, he might very well be amenable to such an arrangement. He did not bolt the ticket in Virginia but announced he could not support Stevenson. Daniels, the newcomer, for having supported Eisenhower in Texas, realizes he has burned his political bridges behind him insofar as the Democratic organization is concerned. He has announced he will be an independent in Washington.

N.Y. Savings Banks Turn to Stocks In Search for Higher Earnings

By WILLIAM A. LYON*
Superintendent of Banks, New York State

N. Y. State Banking Superintendent reviews developments in savings banks policies and activities, and finds, in addition to lifting dividend rates and expanding mortgage lending, accompanied by steepest rise in deposits in several years, the banks are now concerned particularly with the search for higher earnings. Reports 52 N. Y. State savings banks have already gone into the stock market in expanding investments, and up to Sept. 30, $45 millions of common and preferred stocks have been purchased. Discusses problem of liquidity for savings banks, and advocates they be given greater borrowing powers in emergencies.

For some years now, any talk at this season to savings bankers can hardly have had any other beginning than this: It's been a crowded year.

Wm. A. Lyon

The series of important events would include your coming under Federal income taxes for the first time, the general lifting of dividend rates, the steepest rise in deposits in several years, further active mortgage lending over a wide radius, and greater reliance on nongovernment securities as a source of earnings. It may be added that the securities holdings included preferred and common stocks for the first time in the 133-year history of savings banking in New York State.

The strongest drive behind the year's developments, I should say, was the search for higher earnings. This search took two out of every five savings banks—52 institutions, to be more precise—into the stock market. You may be interested in a quick summary of what the Sept. 30 reports showed. Total purchases footed up to $45 million. Common stocks accounted for $10 million of the total and preferred stocks for $35 million. One bank was responsible for $8.5 million, or 19%, of the total buying. Twenty-nine banks confined their buying to preferred stock and nine to common stock. The names of a good many banks, some old, some large, some with great influence and power of example, do not yet appear as buyers of stocks.

Looking at the 52 banks as a whole, we find that they had used up 15.8% of their power to buy common stock and 13.3% of their power to buy preferred. One bank had used up about 59% of its maximum power to buy common stock; another had gone in for 41% of its power. Four banks were using 40% or more of their power to buy both kinds of stock. One bank had already called into play over 90% of its full power. Fifty-seven per cent of the buying was in public utility commons and preferreds, 33% in industrials and about 10% in rails. American Telephone & Telegraph common alone made up a little more than a third of the common held. In all, stock of 196 corporations was bought.

Mainly, the banks using their brand new stock power have gone ahead circumspectly, buying in instalments, in the interest of getting a wide arc of the market cycle reflected in their holdings. There is patently much to recommend such a course. Taken as a whole, the stockholdings stood to produce an average yield of 4.54%, with the rate on the preferred 4.17% and on the common 5.79.

The New Investment Company

Three more observations about equities: first, the new investment company, according to all indications, will bring quite a few of the smaller and medium sized banks into the equity investment field; second, it is my hope that a mutually satisfactory bill allowing savings banks to invest directly in certain commercial bank stocks can be introduced in the next session of the Legislature; and, third, the Department, after giving a good deal of thought to the matter, has concluded that it is impractical to extend to the best grade common and preferred stocks held by savings banks a variation of the limited conventional value principle that has been used by the State and Federal supervisory authorities for some years in valuing the three highest grades of nongovernment bonds held by commercial banks. We are valuing stocks at market and continue to ask that a reserve of 1% a year be provided.

There were other goings-on which might be talked about without forcing in a less active year. There was the branch study on which a committee of your members and a committee of the New York State Bankers Association were engaged for a number of months. On this study the work is done; the arms have been stacked; the field has been cleared; the conferees have not settled their differences, but they have pulled together a great deal of statistics and argument to defend the positions previously occupied. I wish to express my warm thanks to Walter Hess and Emmett Finucane, the two Chairmen, and to the members of their committees for the efforts they have made and the time they have devoted to finding the ground for a mutually satisfactory solution of this troubled issue of branches. A little later, after the material prepared has been most carefully studied, I expect to have some comment of my own to offer.

There was also the suggestion I made that the obligations of the Mutual Fund still outstanding be settled just as soon as possible on the basis of present ability to pay. The settlement of these debts offers savings banks an opportunity to demonstrate that they can widen the horizons of their thinking to take in the good of the whole system. I can only wish that the commercial bankers who think that savings bankers always act with unity and harmony could see the ruggedness of their individualism when an opportunity like this is offered to take a broader approach to the problems of savings banking. Those who believe in the worthiness of their cause must not discourage easily, however, and so I shall persevere.

Looking back over the year, I should say it raised a few questions about savings bank powers and policies—questions such as how to disentangle dividend policy from issues that are unrelated or wholly irrelevant to it and how much the imperative desire for earnings should give way before such considerations as liquidity. What I have to say to you today swings on the pivot of those two matters.

The Dividend Question

The search for earnings was stimulated by the well-nigh universal desire to keep up with the Joneses in paying dividends. After the Banking Board jacked up the dividend ceiling on Feb. 6, the raising of dividend rates immediately got under way on the broadest basis any one had seen in at least a generation. Quite a few savings banks had begun to prepare against the day of higher dividend requirements long before the ceiling was raised in February. Others had not. Their programs looking toward the replacement of lower yield assets with higher were not well advanced nor being brought forward with energy.

I sometimes wonder how deadening to management initiative the long-lived ceiling by regulation has proved. While the ceiling has undoubtedly removed from some banks the temptation to overreach on dividends, it has quite possibly led others to underreach on earnings and to be content with their second best efforts.

At any rate, when the dividend ceiling was raised by the Banking Board, and the trend toward higher dividend rates got under way, a number of institutions less well prepared to pay larger dividends decided to do so anyway along with those that could comfortably afford it. Dividend increases here and there were voted, I should say, out of pride rather than out of profits.

I must confess to you that I had hoped to see a wider assortment of dividends spring up under the higher ceiling. Some banks did attempt for a time to stand out against the rush to pay the ceiling rate of 2½%. But the emphasis placed on rate in their promotional efforts by a number of the institutions more fortunately situated with respect to earnings and surplus had the result of making the public unusually rate conscious. Depositors started asking embarrassing questions of the banks paying less than the top rate. Certain depositors declared they felt that the Banking Board has fixed the minimum rate at 2½% rather than the maximum. Instead of stimulating and attracting new savings, the featuring of the rate had to a considerable extent the effect of merely shifting deposits within the savings bank system itself.

A good many savings banks on a lower rate basis found these deposit losses inconvenient and disagreeable to absorb. They interfered with plans to build up earnings. They made the taking up of mortgage commitments more difficult. The portfolios of government securities consisted pretty largely of long-term bonds selling at a discount. This meant that fair-sized losses would need to be taken if governments were sold to raise cash to meet commitments and withdrawals. Before anything else, though, the actual and prospective losses in deposits were a blow to institutional pride.

With fewer and fewer exceptions, the ceiling rate has become the prevailing rate; it has not proved to be a level under which management and trustee discretion, objectively employed, could come up with a variety of rates related closely to surplus and earnings status. Banks fairly often raised dividends with better earnings in prospect rather than in hand. Others decided to pay the highest rate quite simply so that they could grow fast enough

Continued on page 22

*An address by Supt. Lyon at the 59th Annual Meeting of the Savings Banks Association of the State of New York, White Sulphur Springs, W. Va., Nov. 6, 1952.

LETTER TO THE EDITOR:

Proposes Adlai Stevenson for a Post in Gen. Eisenhower's Cabinet

Alexander Wilson, life-long Republican, says it would be "master stroke" if Eisenhower were to include Democratic standard bearer in his Cabinet. Also urges that woman be given ranking position, and avers that Eisenhower has great opportunity to unify nation by selecting Coalition Cabinet.

Editor, Commercial and Financial Chronicle:

What a magnificent thing is Victory! Especially to the 33 million voting men and women who elected Dwight D. Eisenhower President of the United States! Because (1) it meant a repudiation of Truman and all he personifies; (2) the defeat of the CIO and AFL leaders' efforts to repeal the Taft-Hartley law; and (3) the discontinuance of the Truman - Labor Government for the next four years.

Alexander Wilson

The results of the national election could not have been otherwise if the American people were honest in their desire to clean the Augean stables of the odor of 20 years of arrogance, corruption and drunken political power that has obsessed the White House and the Democratic processes.

What a pity, too, that a man of Stevenson's intellectual ability, culture and refinement had to be the burnt offering of Truman, Boss Jake Arvey, and the Democratic bosses of the big city machines, who in using Stevenson as a respectable front expected to perpetuate their party control of the American body politic for another four years.

So without further ado, the writer ventures to say that it is logical to suppose that the President-elect should give a place in his forthcoming Cabinet to a woman, aside from the inevitabilities like rewarding John Foster Dulles with the portfolio of the Secretary of the State and Henry Cabot Lodge with a Cabinet berth, and offering Gov. Thomas E. Dewey the Ambassadorship to the Court of St. James.

The women of this country had a big part in electing General Eisenhower to office, particularly the women whose sons, husbands, fathers and sweethearts have made the supreme sacrifice in Korea and on the bloody battlefields of Europe.

It should be remembered, too, that prior to this epochal election, the number of women who registered in the primaries exceeded the men, providing another reason why women are entitled to have suitable representation in the next President's Cabinet.

Now what should be done with a man of Adlai Stevenson's gifts? Just this: General Eisenhower owes much of his victory to the independent Democratic vote both in the Southern States and countrywise.

Mr. Editor, what a master stroke the incoming President would make if General Eisenhower were to invite Adlai Stevenson, for whom 26,500,000 Americans voted, to join his Cabinet along with one or two other notable Democrats like Senator Byrd, Senator Russell or Senator George, thus forming a coalition government of Republicans and Democrats with an eye to future possible global hostilities.

And now what about that stalwart Republican, Senator Robert Taft? Wouldn't it be in the cards to offer Senator Taft a Cabinet position or, when there is a vacancy, an appointment to the Supreme Court in which his father, the late President William Howard Taft, served with so much distinction? We know, of course, that Senator Taft is sorely needed by President-elect Eisenhower to steer legislation in the Senate for some time to come where he is the acknowledged policy-leader of his party.

Perhaps nothing would please the American electorate more than to see General Eisenhower extend an invitation to General Douglas MacArthur to accept the Army and Navy Defense portfolio regardless of any past personal or professional differences between these two eminent Americans. MacArthur's military background should not be considered against him as both he and Eisenhower are now in the autumn years of life as was General Washington when he assumed the Presidential office.

It should be recalled, as Governor Dewey pointed out in a campaign speech, that 11 American generals have served as Presidents of our Republic, whose terms in office were free from war.

Scarcely anything would gain the President-elect greater acclaim than if he prevails on ex-President Hoover and Bernard M. Baruch to be ex-officio members of his Cabinet.

Governor Earl Warren, Harold Stassen and Paul G. Hoffman are also good available material for Cabinet positions.

General Eisenhower, unlike Mr. Truman, will not have much trouble finding promising talent for the 2,000 to 3,000 executive vacancies the change in Administration will necessitate. For reasons too well-known to repeat here, high-calibred executives in the business world were disinclined to associate themselves with Truman's Socialist administration.

It will be interesting to evaluate the personnel President-elect Eisenhower invites to share the responsibilities of our government for here is his one great opportunity to unify our country with a Coalition Cabinet at the outset of his Administration in an effort to present an unbroken front to all the world powers, friends and foes alike.

Most respectfully,
ALEXANDER WILSON

Summit, N. J.
Nov. 5, 1952

With Irving J. Rice

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — Thomas A. Brodie, Jr. has been added to the staff of Irving J. Rice & Co., Inc., First National Bank Building, members of the Midwest Stock Exchange.

Now Smart Clowes Oswald

LOUISVILLE, Ky. — The firm name of Smart, Clowes & Phillips, Inc., Washington Building, members of the Cincinnati Stock Exchange, has been changed to Smart, Clowes & Oswald, Inc. The firm maintains a branch in Cincinnati under the direction of George E. Oswald.

A Need for Savings Bank Expansion

By ROBERT M. CATHARINE*

President, National Association of Mutual Savings Banks
President, Dollar Savings Bank, New York City

Asserting there is need for savings banks' expansion throughout the nation, Mr. Catharine holds supply of savings institutions does not meet public demand. Cites preliminary report of Special Committee on Savings Bank Branches as clearly indicating inadequacy of savings banks facilities, and scores opposition of commercial banks to savings banks' expansion.

I want to bring home to you the importance of dealing speedily and effectively with the principal problem of savings banking day. That is, the problem **of expanding the savings bank system.** This problem exists in many places in the United States. However, this is a meeting of the Savings Banks Association of the State of New York. I want to come to grips here and now with this problem of expansion in the State of New York.

Robert M. Catharine

You have heard a good deal about this matter in the last couple of years. Maybe you are tired of hearing about it. For my part, I feel it is our biggest real problem, that we must stick with it, and that we must never let up until a solution is found.

Expansion a Big Problem

Now why is expansion a big problem? First, I want to call your attention to the growth of our savings bank system in the United States. Savings banks exist in only 17 States of the Union, and in some of those States there are only one or two savings banks. But even with this limited representation, total deposits are now $22 billion and the total number of depositors is approximately 20 million.

Take a look at New York State for the first nine months of 1952. In this period, the amount due savings bank depositors has increased $721 million. It is probable that for the full year 1952 the increase will be more than one billion dollars. At the end of September, total deposits in New York savings banks had reached a level of nearly $13 billion.

Accounts in our New York savings banks increased by 46,000 during the third quarter of this year, raising the total to 7,800,000 at the end of September. Compare that figure with the last census figure on the population of New York—total savings accounts, 7,800,000 — total population 14,830,000.

There is no use elaborating the obvious. It is plain to be seen that our savings bank system is on the flood tide of success, that it is greater than it has ever been, and that we enjoy with the people of our country and our State a position of trust and honor such as we have never known before.

It is clear, then, that there is a huge public demand for our services. What about the supply?

If we were providing the public with cigarettes, or chewing gum, or television sets, or lipsticks, or chlorophyll tablets, or with laundry, dry-cleaning or window-washing service, we could have a place of business at every street corner. But we are only providing them with savings facilities—the means whereby they may accumulate money to meet essential needs — the means whereby dangerous inflationary pressures can be reduced or eliminated. So our product must be merchandised over a very restricted area. The public is prevented from obtaining what they clearly desire.

Let me give you a few facts from the Preliminary Report, dated Nov. 7, 1951, of the Special Committee on Savings Bank Branches. This Committee is under the able leadership of Walter Hess, as Chairman. This Preliminary Report contains a wealth of carefully compiled data. It reaches conclusions after careful weighing of the evidence. Its recommendations for remedial legislation are moderate and should be acceptable to every person who is prepared to approach this matter with an open mind. Publication and circulation of the final version of this Report have been postponed pending the outcome of conversations with representatives of the commercial banks. I earnestly hope that it will soon be possible to make it public. I urge you all to read it when it comes out.

Inadequacy of Savings Facilities

Now let me turn to the Report. The Committee has located 80 communities having a population ranging between 10,000 and 100,000 persons. These are communities of sufficient size to justify savings bank facilities. Of these 80 communities, 49 had no savings bank office whatever. This is a situation which, on its very face and without further argument, demands rectification.

The Committee Report deals with the public demand for savings institutions. It shows that from 1940 to 1950 the population of New York increased by about 10%. During the same period, deposits in savings banks increased by about 205%. It is clear that savings banks have demonstrated their popularity with the public. Moreover, savings deposits enjoy first place as between various types of time and savings accounts. In 1950, the year of the census, time and savings accounts in the principal institutions in New York State stood as follows:

Mutual savings banks $11.6 billion.

Commercial banks $3.9 billion.

Savings and loan associations $1.2 billion

Postal savings $173 million.

The Committee reached the obvious conclusion that, if savings bank offices were established in communities where none exist, the public would make wide use of their facilities.

The Committee also found that commercial banks in a community do not provide savings facilities which are equivalent to those of savings banks or other thrift institutions. Listen to these figures on communities between 10,000 and 100,000 in our State.

In 21 communities where there were commercial bank facilities but no savings bank or savings and loan office, the average per capita savings were $363.

In 27 communities where there were commercial bank and savings and loan facilities but no savings bank offices, the average per capita savings were $861.

In four communities which had commercial bank and savings bank facilities but no savings and loan offices, the average per capita savings were $933.

In 27 communities which had commercial bank, savings bank and savings and loan facilities, the average per capita savings were $1,291.

These figures show clearly that savings institutions promote savings. Where they exist, they attract funds which the public would not otherwise deposit with banking organizations. The public will accept no substitute.

The Committee went into the question of whether or not savings banks are a threat to the continued existence and prosperity of commercial banks. They found that this was not so. In the period from Jan. 1, 1942 to Jan. 1, 1951, 29 trust companies in 25 locations (other than Albany, Buffalo, Syracuse, Rochester and New York City) where there were mutual savings banks gained 85% in time deposits, while trust companies in communities where there were no savings banks gained only 84% in time deposits.

In further proof of this point, the Committee prepared a list of 79 communities in New York having a population of between 10,000 and 100,000. This list showed the status of savings and thrift accounts in commercial banks, savings banks and savings and loan associations in these communities. A comparison shows that commercial banks and savings banks can and do operate in close proximity and that a commercial bank can attract time deposits regardless of the presence or absence of a savings bank in the community.

Commercial Banks' Opposition

The Committee considered the problem of whether or not a commercial bank is a satisfactory substitute for a savings bank in filling the need for savings facilities. It was concluded that the key point of difference between the two institutions in this regard was the element of mutuality. I quote from the Committee's report:

"A commercial bank is a stock corporation, the net earnings of which are paid to, or employed for the benefit of, the stockholders. The first concern of savings bank management is to pay to the **depositor** the highest return than can reasonably be paid. The first concern of commercial bank management is to pay to the **stockholder** the highest return that can reasonably be paid, and, accordingly, to pay to the time depositor the lowest return that can be paid as a matter of good business.

"This difference between savings banks and commercial banks is fundamental and should not be minimized. So long as this difference remains, the two types of institutions are not alike and cannot be made alike."

Finally, the Committee considered whether savings bank facilities could be brought to new areas by the establishment of new savings banks. It concluded that there is little likelihood that new savings banks will be established in new areas through local initiative unless local efforts can be stimulated and supported by outside means. It was thought that the establishment of new institutions might be promoted to a certain extent by authorizing existing savings banks to contribute, on a voluntary basis, to the initial surplus funds of newly organized banks, but that this method would have very limited results. The Committee took the view that the most practical and effective way to provide savings bank offices in areas where they are lacking is to authorize the establishment of branches in such places by existing savings banks.

As you know, the Committee had ready last year a definite legislative proposal, complete in every detail and ready to drop in the legislative hopper. I am not going to go into the details of this bill. To my mind, it was a moderate, reasonable proposal which everyone, both inside and outside the savings bank industry in this State, could accept. Unfortunately, we were requested to postpone introduction of the bill so as to give more time for others to study this matter. We were ready to be accommodating, **but we certainly do not want this matter to be studied to death.**

There is no use glossing over the fact that our efforts to obtain additional branch powers have thus far been stymied by our commercial banking friends. I do not venture to criticize them. They are doubtless fearful of making a move because they doubt that they can precisely estimate every consequence that may follow.

But I submit that we have proved our case in this matter.

I ask that they speed their deliberations. I ask that they lay special emphasis on the interests of the general public. I ask that they put aside any fancied fears of witches under the bed and goblins behind the curtains. I ask that they take a statesmanlike view of a problem which cries out for a statesmanlike treatment.

In conclusion, I want to stress the fact that I appear before you here as President of the National Association of Mutual Savings Banks. In that capacity I have spent much time in going from State to State trying to learn the problems of each locality where savings banks exist. In New York State, as elsewhere in this country, our biggest problem is the problem of savings bank expansion. I have deemed it my duty to restate that problem and to ask you to keep it always in the foreground of your minds and deliberations. The National Association is doing and will do its best to help you solve this problem as well as all other problems that confront you. In that spirit, I bring you greetings from the National Association.

*An address by Mr. Catharine at the 59th Annual Meeting of the Savings Banks Association of the State of New York, White Sulphur Springs, W. Va., Nov. 6, 1952.

Bruere Advocates Conference on Inflation

Former Bowery Savings Bank executive says banks should organize a two-day discussion on inflation, its causes and remedies, participated in by all interested segments of the economy.

At the closing session of the annual meeting of the Savings Banks Association of the State of New York, held at White Sulphur Springs, W. Va., on Nov. 7, Henry Bruere, former Chairman and President of the Bowery Savings Bank and a former President of the Association, strongly advocated that "the banks organize a two-day discussion of the subject of inflation, its causes and remedies by the best equipped persons in America, statesmen, economists, businessmen, labor leaders and consumers."

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Henry Bruere

Speaking of the war and postwar inflation, Mr. Bruere stated:

"Great problems that affect savings and savings banks adversely have in these fateful 11 years altered more in size than in kind and this change has been to our disadvantage. The most important of these, measured by its effect on our efforts to promote security for the lower economic groups of our fellow citizens, is that inexorable and complicated force we call inflation. In the language of the hustings (if you can stand any more of it!) I yield to no one in my admiration of the progress made by the savings banks during the past several years. I even feel a touch of pride, perhaps unworthy, that a billion dollars of deposits no longer amazes us. But against this pride and satisfaction we must assess the stark fact that growth in terms of dollars has not much more than kept pace with the depreciation of the purchasing power of the dollar by which we measure our savings. We may be at the low point in this dollar dilution and in consequence much of the savings we now safeguard may be repaid in higher value dollars. Certainly, we hope so and all of us should strive, pray and indeed vote towards that end. But as of now in terms of a 54-cent dollar, our deposits (in New York State banks) have grown not to $12.7 billion in 1952 from $5.7 billion in 1941 but only to $6.8 billion. In other words, our gain is only 19% in purchasing power and in security, not the 125% which the face of the figures tells us it was.

"Against this unpleasant fact, we marshal the gain in accounts in these 11 years from 7.5 million to 9.8 million, or 32%. This, in the long run, may prove the more important index of what has been accomplished. It is impressive that disregarding the undoubted fact that many individuals have accounts in more than one bank it is not far from the fact to say that about two-thirds of the population of the State have accounts in the mutual savings banks of the State. At all events, the banks have done their part; the people have done their part. The failure lies in our political economy which thus far we have not mastered. I am not going to attempt to analyze all the elements of this problem of inflation. I am not competent to do so. I have, as we all have, thought a great deal about it. I have consulted economists. With one exception, they have not clarified the matter much for me. I do not wholly subscribe to the gag that if you laid all the economists of the country end to end, they would point in all directions. But they may be best qualified to analyze the problem even if they are not ready with the right answers. We have had a lot of extemporized discussion of the subject during the Presidential campaign, but who remembers what, if anything, was proposed to be done. The problem does, however, lie on the Government's doorstep. The long, slow process of restoring the value of the dollar in terms of purchasing power is a joint task of government and the business economy.

"To give impetus to thought and effort, I respectfully suggest that it would be wholly within the province and indeed the duty of the savings banks of New York State as the custodians of $13 billion of desired security, hopes, stored energies and financial power of the people of the State to raise the level of intelligent discussion of the question. To this end, I propose that instead of the usual mid-winter conference, the banks organize a two-day discussion of the subject of inflation, its causes and remedies, by the best equipped persons in America, statesmen, economists, businessmen, labor leaders and consumers. I visualize a conference on this vital subject of the quality of the valuable forums conducted each year by the *New York Herald Tribune.*"

With Bache & Co.

Bache & Co., members of the New York Stock Exchange, announce that Miss Isobel T. O'Brien has joined the firm as a registered representative. She will make her headquarters in the Chrysler Building office, New York City.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The Board of Directors of **City Bank Farmers Trust Company,** trust affiliate of **The National City Bank of New York,** appointed Albert L. Nickerson a director on Nov. 5. Mr. Nickerson is Vice-President and director in charge of foreign marketing, Socony-Vacuum Oil Company, Inc. He joined Socony-Vacuum in 1933 after his graduation from Harvard. In 1941 he was made New England division manager, and in 1944 he was named Assistant General Manager of the company's Eastern marketing division. Mr. Nickerson left this post in 1944 to go to England as Chairman of the Vacuum Oil Co., Ltd. He returned to the United States in 1946 to be made a director of Socony-Vacuum, and took charge of foreign marketing operations in December, 1951. During the War, Mr. Nickerson served as Placement Bureau Director of the War Manpower Commission. He is Vice-President of the American Management Association, a member of the Board of Directors of the National Trade Council, etc.


Albert L. Nickerson

* * *

The National City Bank of New York announced on Nov. 10 that construction of its new East Bronx Branch, at Southern Boulevard near 149th Street will begin soon. This branch will be the first motor bank in the Bronx. The new branch will feature automobile parking accommodations and a drive-in window. Alfred Mullen, Assistant Vice-President who has been in charge of National City's Bronx branches for 20 years and whose office is at the bank's Bronx Branch at 149th Street and Courtlandt Avenue, says the new quarters will bring specially designed banking conveniences to businessmen and residents in the industrial East Bronx section. Herman Bonhag, Assistant Manager at National City's Parkchester Branch, will be in charge of the new motor bank. The East Bronx Branch will be National City's 68th Domestic Branch.

* * *

New York members of City Bank Club, social organization of **The National City Bank of New York** and **City Bank Farmers Trust Company,** gathered in the Grand Ball Room of the Hotel Astor on Nov. 10 for the Club's 48th annual election banquet. One of the oldest bank clubs in the world, City Bank Club was organized in 1904, with 160 charter members. Today there are approximately 13,200 members, with 8,200 in the New York area and 5,000 members among the bank's 57 branches overseas. William Vogel, Club President, made the welcoming address.

* * *

Charles J. Stewart resigned as President and Chief Executive Officer of **The New York Trust Company** at 100 Broadway, New York at a meeting of the Board of Directors held Nov. 6 to accept an invitation to become a partner of **Lazard Freres & Co., New York,** on Jan. 1, but has been invited to continue as a director of the bank. Adrian M. Massie, Executive Vice-President, of the trust company was elected Chairman of the Board and made chief executive officer of the Company. Hulbert S. Aldrich, Vice-President, was elected a director and President of the Company. Mr. Massie, a graduate of Yale University, joined The New York Trust Co. in 1934 as a Vice-President, became a director of the Company in 1945 and was made Executive Vice-President in 1949. He was formerly associated with the Bank of America in New York and the City Bank-Farmers Trust Company. Mr. Aldrich, joined the New York Trust in 1930 following his graduation from Yale University. He was appointed Assistant Treasurer in 1939 and was elected a Vice-President in 1943. He has been in charge of the Company's business in New York, New Jersey, Connecticut and other New England states.

On Nov. 10 Mr. Massie, Chairman of the Board, of The New York Trust, announced the following promotions and appointments: Donald E. Coyle and R. L. Ireland, III, Assistant Vice-Presidents were elected Vice-Presidents; E. Marvin Camp, Myron B. Griswold, Richard K. LeBlond, II and George Macalister, Jr., were promoted from Assistant Treasurers to Assistant Vice-Presidents; Frank M. Aukamp, Malcolm S. Martin, Edwin D. Roll and George Schleich, were promoted from Assistant Secretaries to Assistant Vice-Presidents; John L. MacDougall was appointed an Assistant Treasurer, and Edmund B. Boynton and David C. Winne were appointed Assistant Secretaries; William R. Monroe was appointed Assistant Auditor.

* * *

Horace C. Flanigan, President of **Manufacturers Trust Company,** of New York announces that Thomas J. Flynn, Robert H. Hoffman, John F. Kane and George Schor have been appointed Assistant Secretaries of the Trust Company. Mr. Flynn joined the bank in 1929 and is located at the Columbus Circle Office. Mr. Hoffman became associated with the Trust Company in 1943 and is in charge of the Sunnyside Office. Mr. Kane's banking career goes back to 1922 when he joined the Chatham Phenix National Bank, which merged with Manufacturers Trust in 1932. In 1933 he became associated with the Brooklyn Trust Company, which in 1950 also merged with Manufacturers Trust. He is in charge of the 9th Street (Brooklyn) Office. Mr. Schor joined the bank in 1937 and is in charge of its Essex Street Office.

* * *

Cedric A. Major, President of the Lehigh Valley RR. Co. has been elected a Director of **The Marine Midland Trust Company of New York,** it is announced by James G. Blaine, President of the Bank. Mr. Major is also a Trustee of North River Savings Bank of New York and a Director of B. F. Drakenfeld & Company.

* * *

Guaranty Quarter Century Club, honorary organization of staff members of **Guaranty Trust Company of New York** who have served the bank for 25 or more years, held its annual reunion dinner on Nov. 7 at the Waldorf-Astoria, with 730 attending. The club has inducted 1,285 members and includes in its roster more than one-fifth of the bank's active staff, as well as 205 pensioners. Overseas chapters are maintained in London, Paris, and Brussels. Henry W. Olsen presided at the dinner and was succeeded as Club President by Walter H. Zulch. Miss Edith Halfpenny spoke for the 69 new members inducted during 1952. Senior officials of the bank who are members of the club include J. Luther Cleveland, Chairman of the Board; William L. Kleitz, President, and George G. Allen, W. Palen Conway, John W. Davis, Charles E. Dunlap, Cornelius F. Kelley, William C. Potter, George E. Roosevelt, and Eugene W. Stetson, all directors.

* * *

The newly enlarged capital of the **Franklin National Bank of Franklin Square, N. Y.** (increased from \$3,370,000 to \$3,413,000 by a stock dividend of \$43,000) became effective as of Nov. 1. Recent references to the plans to increase the bank's capital appeared in our issues of Oct. 30, page 1630 and Nov. 6, page 1741.

* * *

City National Bank & Trust Co., of Kansas City, Mo., announces the election of H. L. (Larry) Miller as Trust Officer. Mr. Miller was for 10 years Internal Revenue Agent, estate and gift tax division, of the Kansas City office, 6th District, Missouri. Mr. Miller will be in charge of probate and tax divisions of the bank's trust department. A native Kansan, he is a graduate of the University of Kansas and a member of the Kansas Bar.

* * *

Joseph A. Cisper, Assistant Cashier, was elected President of the Quarter Century Club of the **Commerce Trust Company of Kansas City, Mo.** He succeeds Leon Tate. Eleven members were initiated into the organization on Nov. 6, bringing the total membership to 119. Each of the members were given a silver tray by Board Chairman, James M. Kemper.

* * *

Effective Oct. 27 the capital of the **First National Bank in Great Bend, Kansas** was increased from \$100,000 to \$150,000 by the sale of \$50,000 of new stock.

* * *

At a special meeting on Nov. 6, the shareholders of the **Hibernia National Bank in New Orleans** voted to increase the capital funds of the bank from the present \$7,000,000 to \$8,000,000. Of the additional \$1,000,000 capital stock, \$500,000 will be added to capital and \$500,000 to surplus. 25,000 additional shares of \$20.00 par value will be offered at \$40.00 per share and all shareholders of record as of Nov. 6, will be given the privilege of subscribing to the new stock on the basis of one new share for each four shares held. Arrangements have been concluded with investment bankers for the sale of any unsubscribed shares. The bank's capital as well as deposits have grown since the Hibernia began business on May 22, 1933, President Wallace Davis pointed out. The bank started business with \$3,000,000 of capital, surplus and undivided profits, and deposits of \$14,000,000. Of the capital, \$1,200,000 was common stock and \$1,500,000 preferred stock. The latter was retired out of earnings in subsequent years. A breakdown of the present capital fund position of \$7,000,000 shows that \$2,000,000 is in capital stock, \$4,000,000 surplus, and \$1,000,000 undivided profits, all of which, Mr. Davis said, has been achieved without the sale of any new shares. Meanwhile, he added, deposits have increased 11 times over. Mr. Davis also announced that an increase in the dividend could be expected. Heretofore, a semi-annual dividend of 50c per share has been paid. It is now planned to declare a dividend of 37½c per share in December, payable Jan. 1, 1953, and quarterly thereafter, if earnings continue to justify the increase. The dividend on an annual basis will thus be increased from \$1.00 a share per year to \$1.50 per share per year, on both the old and the new stock. Underwriters of the new stock issue are headed by: Scharff & Jones, Inc.; and White, Hattier & Sanford. A previous item in the matter appeared in our issue of Oct. 30, page 1631.

* * *

An addition of \$100,000 has been made to the capital of the **First National Bank of Jefferson Parish at Gretna, La.** by the sale of new stock to that amount, the capital thereby having been raised from \$500,000 to \$600,000 effective Oct. 29.

* * *

The appointment is announced of Harold Vance as Manager of the oil and gas division of the **Second National Bank of Houston, Texas.**

* * *

The capital of the **First National Bank in Pampa, Texas** is now \$300,000 having been increased as of Oct. 27 from \$200,000 by a stock dividend of \$100,000.

* * *

Fred A. Ferroggiaro has been elected a director and Chairman of the Bank of **America-Giannini Foundation,** it was announced today following a meeting of the foundation's board of directors. Mr. Ferroggiaro is senior Vice-Chairman of the board of directors of **Bank of America of San Francisco.** In his position on the Foundation Board, he will fill the post left vacant through the death of Bank of America's former President L. M. Giannini. This Foundation, created and endowed by the late A. P. Giannini, founder of the bank, serves to advance employee education and medical research.

* * *

R. E. Powell, President of the Aluminum Company of Canada Ltd., has been appointed a member of the board of directors of the **Bank of Montreal,** head office Montreal. Mr. Powell is a senior Vice - President of Aluminium Limited and President of the Saguenay Power Co., Ltd., and of associated companies operating port and railway facilities of the Aluminium Limited group in Canada. He is a director of the Bell Telephone Company of Canada and of the Royal Trust Company. He is a Governor of McGill University and a member of the board of trustees of Laval University.

* * *

The Teikoku Bank, Limited, head office, Tokyo, Japan, makes known that at its extraordinary meeting of shareholders on Sept. 8, the post of Senior Managing Director was newly created and at the subsequent meeting of the directors, Kambu Ishikawa, previously Managing Director, was elected Senior Managing Director. Kiichiro Satoh is President of the bank, which on Sept. 15 opened a London branch, and the advices just received indicate that a Bangkok branch is to be opened the current month, November.

New York Stock Exch. Weekly Firm Changes

The new York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of Jacques Coe to Joseph E. Sullivan will be considered by the Exchange Nov. 20.

Scarritt & Bardach was dissolved Nov. 4.

With Hill Richards

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Joyce Clark is now with Hill Richards & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange.

Stolle Nominated for Chairman of NASD


Carl Stolle


H. P. Schlemmer


John D. McCutcheon


John F. Bunn, Jr.


Wallace H. Fulton

WASHINGTON, D. C.—Carl Stolle of New York has been nominated Chairman of the board of governors of the National Association of Securities Dealers, it was announced at the headquarters of the association. He is President of G. A. Saxton & Co., Inc. A native of New Orleans, Stolle got his start in the securities business in Davenport, Iowa. He also spent several years in Pittsburgh before helping to form his present company in New York in 1934. He has been a governor of the NASD for the past two years, prior to which he served on the New York District committee for three years, one as Chairman of the committee.

Other officers nominated for 1953 follow: Vice-Chairmen, H. P. Schlemmer, Schwabacher & Co., San Francisco; John D. McCutcheon, John D. McCutcheon and Co., Inc., St. Louis; Treasurer, John F. Bunn, Jr., Bioren & Co., Philadelphia; Executive Director, Wallace H. Fulton, Washington.

Mr. Stolle will succeed Clarence A. Bickel, partner, Robert W. Baird & Co., Milwaukee. His election will take place at a meeting of the board of governors of the association in January.

The NASD is the self-governing organization of the securities business, established under an Act of Congress to promote high standards of commercial honor and just and equitable principles of trade. Unique as a business association in this respect, it is the largest organization in the securities field.

Mich. Group of IBA Elects Officers

DETROIT, Mich.—The annual meeting of the Investment Bankers Association, Michigan Group, was held at the Detroit Club. It was attended by approximately 100 members, consisting of 38 local and 16 out-state Investment Banking Firms.

Alonzo C. Allen

Dinner was served at 7 o'clock. Immediately after the dinner, the following officers and members of the executive committee were elected:

Chairman — Alonzo C. Allen, Blyth & Co., Inc.

Vice-Chairman—Harry A. McDonald, Jr., McDonald, Moore & Co.

Secretary & Treasurer—Charles C. Bechtel, Watling, Lerchen & Co.

The following new members were elected to the Executive Committee: William L. Hurley, Baker, Simonds & Co., and Raymond J. Laude, Goodbody & Co.; along with the present members, who are: Milton Bosley, National Bank of Detroit; Clarence A. Horn, First of Michigan Corp.; John L. Kenower, Kenower, MacArthur & Co.; Cyrus H. King, Merrill Lynch, Pierce, Fenner & Beane, and Charles A. Parcells, Jr., Charles A. Parcells Co.

Immediately following the election of officers, the new movie produced by the Investment Bankers Association, "Opportunity U.S.A." was shown. Mr. Alonzo Allen stated that this movie dramatically portrays how the savings of the millions of American citizens are channeled into productive use by private industry, and by state and local governments. Since its release in July, it has met with tremendous reception by many industrial and private organizations. It has also been shown in colleges and local high schools. Member firms and groups were urged to utilize every opportunity to promote the film, to show it, and to have a representative present at screening wherever possible.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market took the election of a new Administration pretty much in stride although there were signs of enthusiasm in the way in which quotations responded to professional manipulation. There seems to be no question but what the confidence factor has been strengthened by the election results, but there is likewise no losing sight of the fact that basic fundamentals must still be the ruling ones as far as the money markets are concerned. Money is tight and the market continues to be very thin, which means it is still subject to rather easy movements in both directions. Nonetheless, there has been a modest enlargement of the buying interest in both the higher income eligibles and the restricted obligations.

State funds continue to furnish most of the demand for the highest yielding tap issues. Private pension funds have been in the market for not too large amounts of selected obligations. Tax switching and maturity lengthening are the main reasons for the activity in the eligible securities. The feeling seems to be growing that the bank issues are in an attractive buying area.

Economic Forces to Dictate Policy

Apparently the most important question in the financial district at the present time is what will be the effects of the change in Administration on the money markets and debt management policies. To be sure, there will be no out and out answer to this one until the new government has assumed office and some action has been taken in these various fields. However, it seems as though there are certain fundamental factors that are being looked at now which should cast some shadows of what might happen in the future. Informed followers of the money markets do not appear to be expecting any new and unusual developments immediately because they point out that economic conditions are quite likely to dictate monetary policies under the incoming government as they have in the past.

The level of business activity, it is believed, will be one of the most important forces effecting the money markets. If there should be a rounding off of business, lower money rates would be expected. On the other hand, continued pressure will most likely be kept on the money markets as long as the demand for loanable funds is strong. Another factor to be considered in the future trend of the money market will be the level of commodity prices. If there should be sharp changes in either direction in prices of commodities, action could most likely be expected in the money markets to ease or tighten money rates.

Foreign Situation an Important Factor

One of the very important things that must be watched, according to certain money market students, is the foreign situation. It is their opinion that further deterioration or an improvement in the international situation could have a marked influence upon the course of interest rates. This force is one in which the control to a very large extent is not entirely within the power of our own government. The level of employment cannot be overlooked as a force in the future course of interest rates. There seems to be very little doubt but what a sharp change in the number of employed would have a marked influence upon the trend of money rates.

Maturities Facing New Regime

Debt management is a very delicate undertaking and this will most likely be handled very carefully by the new Administration. There will be several large maturities that must be refinanced among the marketable obligations, and some decision will have to be made about the outstanding F and G savings bonds. The first of the Second World War securities will mature May 1, 1953. However, the earliest refunding will be the 1⅞% certificates that fall due on Feb. 15. Later refundings include the tax anticipation bills that mature the middle of March, the 1⅞% certificates maturing on June 15, as well as the second batch of tax anticipation bills which will come due on June 19. In addition there are several issues that are callable in 1953, which may or may not be retired, aside from the partially exempt 2s which will, beyond doubt, be eliminated on the first call date.

New money financing does not appear to be a problem, because the coming offering of tax anticipation bills should take care of cash needs until some time late next summer. While the new Administration will have to get down to refunding operations shortly after it comes into office, there may be enough changes in the whole situation by that time to give an entirely different complexion to the money markets.

Improved Psychology Apparent

The psychological factor as a force in the money markets cannot be overlooked either, and the victory of the Republican Party with Dwight D. Eisenhower at the helm had a very favorable effect as far as the confidence element is concerned. There is a definite feeling in the money markets that the refundings and debt management will be handled and carried out expertly and very successfully.

The Treasury has announced, it will sell today, $2,000,000,000 of tax anticipation bills, which will mature June 19, 1953. They will be acceptable at face value in payment of income and excess profits taxes due June 15, 1953. Commercial banks as usual can pay for them by crediting the government tax and loan account. Corporations will most likely be very much interested in them as they have been in the past.

Continued from page 3

Investment Bankers' Role In Finance Companies

alent to an annual return of 5.56% on the 1929 high price.

Commercial Investment Trust common stock sold at a 1929 high of 79 on Oct. 14 following a 2½-for-1 split up. Subsequently the company paid common stock dividends of 1½% each quarter from Jan. 1, 1930 to Jan. 1, 1931 inclusive, 25% on Oct. 1, 1934 and 20% on June 1, 1936. Each (October) 1929 share thereby became 1.6158 common shares as they now exist. 1.6158 present shares at the current market of 68½ would have a value of $110.68, compared with the 1929 high of 79. Common dividends were paid in each year 1930 to date, the payments aggregating $109.23 on each (October) 1929 share, or an average of $4.80 per annum. Such annual average would be equivalent to 6.07% on the 1929 high price of 79.

I do not consider one or two companies listed on the New York Curb Exchange in 1929 sufficiently comparable to be worth including and we can also disregard Household Finance on the New York Stock Exchange as it was represented only by a preferred subsequently retired.

Therefore on a comparable basis there were two companies listed on the two Exchanges in 1929, and today there are 11 on the New York Stock Exchange and six on the New York Curb Exchange.

Combined capitalization of the 17 companies now on the New York Stock and Curb Exchanges, as indicated by their latest reported balance sheets (mostly as of June 30, 1952) roughly adjusted for subsequent financing where applicable, is divided as follows:

	(In Millions)	%
Current loans	$1,748.5	47.9
Long-term senior debt	939.3	25.7
Subordinated debt	210.9	5.8
Minority interest	10.0	0.3
Preferred stock	131.4	3.6
Common stock	179.8	4.9
Surplus	431.4	11.8
	$3,651.3	100.0

Three of the 17 companies do not have any subordinated debt outstanding. Excluding these for comparative purposes, the combined statements of the remaining 14 indicated a book net worth of $571,414,000 junior to the $210,939,000 of outstanding subordinated debt. In other words net asset coverage for each $1,000 of subordinated debt was $370.9%. Based on Oct. 9, 1952 quotations for the preferred and common stocks of these 14 companies, the market appraised the equity junior to the subordinated debt at more than $780,000,000.

Aggregate gross volume of business acquired by 15 of the 17 companies in their last fiscal year, excluding insurance premiums of those companies having insurance subsidiaries, was $9,952,000,000. Gross volume figures are not available for Walter E. Heller and Co., or Monroe Loan Society.

Net incomes available for dividends of all 17 companies in their last fiscal year totaled $102,783,000.

Role of Investment Bankers

Now to get right down to my subject, "Function of Investment Bankers." Our function and when I say "our" I mean not Paine, Webber, Jackson & Curtis, but investment bankers generally, is to provide capital funds. We do not compete with commercial banks and only indirectly do we compete with insurance companies and other financial institutions insofar as they may deal directly rather than through investment bankers as intermediaries.

As you all know finance companies are constantly growing. This means nearly all of you are anxious to raise more capital. How are you going to do it?

First let me cover the situation of the smaller companies. The services of an investment banker are seldom of very much value in these cases. Generally equity capital can be secured only directly through management and friends. In some cases an offering under "Regulation A" of the Securities and Exchange Commission may be advisable. This we call a $300,000 offering and the expense is very small as there is no registration under the Securities Act and it requires only filing a notice of intention to sell, and a copy of any circular. Again, generally this offering would have to be confined to the locality where the management and company is favorably known. It would have little appeal to the general investor.

While this may seem at variance to the fact that you can see advertised very frequently $300,000 offerings on what might be termed a national scale you will note that these offerings are for the most part of a highly speculative nature; oil, mines, or new inventions, and they have the appeal that, IF successful, the purchaser might make many times his investment.

Securities of finance companies can be sold legitimately only on the basis of gradual growth, not on a "get rich quick approach." For these smaller companies, however, an investment banker can be helpful in arranging private placement of longer term debt either ranking equally with bank loans or on a subordinated basis. In a few cases preferred stock with very large sinking fund might also be placed privately.

What I say from here on is to apply therefore to larger companies. For lack of a better definition I am calling "larger" those companies with preferred, common and surplus totaling around $2,000,000 and over.

Let us consider capital securities from the bottom up. Common stocks on this basis then will have my first attention. If any of you should decide to sell common stock, you may be incorporated in some state or have by-laws which will prevent your offering except to common stockholders. Assuming, however, that you do not have to offer to common stockholders, or can secure a waiver in whole or in part, then I believe a direct offering through investment bankers is preferable.

When I attended Harvard Business School 40 years ago my professor in finance taught us that "a right was a wrong." I agree, and my experience proves that this is usually the case. You hear advocates of the "rights" system saying that if new stock is offered to the stockholders then there is no dilution. Obviously this is only so if the stockholders exercise their "right." Existing stockholders can or for all practical purposes guard against dilution by buying from underwriters their proportionate share of a new offering. I concede that "rights" are considered a plus factor in a bull market. Unfortunately it must be quite a "roaring bull market" not just a technical one. Under more normal conditions when the market is pretty static, or even more so, when it is declining, "rights" nearly always have a depressing effect. One of my partners wrote an exhaustive treatise on this subject but it comes down to a matter of opinion at the time the offering is under consideration.

A difference in expense between the two methods is slightly in favor of the "rights" method but against this net proceeds to the company, even taking into account the value of the "right" to the stockholder, is usually greater in the case of the no "rights" method.

How much will an investment banker charge for marketing a common stock? I can only answer—anything up to 15% depending on circumstances. I believe 15% is the top as blue-sky commissioners in many states will not qualify any new issue with a greater spread. If you can talk such a thing as an average figure perhaps around 10% would be a fair guess.

The advantage of common stock financing is obvious; it commits you to no fixed charges and increases the base of your pyramid so that you can issue many more senior securities and probably increase your bank lines. The disadvantages are equally obvious—principally dilution. In passing let me say that I agree entirely with the position taken by the New York Stock Exchange and the SEC. Non-voting commons in my opinion have virtually no place in the capitalization of any company. I use "virtually" advisedly as there are always exceptions for extraordinary reasons.

At this time it is well to consider dividend policy. I think it is very important for nearly any finance company whose stock is held publicly, and who contemplates further public financing, to pay the largest dividend on a regular basis which management feels justified. I advise strongly against extras as it is a disbursement of money which is seldom adequately reflected in a higher price for the stock. As we know, prices of stocks are governed by many considerations, of which perhaps the more important are strength and integrity of the mangement, prospects, earnings and dividends. Unquestionably dividend in the case of finance companies has an important effect on price. Generally speaking I believe no less than 50% and no more than 75% of available earnings should be paid in common dividends, and the dividends should not be increased unless management felt quite confident they could be maintained at the new rate barring unforeseen adverse contingencies.

Next in the order of capitalization come preferred stocks. Until the common acceptance of subordinated debentures, and until our tax laws became almost confiscatory, preferred stocks were an excellent financing medium. Under existing circumstances they are not popular either with issuers or with investors unless they have a very large fixed sinking fund or a convertible feature. They are extremely difficult to sell under current conditions. However, even today they have a proper place in some capitalizations. While theoretically the underwriting discount for preferred stocks might run as high as 15%, I would say if I used 10% for an average figure on commons, I would use 6% as an average figure on preferreds.

Subordinated Debentures

Now we come to subordinated debentures. I am undoubtedly prejudiced in their favor and believe that for many finance companies that face new capital needs they are the answer. A common provision is the so-called "touch off" clause which is usually placed at 150%. This means that net worth as defined must be maintained at 150% of the outstanding subordinated debentures. While this clause could get a finance company into trouble, experience has proven that their assets are sufficiently liquid, so that if the need arises essential liquidation can be effected. If necessary a portion of the subordinated debentures can be retired and financial soundness of the company maintained. This "touch off" clause in itself is the reason I recommend them so strongly to investors. I have stated many times and believe it to be true that no holder of a subordinated debenture of a finance company will ever suffer loss except through gross mismanagement or out-right dishonesty. All of us know that there is no safeguard which will protect us completely from disaster arising from such causes. Now that taxes are so extremely large, and our tax law differentiates between dividends paid on a preferred stock, and interest paid on a subordinated debenture, the tax advantage is so great that it is only rarely can I understand any finance company using a preferred stock. There is one special form of subordinated debenture which looks particularly attractive for public sale. This is a debenture subordinated to other debentures which in turn are subordinated to bank loans and other debt ranking equally with bank loans. As a practical matter a conversion feature for this form of debenture is almost essential.

At this time I well digress on the advantages of private and public placement. Common stocks are rarely placed privately, preferred stocks more frequently, but still rarely. Subordinated debentures are usually placed privately, sometimes with, and sometimes without the services of an investment banker. If your President and chief financial officer have the time and patience they could unquestionably place your securities privately about as well as by securing the services of an investment banker. Investment bankers' charges for this kind of service may run from a very small fee on large issues of well known companies up to as much as possibly 5% under unusual circumstances. A study made by the SEC has recently been published, entitled "Privately-Placed Securities — Cost of Flotation." Incidentally it can be procured from Washington as a cost of 30 cents per copy. Among other things they show the fees paid to investment bankers in the years 1947—1949 and 1950. Obviously there is a wide range, but the median figure is $8,500 per million dollars.

Private placement normally would cost considerably less than a public offering. Against this advantage, the coupon rate is apt to be higher and a large fixed sinking fund is usually mandatory. Insurance companies now have the habit of wanting "to see." and may quite frequently treat a finance company to the same criteria as an industrial company. A finance company has no depreciating assets and the sinking fund, except for market purposes, is unnecessary, but try to get an insurance company to agree. We have been unable to.

A public sale will have the cost of registration, which will be more, but not a great deal more, than legal fees connected with a private placement. Spread will be considerably greater. Having used 10% for the average spread on common, and 6% on preferred, I suggest a figure of 4% on subordinated debentures. In the case of a public offering sinking fund could be nominal, perhaps only a small percentage of earnings say 5%. This to me is one of the great advantages of public sale against private placement. In addition if conditions became very bad, and the finance company lost a lot of money, if it were a public issue they could almost surely buy in subordinated debentures at a big discount and correct their position much more advantageously. While a conversion feature is not essential for public financing it is highly desirable and represents a very good way of selling common stock above the market at a low cost. Even if the company can get away without this conversion feature I think it is to the company's advantage to put it in.

Now as to the final method of capital financing. This consists of long term debt ranking equally with bank lines. In the case of the company who borrows on a secured basis long term debt would have to share in the same pool.

In the case of the company who does not borrow on a secured basis then long term debt could be a straight debenture. Very much the same situation obtains between private and public placement. However, as pointed out in my discussion above, a conversion feature would seldom be necessary. The cost of a public offering would, let us say, be an average of 2%.

In ending I have two last ideas to leave with you: I will try to answer the question—"How do you choose an investment banker?" There is of course no categorical answer any more than there is to how to choose your accountant, your attorney or your engineering management firm. Assuming complete financial responsibility and excellent reputation then it is largely a matter of personal contact. Unfortunately even today finance companies are not understood by a good many investment bankers any too thoroughly, so I advise you to stick to those that do know your problem. Your attorneys and your commercial bankers are both good sources of advice on this subject.

When I wrote this last paragraph I was wondering if it will be true on this day when I am now talking. The market for new issue securities is a very delicate affair. It takes years of experience to interpret it correctly. For example as I write this it is my opinion that a well-known finance company with an active market for its common stock could sell a new issue at the quoted market and that an announcement of such a new issue would only influence the market adversely to a slight extent. On the other hand I feel that at the present time it would be extremely difficult to sell a preferred stock and it could not be sold at anywhere close to the quoted market for comparative issues. I believe a preferred stock at the present time would have to have a provision for a large fixed sinking fund, a conversion feature or both. The situation as it affects both subordinated and senior debt would not be nearly as unfavorable as the preferred stock market but neither type of issue could be placed at a price comparable to prices for existing issues in small amounts.

I will close therefore by saying that giving expert advice on markets is one of the most important functions of the investment banker.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Frank M. Brown has become affiliated with Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street.

R. A. Wildenberg Opens

(Special to THE FINANCIAL CHRONICLE)

HERMOSA BEACH, Calif. — Robert A. Wildenberg is engaging in a securities business from offices at 349 34th Street.

Joins Edgerton Wykoff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert L. Gillilan has become associated with Edgerton, Wykoff & Co., 618 South Spring Street. He was formerly with Quincy Cass Associates.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Operating earnings of many New York City banks are expected to reach record levels for the current year.

Conditions have been especially favorable for banking operations so far this year. The rise in interest rates put into effect in the final months of 1951 has been reflected in a rising yield on loans. Inasmuch as there is a considerable time lag after rates are raised initially, the full benefit of the adjustments made last December are only now being received.

Then the average volume of loans has been higher this year. In fact business loans have been reaching new record highs during the last few weeks. During the spring and early summer the seasonal decline was less than normal, partly as a result of the acceleration of defense activities. This has meant that a larger portion of earning assets has been placed in loans which yield considerably more than short-term government securities.

The combination of these two factors—higher interest rates and increased loan volume—has had a leverage influence upon earnings. Although operating expenses have shown an increase, they have been easily absorbed in the higher gross.

The final result has been that operating earnings this year have been running steadily ahead of the comparable 1951 periods. Thus, the gains made in the nine months to Sept. 30, plus the fact that the current rate is in most cases above last year, gives promise that the record results expected for this year will be achieved.

As an indication of what might be expected in the way of operating results, we have prepared a table showing operating earnings for the nine months to Sept. 30, the operating earnings reported for 1951 and an estimate of operating earnings for 1952. It is shown below.

	Operating Earnings 9 Mos. to Sept. 30 1952	1951	Change	Operating Earnings Reported 1951	Estim. 1952
Bank of Manhattan	$1.64	$1.57	+ 4.5%	$2.37	$2.45
Bank of New York	19.81	18.42	+ 7.5	22.05	26.00
Bankers Trust	2.90	2.17	+33.6	3.49	4.00
Chase National	2.48	2.00	+24.0	2.88	3.50
Chemical Bank	2.98	2.53	+17.8	3.29	4.00
Corn Exchange	3.68	3.67	+ 0.3	4.68	4.90
First National	*17.60	*18.61	— 5.4	21.69	22.50
Guaranty Trust	15.30	13.45	+13.8	17.36	21.00
Hanover Bank	*4.25	*4.20	+ 1.2	6.53	8.00
Irving Trust	1.20	1.14	+ 5.3	1.55	1.65
Manufacturers Trust	3.88	3.65	+ 6.3	4.96	5.15
Morgan, J. P.	15.14	11.43	+32.5	15.92	21.00
†National City	2.88	2.47	+16.6	3.51	4.00
New York Trust	6.49	6.18	+ 5.0	8.09	8.40
Public National	2.67	2.91	— 8.2	4.02	3.85
U. S. Trust	*13.94	*12.86	+ 8.4	17.80	18.90

*Indicated earnings. †Includes City Bank Farmers Trust.

As can be seen in the above figures, Bankers Trust, Chase National, Chemical Bank, Guaranty Trust, J. P. Morgan, and National City have made the best earnings showing in the nine months' period. While all of the banks did not follow the upward trend in earnings, possibly because of individual operating conditions, most institutions showed a favorable improvement over results achieved in the first three quarters of 1951.

Last year several banks had to provide for the retroactive tax increase in the third and fourth quarters. This year they will not be confronted with the same problem although provision for bad debt reserves and other year-end adjustments may modify final results.

Nevertheless, on the basis of present indications and the results achieved so far in the current year, we would expect operating earnings of the different New York City banks to approximate the estimates shown in the above tabulation.

When viewed against the background of declining earnings for industry generally and considering results achieved in earlier periods, the showing is especially favorable.

With Barrios Investments

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Richard S. Wessler is now connected with Barrios Investments, Times Building.

Open Florida Branch

FT. LAUDERDALE, Fla. — Arthurs, Lestrange & Co., Pittsburgh investment firm, has opened a branch office here at 307 Southwest Fifth Street.

A British Proposal to Tax Borrowing

By PAUL EINZIG

Dr. Einzig, commenting on the failure of the British Government's "dear money" policy to curb credit expansion and the resulting inflationary effects, explains proposal of the economist, J. R. Hicks, to use, as an alternative to a high bank rate, a discriminatory tax on bank borrowing. Says this, unlike high bank rate, will not increase cost of government financing.

LONDON, Eng.—In the current issue of the "Bulletin" of the Oxford Institute of Statistics, Professor J. R. Hicks, who is generally recognized as one of the leading economists of our generation, put forward an ingenious suggestion as an alternative to high bank rate. There is in Britain a distinct reaction against a further pursuance of the dear money policy adopted a year ago. It was believed at the time that all the government would have to do in order to correct the prevailing inflationary disequilibrium would be to raise the bank rate. It was assumed that if only it is raised high enough it is bound to produce the desired effect. The bank rate was raised from 2% to 4% and yet for various reasons the result fell considerably short of expectations.

Dr. Paul Einzig

In prewar days a similar situation would have aroused insistent demand on the part of orthodox experts for a bigger and better bank rate increase. The stock argument of bank rate worshippers would have been that if the bank rate did not produce the necessary effect it was because it was not high enough — a deficiency which could and should be rectified by a further rise. There is practically no trace of such agitation in Britain today. Even Mr. O. R. Hobson who had agitated for a 4% bank rate early this year is not clamoring for a 5% or 6% bank rate. Nor does the Government appear to contemplate any such change. Indeed the trend seems to be if anything in the other direction. Towards the end of October Treasury Bill rates actually declined slightly which shows at any rate that the discount market is not thinking in terms of higher bank rate.

One of the reasons why the Government is reluctant to carry its dear money policy a step further and why even the most orthodox experts are reluctant to urge upon the Chancellor of the Exchequer another bank rate increase is the realization that in existing circumstances high bank rate is apt to be very costly to the Treasury. The public debt today is about three times higher than it had been between the two wars. What is even more important, a larger proportion of the public debt now consists of Treasury bills and of bonds of short maturities. This means that a high bank rate is liable to affect immediately the interest burden on a very substantial amount of the debt. The high cost of the public debt in existing circumstances is by no means a negligible contributory factor to the budgetary deficit which is liable to produce inflation and to cancel out the effects of deflation.

It is no wonder therefore that British experts have been looking around to find a solution under which it would be possible to restrict credit to private borrowers by means of high interest rates without raising the cost of public borrowing. Professor Hicks seems to have struck upon such a solution. He suggests that one way out of the difficulty might be the adoption of a tax on bank advances. The result of this would be that private borrowing would become more expensive while the cost of the short-term public debt would remain unaffected. Indeed if according to Professor Hicks' suggestion the proceeds of the new tax were to be used for the reduction of the public debt the cost of Treasury financing might even be affected slightly in a downward direction, simultaneously with the increase in the cost of private borrowing.

The idea is not so revolutionary as it appears at first sight. Something somewhat similar had in fact been in operation in several Continental countries for many years before the First World War. Both the Reichsbank and the Austro-Hungarian Bank had been under statutory obligation to pay to their respective government interest on that part of their note issue which exceeded a certain limit. Once the note issue reached that limit the Central Bank had to raise its interest charges and all the banks had to do the same. High interest rates tended of course to discourage the demand for credit, and the expanding trend of the note issue became reversed. The government did not remain however immune to the effect of the tighter money conditions thus created, and if it happened to be under the necessity for borrowing it had to pay higher rates in accordance with the market conditions it had created.

Under Professor Hicks' scheme the result would be different. In pre-1914 Germany and Austro-Hungary the tax was levied on the note issue—which constituted the major part of the monetary supply—and it affected therefore all borrowers indiscriminately. In present-day Britain notes play a subordinate part in the monetary system. By far the larger proportion of the liquid monetary resources consist of bank credits. If bank credits for private purposes are discouraged by means of a discriminatory tax on advances it does not affect the cost of Treasury borrowing. In fact to the extent to which private demand for credit accommodation declines as a result of the new tax the banks would wish to invest in government securities a larger proportion of third resources. Consequently this factor alone would tend to cause a decline of Treasury Bill rates.

The suggestion has distinct possibilities far beyond the scope for which it was originally intended. Once the principle of taxing advances to private borrowers is admitted the next step would be to consider the possibility of adopting an elaborate system of discriminatory taxation for the purpose of discouraging certain particular types of credits by means of a higher tax. The system would operate in the same way as the instalment credit control in the United States, aiming at regulating the demand for certain goods by fixing the terms for instalment credit accordingly. A discriminatory taxation of bank advances above a certain figure would provide an even more effective weapon to those in charge of monetary policy. The idea is certainly worth considering. Professor Hicks deserves the gratitude of the monetary authorities and monetary experts for having put forward a proposal which should stimulate original thinking.

Nominated for Govs. Of Exchange Firms

The following have been nominated to serve as Governors of the Association of Stock Exchange Firms until the Annual Meeting of members in 1955:

Charles Edgar Ames, Kean, Taylor & Co., New York; John E. Blunt, 3rd, Blunt, Ellis & Simmons, Chicago; Douglas G. Bonner, Bonner & Gregory, New York; Charles P. Cooley, Jr., Cooley & Company, Hartford; Horace W. Frost, Tucker, Anthony & Co., Boston; Willis D. Gradison, W. D. Gradison & Co., Cincinnati; James J. Lee, W. E. Hutton & Co., New York; Robert A. Magowan, Merrill Lynch, Pierce, Fenner & Beane, New York; Harry C. Piper, Jr., Piper, Jaffray & Hopwood, Minneapolis; Edward P. Prescott, Prescott & Co., Cleveland; William F. Van Deventer, Laidlaw & Co., New York.

The Board of Governors of the Association consists of 35 men—the terms of 11 expiring each year.

The proposed Nominating Committee for 1953 is as follows:

George E. Barnes, Wayne Hummer & Co., Chicago; Albert H. Gordon, Kidder, Peabody & Co., New York; William B. Haffner, Wilcox & Co., New York; Ranald H. Macdonald, Dominick & Dominick, New York; Edgar Scott, Montgomery, Scott & Co., Philadelphia.

The Nominating Committee for 1952 which presented the above slate consisted of: Henry Upham Harris, Chairman, Harris, Upham & Co., New York; Albert D. Farwell, Farwell, Chapman & Co., Chicago; Charles B. Harding, Smith, Barney & Co., New York; W. Wilson Holden, Corlies & Booker, New York; C. B. McDonald, McDonald & Co., Cleveland.

Election of Governors will be held at 3:45 p.m., Nov. 19, 1952 in the Board of Governors Room, New York Stock Exchange.

Perry Kahn Opens

ELIZABETH, N. J. — Perry Kahn is engaging in a securities business from offices at 430 Clinton Street.

H. P. Lee Opens

MIDLOTHIAN, Tex.—Homer P. Lee is engaging in the securities business from offices in the Coward Building.

Miller & Co. Formed

YONKERS, N. Y.—Miller & Co. has been formed with offices at 24 Sunlight Hill to engage in the securities business.

E. T. Storey Opens

CHEYENNE, Wyo.—Edward T. Storey has opened offices at 2623 Central Avenue to engage in the securities business.

Vlachos & Co. Formed

Robert N. Vlachos is engaging in the securities business from offices at 110 Fulton Street, New York City, under the firm name of Vlachos & Co.

Now Mid-Coast Inv. Co.

MYRTLE BEACH, S. C. — The firm name of Mid-Coast Realty and Investment Co., Colonial Building, has been changed to Mid-Coast Investment Co.

Allan Lehman

Allan S. Lehman, partner in Lehman Brothers, New York City, passed away Nov. 8 at the age of 67.

Continued from page 17

N. Y. Savings Banks Turn to Stocks In Search for Higher Earnings

to take themselves out of or to stay out of the group subject to income taxes. I am glad to say there were some banks that raised their dividend rates for no other reason than that they could easily afford it.

The play of competition between institutions caused some managements to rouse themselves to greater earnings efforts, and to that extent the effect was salutary. That particular stimulus had long been needed. But it seems to me that we ought to create an atmosphere in which conservatism in dividend policy is again both possible and respected in savings banking and by the public. I fear that in many quarters it goes at a heavy discount now. We could do with closer attention to and harder work on earning power in some directions. But we can also create conditions in which dividend increases more nearly coincide with the attainment of strong surplus position and earning power instead of preceding it.

I think it is most desirable that a wider variation in rates be encouraged and made supportable. We can help to make conditions right for that variableness of rate by working toward a situation in which, first, the stress in deposit building efforts is on the cultivation of thrift rather than on rate and, second, greater recognition is given to the once widely accepted fact that there are other measures of success than size alone. In the earlier semantics, when a banker felt flattered if you called him conservative, a lower dividend rate was considered a point of strength rather than the opposite. It can still speak well for a bank so long as it does not result from lack of enterprise.

In most savings bank states rates paid vary from institution to institution without shame attaching to, and the severest competitive conditions enveloping, those on the lower rate levels. Dividend rates in other states, indeed, would appear to be important but not the sole determinant of the shift and flow of deposits. The lower rate institutions are not driven constantly to the necessity of liquidating assets, sometimes at prices lower than cost, to cover substantial withdrawals of deposits to higher rate institutions exploiting their favorable rate differentials to the full.

The more the public is educated to choose a bank for the highest rate alone the nearer we are to the day when savings banking is trading less on its own strength than on deposit insurance. How far we are from that period of around 20 years ago when savings banks severely limited the amount of deposits they would accept from any one person. You practically had to know the president or the oldest trustee before the bank would take your deposit. Extremes are for, well, extremists. Sometimes one realizes that the golden mean is not so much a poetic expression as the plain, downright truth.

I would not have you believe that I am arguing for hamstringing the competitive drive in such a fashion as to leave those banks secure in their complacency which are doing a half-hearted job in building up their earning power. Earnings are still the categorical imperative of savings banking. The premise underlying my whole discussion is that all banks should apply themselves with industry and determination toward improving their earnings according to the highest standards of soundness. I do feel, however, that we should not make the lot hard and difficult of those banks that are following a conservative dividend policy while they are adding to their surpluses by retaining a larger proportion of earnings.

If we are to prepare the way for dividend rates that vary more often from institution to institution according to ability to pay, we should put savings banks in a better position generally to raise cash for withdrawals and to meet commitments. Now and again savings banks cut their liquidity so fine that mortgage commitments coming due can be met only by selling out long-term securities, naturally, at times, at a loss. This loss they are reluctant to take, and it has been known that banks have decided to avoid the loss by attracting new money through raising the dividend rate. That is clearly not the basis on which the decision to raise the dividend rate should rest. It bypasses the question whether earnings and surplus justify a rate increase.

Similarly, maintaining a lower dividend rate has forced some banks to be ready to sell, and now and again actually to sell, securities at a loss to meet transfers of deposit to other institutions. In these instances the conservative dividend policy more than once has been a casualty, sacrificed in favor of a higher rate that would keep the need for cash from arising. Here again the scales have been tipped in favor of a dividend rate increase by a factor that did not belong there.

Policy of Improving Liquidity

The first part of my proposal for ruling out cash raisable only at a loss from the reasons for dividend rate increases is the adoption by savings banks of a definite policy of improving their liquidity. Only yesterday, you will recall, long governments, held up by the Federal Reserve's peg, were regarded as having all the liquidity of short governments, plus a higher coupon rate as well. A year and a half ago so many people woke up to find that this was not so. Our savings banks had to take some most unwelcome losses last year as they sold out long governments to raise cash to fulfill their mortgage commitments. Several years of the higher coupon earnings suddenly evaporated. The question was brought up then as to whether savings banks should not be allowed to borrow to raise cash. It was decided that sale of the governments fitted in better with the Voluntary Credit Restraint Program than resort to loans, which would have raised the level of bank deposits.

Allan Sproul, President of the Federal Reserve Bank of New York, has said that those who try to draw long term rates of interest on what are being treated as short term investments are trying to eat their cake and have it, too. Of course, he is quite right about it. The facts of business life today require mortgage lenders to commit themselves to take up mortgages some time ahead. Holding a certain amount of short governments in the portfolio is a sure way to provide for taking up the commitments when they come due. Your losses suffered when you had to turn long governments into cash showed that you only thought you were getting better earnings from a solid portfolio of long maturities. It turned out to be an illusion. When long governments became last year no longer able to fill your needs for liquidity you either had to give up liquidity or look somewhere else for it. The latter is the right answer. Even your strong desire for the best possible earnings should give way before the need to keep some ready cash handy. That is what you tell the public in spreading the gospel of thrift. It's good gospel for you, too.

On Sept. 30 our savings banks had $5,269 million of governments of all kinds, of which only $97 million were to mature in one year and $108 million, or 2.04%, were to mature in one to five years. Their mortgage loan commitments on the same date were $820 million. Cash and short governments combined fell $150 million short of equaling the commitments. While some cash will come in over the next year from earnings, amortizations and repayments, cash and equivalent in hand and in sight do not seem large enough in relation to commitments outstanding.

I believe that the lessons of recent experience will be lost unless our savings banks now realize that the wise and prudent course calls for them to introduce a larger quantity of short governments, maturing in a year, into their portfolios. Obviously the best course is to relate liquidity to known and possible needs. As a start it seems to me that, without reducing the present amount of cash on deposit, amounting on the average to 4% of liabilities, a minimum of 3 to 5% of assets, the exact figure depending on the institution's special situation, should be maintained in governments falling due in a year. That would call for a four to six-fold enlargement in present holdings. The only real alternative is to prepare for future requirements by building up actual cash itself.

The 3 to 5% of assets figure is, if anything, on the modest side. Should experience prove it to be too low, as experience has certainly shown that no provision at all for real liquidity is unwise, we could then change the percentage to a more realistic level. The day of counting on long term governments or an inflow of new deposits to provide liquidity should be ended.

Let me repeat, that, with adequate provision for liquidity, a savings banks can decide all the more calmly what its proper dividend rate should be and can be freed from having to base its dividend on a need for cash or to escape a need for cash.

Question of Limited Borrowing

There is another way in which the ability of the savings banks to meet sudden changes in their cash requirements can be improved. If it has any value, we should not shrink from it because it breaks with the long savings bank past in this State. I refer to a limited borrowing power for your institutions. As you will know, the statute now allows savings banks to borrow only for the purpose of repaying depositors. The Legislature has kept this lid on borrowed money for savings banks in their day-to-day operations for the very good reason, I should say, that it wished to prevent them from becoming over-extended in their commitments. As the very inner shrine of conservatism, savings banks were expected to practice what they preached to the public—that is, to accumulate the money first, then buy, instead of the other way around.

Experience has shown, however, that getting at commercial bank credit can take other forms than loans. Several savings banks sought last year to escape from the trap of weak government bond prices and large mortgage commitments coming due by arranging with commercial banks to take up the mortgages. When the savings banks accumulated enough cash to do so, they proposed to take the mortgages off the commercial banks' hands. But there was no agreement as such on the part of these savings banks to claim the mortgages. Such arrangements would have the effect, if not the form, of borrowed money. They did not violate existing law. The most that could be said against them is that they permitted the accomplishment by indirection of something that was unauthorized if done directly. The direct approach always seems to me to be preferable.

Also, there were a few circumstances in which dividend increases looked as though they would not otherwise have been voted if other means were at hand for raising cash on an advantageous basis to meet mortgage commitments. To me that looks rather like borrowing from the public. In this case, too, it would be better to borrow outright than to continue to pay the higher rate after the situation it was designed to meet was over. Here again the direct approach would be better.

In reviewing the prohibition against our savings bank borrowings to take up commitments, I have sought to see whether it conformed to or departed from the powers of other institutions receiving and investing the public's funds. If you look at other types of banking organizations you find straight off that commercial banks have very substantial borrowing powers and frequently do borrow. You find also that savings and loan associations have had the right to borrow all along and frequently, sometimes steadily, make use of the power.

What about savings banks' borrowing powers in other states? In Connecticut these institutions can borrow from various sources to meet withdrawals or to make new loans secured by mortgage or real estate. New Jersey savings banks have unlimited power to borrow money. So do New Hampshire savings banks. Minnesota statutes permit borrowing by a savings bank "for current necessary disbursements or the demands of its depositors." In certain other states the power to borrow exists, though it is somewhat vaguely defined.

You may be aware that life insurance companies in New York State may borrow under certain restrictions. They are permitted to borrow on a secured basis up to 5% of assets, with a higher percentage possible on the approval of the Superintendent of Insurance. Incidentally, these life companies cannot borrow on a secured basis for the purpose of investing in other securities. I may say that I understand there is no provision in the insurance law which prohibits unsecured borrowing or limits it in any way. Occasionally these companies borrow, I believe, on an unsecured basis to meet lending commitments and in anticipation of premium receipts.

I do not conceive of borrowing power for savings banks to be in any sense a substitute for liquidity. It can be a power to fall back on in unusual circumstances to meet engagements when the supply of cash and short governments prove inadequate. It might have a place when, as the commercial banks sometimes find, there are advantages in borrowing over the sale of even short governments. In any case, if the power existed, the same earnest effort should be made by savings banks to get out of debt at the earliest opportunity that is now made by commercial banks which borrow temporarily. The common concern of all should be to avoid the habitual, day-to-day use of borrowed money. In some states where the power to borrow exists the savings banks scarcely ever touch it. Nevertheless, in a pinch the power is there.

Given such an attitude toward the power, our savings banks might be permitted, I think, to borrow up to a quite modest percentage of their assets for purposes other than to repay depositors.

A limited borrowing power could be a step in the direction of varying dividend rates through the additional assurance it gave that cash could be promptly raised, without suspension of an appropriate commitment program, if the trend of deposits should be temporarily adverse. A more resolute determination to pass up a small amount of earnings for the greater good of maintaining a degree of genuine liquidity will also help to keep cash handy for those banks whose judgment dictates that a lower dividend rate be paid until surplus and reserve strength is increased. Finally, more emphasis on savings as such and less on rate will help to keep deposits from chasing back and forth from one bank to another depending on which institution has come up with the latest new wrinkle for promotional purposes.

The limited borrowing power for business purposes of which I speak is not the same thing at all as an arrangement whereby large sums could be borrowed in any real emergency. This is the kind of emergency borrowing source about which I spoke to you a year ago. The Department has devoted considerable attention to this matter over the last several months, and I am hopeful that considerable progress has been made toward finding a solution of the problem.

I envisage a limited borrowing privilege as being a valuable reserve power for the banks already strong in earning power and surplus. It might be of even greater usefulness, however, to the banks that are working away to enhance their strength and meanwhile wish to follow a more conservative dividend policy. With this limited borrowing power and with a quantity of assets readily convertible without loss, all banks can be masters of their rate destiny to a degree which they have not appeared to believe possible this year.

I cannot close without bearing witness to the steady enhancement in your standing with the public. More and more of our people are bringing more and more of their savings to you, and to them you are paying about $300 million of dividends a year, or three times the amount you distributed only a decade ago. Your public acceptance carries with it truly sobering responsibilities. The plans and future security of millions of our people are entwined in the statistics of your condition statement. Direction of the affairs of a savings bank is in a special sense a public trust. Savings banking cannot be looked on as a personal, private business. The challenge to savings banking is that its officers and trustees prove themselves able to grow in expertness and wisdom and sense of stewardship along with its increasing importance in our economic life. The challenge is becoming yearly more weighty and more testing. It is the earnest hope of so many that you continue to measure up to the challenge, successfully.

Samuel Franklin Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Joseph Turefsky has been added to the staff of Samuel B. Franklin & Company, 215 West Seventh St.

With King Merritt

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Omar H. Cowles has become affiliated with King Merritt & Co., Inc., 1151 South Broadway.

Joins Hannaford Talbot

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Edward E. Chrobot is now with Hannaford & Talbot, 519 California Street.

Mutual Fund Assoc. Add

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Stewart E. Smith is with Mutual Fund Associates, 127 Montgomery Street.

Railroad Securities

Basis Exists for Continued Bullishness on Rails

The post-election action of the rails has been most impressive. There was a strong opening on Wednesday of last week which was by no means confined to railroad securities although they did have a prominent role. This rally, however, very shortly gave way to indifference and by the close of the session rail stocks at least were showing signs of weakness. There was no evidence of heavy selling but, on the other hand, there was a quite noticeable scarcity of bids. Some of the best quality railroad equities gave ground easily late Wednesday afternoon. No particular trend was in evidence early Thursday but toward the end of the trading period a far better tone developed. A number of the better grade rail stocks moved into new high territory and even some of the more speculative issues were in demand. This enthusiasm for rail shares persisted through the rest of the trading week.

It is doubtful if the results of the election will have any direct or substantial influence on rail earnings or on the status of railroad securities for some time to come at least. As a matter of fact, it is quite possible that relative to some other security groups political developments may react against the rails. For one thing, it may now presumably be taken for granted that the excess profits tax will be allowed to die an unlamented death next year. Even without a change in Administration this had been expected but it now seems more certain.

The railroads will obviously not be harmed by elimination of the excess profits tax. On the other hand, few of them will derive any benefit. One could count on the fingers of one hand the number of railroads that have been subject to excess profits taxes. It is reasoned in some quarters, then, that assurance of the elimination of the excess profits tax may induce some switching from rails into stocks of companies that had heavy excess profits tax liabilities and will therefore benefit most from its elimination. This reasoning, while it may appear sound on the surface, gives no weight to the fact that funds available for investment are constantly increasing and that, therefore, a desire to buy stocks that will benefit positively from elimination of the excess profits tax need not necessarily be gratified by sale of stocks, such as the rails, which do not benefit directly.

Psychologically, and on a long-term basis, railroads are just as much affected by the change in the political atmosphere as any other industry. The business picture has not changed. It may be taken for granted that our foreign aid programs will be continued and that there will be no significant letup in our own defense effort so long as the present international tension remains. Thus, a political change is not apt to bring with it any change in the prospective level of business and the level of railroad traffic. These should remain high over the visible future.

What is looked for is a change in fiscal policies and in the attitude toward business as opposed to the pressure groups that have so long been in control. More economic government is hoped for, which would mean getting the same amount of defense for the same money. This, in turn, would point either to a reduction in taxes or an easing of the mounting burden of national debt. Any, or all, of these factors are just as favorable to rails as to the whole of our business structure.

With this improvement in the politico-economic atmosphere and outlook it is generally considered among railroad analysts that the trend of railroad security prices should continue up. Another year of good traffic and earnings appears in prospect—at least for the first half of 1953 it seems almost certain that earnings will top the performance of the like 1952 interim. In itself, 1952 is going to be a banner year so far as rail earnings are concerned, with present estimates running between $750 million and $760 million net income. Moreover, 1952 dividends are running well ahead of a year ago and there is every reason to believe that this trend will be continued next year. With present price-earnings low and yields high, the basis for further bullishness is clearly apparent.

Carpet Institute Celebrates 25 Years

James G. Law, Vice-President and General Manager of Magee Carpet Company, was elected Chairman of the Board of Trustees at the Twenty-fifth annual meeting of the Carpet Institute, Inc., held yesterday in the Waldorf-Astoria Hotel. Mr. Law succeeds Frank E. Masland, Jr., President of C. H. Masland & Sons.

Newly elected was Herbert Adair, President of Artloom Carpet Company, Inc.

Re-elected to the Board of Trustees to succeed themselves for another three-year term were: Joseph L. Eastwick, James Lees & Sons Company, Frank E. Masland, Jr., retiring Chairman of the Board, and Walter G. Campbell, Hardwick & Magee Company.

Other members who will continue to serve are: Frank K. Beattie, Beattie Manufacturing Company; James D. Wise, Bigelow-Sanford Carpet Company, Inc.; Harold E. Wadely, Firth Carpet Company; Charles A. Karagheusian, A. & M. Karagheusian, Inc.; Howard L. Shuttleworth, Mohawk Carpet Mills, Inc.; Herbert E. Doerr, Philadelphia Carpet Company; Charles W. Brown, Jr., Roxbury Carpet Company; William F. C. Ewing, Alexander Smith, Inc.

Continuation of the Carpet Institute long-range marketing program was approved by the Board of Trustees.

Frank E. Masland, Jr., President of C. H. Masland & Sons and retiring Chairman of the Board of Trustees, of the Carpet Institute, welcomed the guests to the Twenty-fifth Anniversary luncheon and delivered the keynote address on "The Carpet Business in the Fifties." Other speakers were Dr. Lionel Edie, Investment Adviser, who spoke of "Business Prospects: Short and Long-Term," and William Pahlmann, Decorator and Designer, who talked of "Carpets in Today's and Tomorrow's Homes."

D. Rubenstein Opens

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — David Rubenstein is engaging in a securities business from offices at 58 Sutter Street.

With Hamilton Manage't

(Special to The Financial Chronicle)

DENVER, Colo. — Robert F. Bullock is associated with Hamilton Management Corporation, 445 Grant Street.

Public Utility Securities

By OWEN ELY

Earnings of the Electric and Gas Companies

The earnings of the electric and gas utility industries have been making a divergent showing this year as compared with their trends last year. Following are the monthly percentage increases over the corresponding months of 1951 in aggregate revenues and net income, as reported by the Federal Power Commission for all Class A and B companies (which comprise all but a very small percentage of each industry):

	—Electric Utilities—		—Gas Utilities—	
	Revenues	Net Income	Revenues	Net Income
January	7.9%	14.2%	15.3%	5.5%
February	8.0	9.6	12.6	*7.0
March	8.1	16.5	20.0	15.4
April	6.8	7.3	13.2	3.7
May	6.4	12.2	12.6	*10.9
June	6.1	11.6	13.3	*8.9
July	7.8	15.3	10.7	*39.3
August	9.4	28.8	18.8	*35.0

*Decrease

Both industries are continuing to grow rapidly, with natural gas outstripping electric power—the gain in gas revenues in August being exactly double that of electricity. However, the trend with respect to net income is exactly the opposite—electric utilities are gaining sharply, while the gas utilities are dropping far behind last year.

The electric utilities are currently benefiting by numerous increases in rates, particularly in the industrial bracket which traditionally returns low profits, since it is more competitive than residential and commercial. Thus in July, despite the decline of 4.2% in sales (doubtless due to strikes) industrial revenues gained 1.1%. The electric utilities also have benefited in 1952 by better rainfall conditions, with hydro plants producing 9.1% more in August this year than last year despite the fact that hydro generating facilities were probably not much larger. The cost of coal has remained reasonable (although increases are now doubtless going into effect as a result of the wage increases granted to the followers of John Lewis). Thus, fuel costs in July were only 4.5% over last year. The electric utilities were rather hard hit by increased labor demands, so that July salaries and wages ran 11.8% over last year, but the increase in other expenses was held down to 6.7%, in depreciation to 1.3%, and in taxes to 5.9%. Thus gross income increased 11.8%.

While interest on long-term debt was up 12.4%, reflecting an increase in plant of about 10%, this burden was largely offset by a decrease in amortization and miscellaneous charges, so that total income deductions were up only 4.1%. These various changes accounted for the gain of 15.3% in July net income. Details are not yet available to explain the 28.8% increase in net income for August, but it is possible that the adjustment of income tax accruals in 1951 may have had something to do with improving the comparison.

Turning to the gas companies, the main reason for the adverse showing is obvious—higher field costs of gas without compensating retail rate increases. Thus in the month of August the gas companies paid $55.2 million for gas compared with $43.4 million last year, an increase of 27.1%. Salaries and wages gained 14.4%, miscellaneous expenses 10.9%, depreciation and amortization 23.6%, taxes 23.5% and fixed charges 30.1%. While revenues showed a gain of $19 million over last year, nearly two-thirds of this was absorbed by the higher cost of gas; the remaining one-third, plus over $2 million of net income, was absorbed by the other increased costs just mentioned.

During this period of rapidly rising costs, the Federal Power Commission chose an inopportune time to "clamp down" on the industry with its cost-of-money theory of rate-making (see this column in Oct. 30 issue). Also substantial delays have been encountered by the gas utilities in seeking higher rates, both before the FPC and the State commissions. In some cases increases can be put into effect "under bond" after 5-6 months delay (assuming that the Commission has not yet acted), but nevertheless the delays may be seriously affecting the ability of some companies to maintain their financing programs, geared to the huge construction program of the industry.

Jack Bernstein Joins B. G. Phillips & Co.

Jack J. Bernstein has been appointed Executive Sales Manager of B. G. Phillips and Company, 44 Wall Street, New York City. Mr. Bernstein has been for many years Vice-President and Manager of Cantor, Fitzgerald & Co., Inc. Prior to his association with that firm, he was with the United States Army Air Forces, and before his Army service had been Administrative Assistant to the New York City Board of Water Supply.

Mr. Bernstein will also be Manager of Charter Securities Corporation, a subsidiary of B. G. Phillips and Company, established recently for the purpose of handling underwriting of new stock issues.

B. G. Phillips and Company last month doubled the size of its offices at 44 Wall Street, and Charter Securities Corporation will have headquarters at the same address.

Boston Inv. Club to Hold Dinner Meeting

BOSTON, Mass.—The next dinner meeting of the Boston Investment Club will be held at the Boston Yacht Club on Tuesday, Nov. 18, at 5:00 p.m.

There will be a panel discussion on the subject, "Market and Business Outlook for the Next Twelve Months." Those participating in the panel will be Dr. Douglas H. Bellemore, Head of the Department of Economics and Finance, Boston University; Davit Porter, Vice-President of David L. Babson & Co., Inc., and Samuel L. Stedman, partner of Carl M. Loeb, Rhoades & Co., of New York.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla. — Robert A. White has become connected with King Merritt & Co.

Continued from first page

Oil in Next Quarter-Century

house us, and feed us. I might predict that its free use will help bring peace to the world and freedom, and an end to want.

Just now, however, I'm going to descend from the heady heights of the grand guess to a discussion of the carefully calculated, statistical curve of progression. What of oil in the atomic age? Where do we go from here?

To evaluate the future we must look, at least briefly, to the past. Not that history necessarily repeats itself, but undeniably the trained economic and sociologic eye can follow major trends that emerge from the past and flow toward the future.

In the past few decades America has taken the lead in one of mankind's most important revolutions—the democratic exploitation of the earth's resources. We have, as a result, relieved to a great extent the enervating and sometimes soul-destroying struggle to merely stay alive.

In loosing the shackles of that age-old struggle for survival, we have provided the perfect growing soil for the other less tangible freedoms. Free America has won what other nations were denied by tyranny or the economic involution of socialism.

Impact of Petroleum-wrought Energy

Probably no single physical factor played a more important part in this economic revolution than petroleum. It is a notable fact, for instance, that oil and natural gas have accounted for nearly all of America's increase in energy output during the past 30 years. Why?

Well, because these hydrocarbon cousins furnished energy that was not only the cheapest on the market, but a type that was ideally adaptable to mobile power plants.

Cheap petroleum fuels brought mass production of the automobile engine — and put America on wheels. Cheap petroleum fuels nursed the aircraft industry through its childhood and into adult power. Cheap petroleum fuels mechanized our farms.

Largely because of petroleum, the United States used 4½ times as much energy in 1950 as it did in 1900 — a per-capita increase of more than 100%. We have come a long way up from drudgery.

This impact of petroleum-wrought energy echoes and re-echoes through our economy. Look only at the changes it has brought to labor by use of machines powered and lubricated by oil.

These machines give infinitely more opportunity for skilled labor; pay is higher; working hours are shorter; physical effort is at a minimum; there is time for a man to think, to study, to travel, to play — and, yes, to dream.

Farther Yet

We've come a long way, but the Free World has farther yet to go. And we Americans, like it or not, are destined to lead the way. As we progress, so must the world; and, as the world grows, so must the petroleum industry.

As we face the future, we must be conscious of the fact that, despite our rightly vaunted standard of living, we are far from saturating the demand for goods arising even from our present population.

Yet, by 1975, the Census Bureau says, we shall be a nation of 193,000,000 people. We'll be driving 65,000,000 automobiles, about one-third more than jam our highways today. Plus 20,000,000 trucks — double the number now in use.

In part because all these millions of vehicles will be lubricated and fueled by petroleum, our experts tell us we shall need in 1975 more than twice the volume of liquid petroleum we produced in 1950. The increase in demand for natural gas will be even more spectacular—up nearly 1½ times from 6.3 trillion cubic feet in 1950 to about 15 trillion in 1975.

These are big orders. Yet, percentagewise, we've filled bigger ones before. From 1925 to 1950 the industry trebled production. In a little over a decade we have boosted production by 73%, with nearly half of the increase occurring since 1946.

That last sharp rise was achieved primarily by a capital expenditure of some $19 billion in the past seven years. That, incidentally, was the largest outlay made by any industry in a like period in American history.

We Can Do It

Such a figure proves one thing for certain: our industry is a growing and dynamic force in the economy. Give us adequate working materials and incentives, and we can take in stride the challenge of the next quarter-century.

Suppose we dissect in some detail the industry's economic muscles which give strength to this boast. Here are our reserves; here our glowing technological promises; here our strength in the face of competition from other energy sources; and here the foreign picture — all factors upon which our future success depends.

First a question: Do we have enough domestic oil on hand or in prospect to meet the needs of the next quarter-century?

For almost as many years as there has been an oil industry, we have been plagued by a strange sort of gadfly — the pseudo-expert who announces breathlessly at all too frequent intervals that, by gosh, we're running out of oil.

His methods are simple and, by way of intellectual equipment, he needs only the mathematical training of an eighth-grader. He takes our proved-reserve figure, divides it by current yearly production, and then announces with that pleased air much admired by the prophets of doom:

"Hey, look at this: 10 more years and we're out of oil." Which, of course, is falderal. You and I know that our proved-reserve figure is simply a convenience, a measure of inventory, of income and outgo. Historically, we have always added to our underground reserve more oil through discovery than we have taken away through production.

The Record Can Forecast

Let's look back for a moment over the past quarter-century to underline the point. In 1926 reserves were estimated at 4.5 billion barrels. Our production rate then led our junior-grade expert, with his pencil stub and his knowledge of long division, to report that we had only enough oil to last six more years. His shocking discovery made all sorts of headlines. What happened?

Five years later, sure enough, we had used up 4.5 billion barrels. Was our reserve empty? By no means. It had increased by then to 13 billion barrels.

Last year, as you know, we found more oil than in any other year in history—5 billion barrels, which is more than twice as much as we produced. We started 1952 with a new record reserve—32,200,000,000 barrels of crude and natural-gas liquids. That sort of record must drive the pseudo-experts to the psychiatrist's couch.

The natural-gas story is similar. In 1925 the reserve was estimated to be 23 trillion cubic feet. Since then it has supplied heat and power to millions of homes and countless industrial plants. Yet our proved reserve today stands at nearly 200 trillion cubic feet.

In our unending search for additional oil and gas, we are turning more and more to science—to geology, to geophysics, to engineering, to paleontology, geochemistry, micropaleobotany, and a most of other specialties. With their invaluable help, the search will widen—and it will deepen.

We know that oil may be found anywhere within an estimated 2,400,000 square miles of sedimentary formation. Yet all of our present reserves is scattered over just 1% of that tremendous expanse.

The potentially rich tidelands of the continental shelf are largely undeveloped. Nor have we even begun to explore the extreme depths of the sedimentary sequence, which may, the experts say, reach down as deep as 65,000 feet. By comparison, most of our reserve now lies no deeper than 5,000 feet below the surface of the earth.

Every year we drill deeper, thanks to better equipment and better techniques. In 1925, a 5,000-foot well was deep enough to be a rarity; today a 5,000-footer is a relatively shallow hole. Many a well today produces down to 12,000 feet; some have gone below 20,000. We'll go deeper yet, if I know our engineers.

Nor are reserves increased only by finding new oil. Consider the savings that have accrued to us over the years through the improvement of production techniques. Twenty-five years ago we counted on recovering somewhere between 20 and 40% of the oil in a given pool.

Now such practices as well spacing, unitization, pressurization, and conservation have not only improved yield, but have lengthened the producing lives of many fields. Today we count on a recovery percentage of 40 or better. In the next quarter-century we may expect a yield of 60 to 90%.

In the quarter-century to come we can look also to the refinement of secondary-recovery techniques for other additions to the industry's reserve. In 1950 known reservoirs, including "depleted" pools, contained a total of 107 billion barrels of oil which could not be recovered economically by presently perfected methods. We believe we shall ultimately recover some 65 billion barrels of it, largely by means of methods to be developed in the future.

Total Energy

What of the total energy picture in the next 25 years? Will petroleum be able to hold its own in competition with other sources of energy? Certainly we face the future with an unlimited energy potential.

Which of the many sources of energy becomes the choice of the economy of 1975 depends primarily upon cost. Only the use of the most economical source available will guarantee the widest possible use of energy and the greatest possible progress.

Take the matter of coal. In 1925 coal accounted for 69% of the nation's energy requirement; gas and oil accounted for 28%. Today coal supplies still about the same amount of energy, but represents only 39% of the vastly increased total.

Oil and gas together account for 57% of the total today, and our experts tell us we can expect that approximate ratio to continue for the next 25 years.

Coal, however, has a somewhat more versatile potential than its past would indicate. Means of converting coal into liquid products equivalent to petroleum are being developed. Such methods are economically unattractive at the present; but, should we ever be forced to dip into this source of energy, there is quite a substantial supply on hand—about 2,000 years worth.

Then, of course, there are our tremendous shale-oil resources—something like 500 billion barrels of it in Colorado alone. The technical process for manufacturing shale oil already is at hand.

Although these synthetic products are not likely to become active competitors of true petroleum in the near future, their very availability is heartening to the future of a mechanical civilization. Their presence, too, automatically sets a ceiling on the price we can ask for liquid petroleum, and forces us, for the good of the economy, to compete not only within our own industry, but with other sources of energy.

We cannot overlook the importance of atomic energy, a tremendous potential source of power. There is reason to believe that there is enough atomic energy available upon the earth to equal all other energy sources combined.

Within 20 years atomic energy, probably in the form of large stationary power plants, may be able to compete economically with coal and oil energy. However, I believe these plants will supplement rather than supplant present power sources. On the distant horizon, too, is the possibility that we shall come to harness solar energy.

The pattern for the future seems clear. Free competition among energy sources will keep costs low. Low costs will mean wider use. And the wider the use of energy, the faster our economy and technology will grow.

Technical Horizon

Technological growth in turn means that new sources of energy will be tapped and developed. The record of the past half-century testifies to the success of this sound circular formula, and only some artificial limitation could wreck its limitless future.

Technology and scientific research in the manufacturing end of our industry will remain tremendously important factors for the future. There was a day when only 10 to 20% of each barrel of crude oil could be converted to gasoline; today we turn almost half of every barrel to gasoline. and even that figure can be increased if the need arises.

We have raised quality, too: Since 1930 the octane rating of gasoline has been increased by 15 to 20 numbers. "Two gallons of 1952 gasoline do the work that three 1925 gallons did" was the theme of our 1952 Oil Progress Week.

Moreover, as the President's Materials Policy Commission points out "Prices of petroleum products, measured in dollars of constant purchasing power, were more than 16% lower in 1950 than in 1925, in spite of a 24% rise in the price of crude oil in constant dollars."

Petrochemicals

One of the more spectacular evidences of the value of research is the birth of the petrochemical industry. The swift perfection and adoption of chemical synthetics quickly ran away from the coal-tar and agricultural industries. They simply couldn't supply sufficient raw materials. So the oil industry stepped into the breach.

Take a quick look, for instance, at what the petrochemical industry has meant to agriculture — and will mean in the future to the world's hungry population:

(1) The tremendous production of nitrogen fertilizers has brought thousands of acres of marginal land under cultivation, and has vastly increased the yield from more fertile farms.

(2) Industrial alcohols, traditionally made from the fermentation of grain and sugar, now are made from petroleum—and additional land is thereby freed for food.

Petroleum detergents are another example of the economic marvels wrought by the petrochemical industry. We can anticipate that in 10 years detergents will have largely taken over from the packaged-soap market, and the fats and oils thus saved will be added to our food potential.

There seems no limit to the petrochemical horizon. Already the investment in the industry is about $2,000,000,000. Sales will total 8½ million tons of chemicals in 1952, with a value of more than $1,500,000,000. That's quite an increase over 1925's output of 75 tons.

The petroleum industry today produces about one-qaurter of the nation's organic and inorganic chemicals. In 10 years that figure will likely rise to 50%. After that, the sky's the limit, granted sufficient demand and proper economic incentives.

With all this great growth and potential, one striking fact stands out. That is the extraordinarily small percentage of the total output of petroleum and natural gas needed to supply the petrochemical industry.

Currently less than 1% of the nation's total petroleum production goes into these uses. It would seem obvious that we can support a huge petrochemical industry without detracting in the slightest from our traditional functions.

Worldwide

Let's turn now to the future of American petroleum operations abroad, operations which may well play a leading role in the global conflict between freedom and Soviet imperialism.

Since World War II America has been engaged in a giant effort to project its material as well as its moral strength abroad. We have invested huge funds to help rebuild the economic stability and self-sufficiency of our foreign friends.

Our petroleum industry, through its foreign operations, will continue to play a strategic role in this tremendously important fight. Not only do we serve as shirt-sleeve diplomats, but we are helping immeasurably to raise the foreign standard of living. Where living standards rise, freedom blossoms and communism withers on the vine.

The United States in 1950 used almost twice as much oil as all the rest of the non-communist world combined. Today we use 10 times as much petroleum per capita as the European Recovery Plan nations; 8 times as much as South America; over 55 times as much as Asia and Africa.

It won't always be thus. The President's Materials Policy Commission anticipates that other nations will begin to catch up with us during the ensuing 25 years. Over that period, the commission estimates, petroleum consumption in the Free World outside the United states will increase by 275%; in the same period it will rise by 110% within the United States. This means a consumption abroad of over 13,000,000 barrels a day by 1975.

The job ahead is too big for our foreign friends to handle alone; they lack both the capital and the technical skills. Private American oil companies already are setting the pattern for aid to our free allies in the fields of Saudi Arabia, Kuwait, and other areas. In so doing we are working directly to bulwark the enlightened aspects of our foreign policy.

Petroleum the Builder

We are helping to raise the standard of living of free people—by providing cheaper and more plentiful sources of energy; by helping to create new skills, new jobs, new educational opportunities; by opening up new sources of tax revenue. In short, we are building freedom abroad.

We are also building there a great intangible: Good will for America's future. We have added a sense of social responsibility that is new in international commerce. In countries where economic development is just getting under way, we are providing employees with housing, medical care, sickness benefits, schools, public-health measures.

We give native workers skilled training; set them up in businesses of their own. We make loans and provide technical assistance for railroads, highways, ports, agricultural projects.

We do not pretend to be selfless. But neither are we merely opportunistic. We like freedom, and we like dealing freely with free peoples. Only in such a world, where men deal fairly and openly with one another, can we find the long-term profits which are essential to a great and expanding industry.

America Benefits

There are other benefits which accrue to America from our operations in foreign fields.

First of all, development of the Middle East oil resources has meant that Western Hemisphere oil is left almost entirely free for Western Hemisphere use.

Second, we have gained access to vast foreign reserves which might otherwise have gone undeveloped, or, worse still, might have fallen into the hands of the enemy. That this foreign oil is already available to supplement United States supplies is proved by the fact that, in California, my own company and others have been importing at the rate of 75,000 barrels daily for several months to augment our local short supply.

Conservative Prediction

I have attempted to predict the part the oil industry will play in the next quarter-century. I have tried to avoid the flamboyant, the Jules Verne, touch. I have attempted to paint this portrait of the future with a brush dipped in the relatively dull pigments of the sober economic expert. If I have erred, it has been in the direction of careful understatement.

If I had stood before you 25 years ago and predicted the oil industry as we know it today, the kindest among you would have called me "visionary"—the roughest might have made it "nuts." I like neither term, so I have avoided wandering into a future that is either a pipe dream of a "brave new world" or the chilling horror of the regimented life of the Super State.

This I know: Our future, to a great degree, will depend on how vigorously we hold to the principles that made our past. We can consolidate our economic revolution and meet the expanding needs of the next quarter-century only if our economy retains its dynamic self-sufficiency.

We must, at all costs, retain those features of a free economy which have made American industry great: the customer's free choice of goods, free competition for the customer's favor, the presence of a profit incentive so that men will continue to invest their savings in the production of goods.

Competition brings improvement of goods and services, and the reduction of prices. Lower prices permit more people to buy more goods. Mass production results, and the circle grows and expands.

Growth Essential

An essential dynamic of this central economic cycle is size. Certain businesses must grow or perish. In many industries—petroleum, steel, automobiles are notable examples — certain companies, by the very nature of the economy, grow to be very big. They grow big because they win public favor, and because theirs is a big job that couldn't be done another way.

They require integration and the mobilization of great resources: masses of skilled workers, research, expensive equipment, huge plants, transportation systems, and marketing facilities. Bigness means mass production; mass production means low cost.

Simple Formula

It is this simple formula which brought the automobile within the reach of every man. It is this formula which put gasoline in his auto's tank at about the cost of bottled drinking water.

Bigness, then, along with efficiency and productivity, is a prime essential to maintain the momentum of our economic revolution, a key to the dynamic economy of the next quarter-century.

I firmly believe that, in the next 25 years, we shall hear less and less from those who belabor business for being big—those to whom bigness is automatically badness. There seems to me to be a growing awareness throughout the country that America's greatness is based substantially on the freedom of every man and every business to grow to fullest possible stature. We need bigness in all of its connotations if we would lead the world to peace and freedom.

Profit Important

No less important to the future of a free economy is the profit incentive. People will not risk their savings — cannot be forced to risk their savings—unless they see the prospect of a reasonable profit. And unless millions of Americans are willing to continue to invest for profit, our economy will face the future as a poor and fragile thing.

The petroleum industry has prospered, and has helped its nation to prosper largely because investors found it a sound source of profitable investment. Tax schemes that all but confiscate the earnings of investors and thereby tend to kill incentive should be modified. I believe they will be in the years to come.

The Challenge

The quarter of a century which lies ahead may well be the most momentuous in the history of the world. The eyes of free men everywhere turn to America. The challenge is clear. We must, if we can, finally answer mankind's age-old aspiration for peace and freedom and an end to want. In the fight to come, the oil industry is armed and anxious to contribute a major share.

Securities Salesman's Corner

By JOHN DUTTON

Successful securities selling involves more than the mere ability to make a sale. By this, I mean that you must also sell securities that will not come back some day and "bite you." Selling the wrong type of securities to the wrong people, selling the right securities but at the wrong time, allowing some securities to stay "put" too long—these are the almost unavoidable incidents which seem to be part and parcel of the securities business. The long-term cycles come along and can wipe out years of effort to establish customer goodwill.

It was once said that the life of a security salesman's clientele is about five years. I don't know if this is true, but there is continuous deterioration and constant rebuilding is always necessary. However, the main consideration which seems uppermost at this time, is to find a method of protecting those accounts which form the backbone of your business against a major business reversal, if and when one takes place.

Your own opinions regarding the business and economic outlook should of course be your guide as to the recommendations you make to your clients. But it is only prudent to realize that we are now sitting right on top of the longest and most intensified period of inflationary business and monetary expansion in our history. Some day there must come an economic readjustment of major proportions. This will happen unless the entire course of human history has been changed. Without being an alarmist or taking a positive position either way, isn't it possible to put some of your customers in as strong a defensive position as they can afford at this time, and meanwhile keep them still invested to some extent in attractive yet volatile situations? At least, if they understand the purpose of arranging their affairs in a sensible manner, isn't it a logical conclusion that you will have clients left with buying power and courage even after a severe collapse? By hedging in this manner you win both ways — if conditions remain good they still hold some good common stocks, if reverses come they have assets that will retain their dollar values.

Admittedly, there are all kinds of security buyers. There are those who give you orders and do not wish suggestions. I just heard of one investor who told his broker to invest $35,000 in about 75 different common stocks which he had selected. The broker bought them and collected some substantial commissions. This investor wanted it his way—he got it! There are also the perpetual optimists, including those who want to take the last top dollar out of every market swing, and others who resent any suggestions of conservatism and caution. There isn't much you can do in such cases but let these customers have their own way and hope for the best.

Your other clients, however, might be very much interested in an invitation to come into your office where you can discuss their investment position in its entirety with them. You might even find it desirable to schedule a few interviews in the evening in your own office. You can really get at the facts and work out a constructive relationship with a customer at a time like that. Among your present accounts there are probably some who are doing business with several other firms. This could give you an opportunity to control all the business if the interview was handled properly.

The retail securities business is such that, no matter what happens, and with all of its ups and downs, you can always find a constructive reason for doing business. The majority of people are reasonable and they do not expect the impossible, but there is one thing they will value above all else, and that is a sincere appreciation of their position and their problems. It will pay in the long run to build as solidly as possible now.

Grimm Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla.—Eugene Renwick and Alex M. Robinson have added to the staff of Grimm & Co., 65 East Robinson Avenue.

Continued from first page

As We See It

on all sides could result in substantial gains for all concerned. Dispassionate thought leaves the matriculate with a rather definite feeling that the significant developments of the next few months are more than likely to take the form of evidence for or against a different climate in Washington, an altered basic attitude toward current problems, particularly business, and a changed and more constructive approach toward the management of our affairs.

Evidence of Changes to Come

Evidence that such changes as these are definitely in the making may, of course, and in our judgment would, have a powerful influence upon the thinking, the sentiments, and the plans of American business. We do not for a moment intend to suggest anything else. What we are saying here is merely that the situation by which the new Administration will be faced will be complex in the extreme, that New Deal and Fair Deal programs have had two decades to send their roots down and out in every direction. Eradication of much of them, or even effective cutting back, must inevitably be a time-consuming task.

President Truman in his first communication to his successor singled out the Federal budget as a matter that was and is well under way. Precisely what an Administration-elect, without office as yet and without authority, will be permitted to do in the premises is anybody's guess. A little analysis of the facts, however, will make it plain as a pikestaff that much more time than will elapse between now and the 20th of next January will be required to make any intelligent and constructive change in this budgetary situation. In point of fact, it is probable that not very much more than a good start can be made prior to the time Congress must act on the so-called money bills.

This budget problem, while not wholly typical, is sufficiently so to provide an excellent example of what a new Administration will have to contend with in any effort to restore rationality to the tangled situation in Washington. In May, 1951, when there was much discussion of curtailing Federal expenditures, and when the budget estimates and various related proposals were still before Congress, the National Industrial Conference Board published the results of a careful survey of what was involved and of the very practical problems by which any budget-cutting effort is always confronted, and particularly the difficulties by which any budget cutting in this day and time is certain to be faced—faced, that is, even where the best will and intentions in the world exist.

Difficulties Ahead

A few of the findings may be appropriately cited at this time. They will give a graphic idea of scope and general nature of the tasks ahead. We hope that it is scarcely necessary for us to say that we do not for a moment believe that these or any other difficulties are insurmountable. We are quite certain in our own mind that vast sums can be pruned from Federal expenditures and should be. We are hopeful that the new Administration will proceed accordingly. We cite these problems and difficulties merely that the public may realize the nature and the magnitude of the task, and the fact that time must be allowed for its completion.

Here are some comments of the NICB, quoted verbatim:

"**Special Interests.** Every budget item is there because someone wanted it there, whether farm or trade or labor group, regional bloc or government agency, bureaucrat or Congressman. Someone has a vested interest in every Federal program, in every outlay, and can be expected to protest its removal.

"**Prior Authorizations.** A huge part of every budget derives from already enacted authority to spend or sign contracts. Each Congress enacts new basic legislation binding in varying degrees the area of fiscal freedom of its successors. Each subsequent Congress, thus, is confronted from the very start with a hard core of outlays already authorized — outlays that can be cut only by reneging on existing contracts, halting work in progress, or revising existing statutes. . . .

"**Relatively Fixed Commitments.** Another large group of outlay proposals depends on commitments previously made whose size—without changes in substantive laws—is only partly subject to Congressional control. Grants-in-aid to State and local governments or the many Federal credit programs typify this type of commitment.

"**The Budget Itself.** The sheer magnitude, complexity and scope of a $71 billion program, presented in too great detail in some areas, too broad and vague in others, makes comprehension by all but the most skilled technicians most difficult, if not impossible. . . .

"**The Temporary Becomes Permanent.** Long after conditions which produced them have passed, measures to fight depression and deflation—like farm aids—or other special projects of by-gone years persist. They have a way of becoming permanent policy fixtures in which bureaucrats and private beneficiaries of public largesse acquire vested interest. As some wit has said, there is nothing so permanent as a temporary government agency."

These, as NICB points out, are but some of the major difficulties which budget cutters inevitably face. Obviously a start should have been made in 1950 or even before to cut the 1953 or 1954 budget. Current effort must be divided between the 1954 and future budgets if real progress is to be achieved.

In a broad general sense, the new Administration will find corresponding difficulties at every turn. Its tasks will be enormous. It must, and we earnestly hope it will, go to work vigorously and successfully.

We must, however, not expect too much too quickly.

Continued from page 15

Election Returns and Your Financial Returns

ing, for the purpose of balancing an unbalanced budget and reducing or eliminating the deficit under which we have been operating.

While some savings in expenditures may be effected by pulling the purse strings more tightly, and by ascertaining that value is actually received for essential dollars spent, no relatively significant saving, so far as I can see, can be accomplished except out of our defense establishment. But, to effect substantial savings from this source, of course, might well be to court disaster. The huge defense expenditures which are being made both for ourselves and for others in this period that is technically known as peace, are grim necessities to which we must become adjusted. Large though they may be, we cannot gainsay too seriously their general wisdom. Paradoxical though it may sound, every dollar wisely spent for guns is a dollar spent for peace, for we can be safe only so long as we are too powerful to be attacked.

While, as a business man, I look hopefully to a reduction in the budget and a slash in taxes, I would be less than honest and extremely shortsighted, if I did not say that I, personally, should prefer to see a little more allocated to defense and discover that too much had been allocated, than to see allocated too small a sum, and discover too late that the amount provided was inadequate. I do not think that our new President will be either reckless or short-sighted. I believe that we can, therefore, expect him to continue sound defense expenditures at a high level.

It is said by some that savings can be effected by reduction of expenditures in our mutual security program—the program adopted to provide other nations, less fortunate than ourselves, with the arms they need to withstand attack, armed insurrection and subversion, and to help them combat and overcome prevailing disease, hunger, poverty and ignorance, which provide so fertile a soil for the propagation of Communism. While some percentage of savings no doubt could be effected here, it is extremely doubtful that sufficient funds could be saved to aid materially in balancing our budget. To effect any major saving along this line would be to disregard the homely fact that we cannot forever survive alone on our little "island," and that we need allies in our present struggle — allies who are not merely militarily strong, but physically and economically sound. It is difficult to escape the conclusion that these foreign expenditures are, in large measure, essential for our own well-being, future prosperity and safety.

Little Prospect for Tax Reduction

While we can expect from our new Administration a tighter hold on the purse strings, and, to some extent, a reduction of expenditures, it is extremely doubtful that sufficient savings can possibly be effected from any realistic source to result, at least in the next year or even two years, in a substantial reduction in the individual tax load. If we want to win the ideological conflict in which we are now involved, a conflict that I am confident Eisenhower desires to win and will win, we shall have to meet the costs. While it would be a happy prospect to contemplate immediate material tax reduction, I believe we must look forward to a high level of taxes for sometime to come.

So long as the taxes are necessary, equitably and reasonably imposed, and collected without fear or favor, without loop-holes for the benefit of a few, none of us can have any justifiable cause for complaint. It is here that our new Administration holds forth hope to us as investors and business people. We can expect the new regime to collect all taxes owing to us, and to attack loopholes and corruption in their collection.

Double Taxation

There are, also, certain taxes which are clearly inequitable and which should be, and I believe will be, the subject of remedial action. The clearest example of this type of tax is, of course, the double tax on corporate dividends —where, as you well know, a shareholder is taxed not only on the net income of the corporation in which he holds his shares, but again when a portion of that income is distributed to him as a dividend. No other form of individual income, whether it be rents, royalties or interest, is subject to such a dual assessment.

Few realize one very significant fact, namely, that this double taxation falls heaviest on the small investor. To illustrate, with a 30% normal corporate tax, 22% corporate surtax and no excess profits tax, a person receiving five thousand dollars in dividends and being in the 41% personal income tax bracket, finds that his share of the earnings of his corporation is actually taxed at a combined rate of 57.5%.

Probably no greater stimulus could be given to our system of free enterprise than to attack this ill-conceived, and unfortunately-perpetuated double tax. If abolition of this tax is not possible, or politically practical, the Congress might, as a temporary expedient, follow the example of our Canadian neighbor, and allow investors a tax credit in some appropriate percentage of the dividends received on common stocks. Such a tax credit would provide an important stimulus to equity investment.

I believe that it is reasonable to expect that the Republican Administration will also consider reduction of the existing capital gains period to some shorter period, such as three months. Here again, without asking for relief from equitable taxation, it is my opinion that a large increase in the revenue now obtained from long-term capital gains transactions would result. Of course, it goes without saying that adoption of this proposal would be beneficial not only to the Treasury, but to investors, the securities business and our corporate enterprises generally. To the extent that the period is shortened, to that extent will investment risk, in this period of domestic and international uncertainty, be reduced; the liquidity of equity investments be magnified, and the volume of such transactions multiplied.

The advantages to be gained by adopting these proposals so far outweigh the benefits the government presently enjoys under existing tax laws that it is difficult to see why such amendments have not been adopted. It is believed that in the near future, the Congress may do something about it, not in the interest of the securities business, the incidental beneficiaries, but in the interest of the public and of free enterprise which now stands in need of confident equity investors to buy the plants and wheels and tools which supply the jobs we need, and to preserve and increase the high standard of living to which our people have become accustomed.

With General Eisenhower as President, and with the new Congress, there is greater chance of favorable consideration of these and other proposals made by business men and investors than there has been in the past.

I believe also that the recent election, bringing as it does a far greater business consciousness to the Washington scene, will redound to the benefit of investors, who may look forward, with more confidence, to an era of peace and sound economic prosperity.

Joins Florida Secs. Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Derwin B. Smith has become affiliated with Florida Securities Company, Florida National Bank Building, members of the Philadelphia-Baltimore Stock Exchange. Mr. Smith was previously with W. H. Heagerty & Co.

Two With Eisele King

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Elizabeth K. Dayton and Emil H. Schulte have joined the staff of Eisele & King, Libaire, Stout & Co., 7217 Gulf Boulevard. Miss Dayton was formerly Cashier for Beil & Hough.

Midwest Exch. Members

CHICAGO, Ill. — The Executive Committee of the Midwest Stock Exchange has elected to membership the following: J. Everett Allen, Allen & Co., Lakeland, Fla.; Lowry Sweney, Sweney, Cartwright & Co., Columbus, Ohio.

Continued from page 9

Prospective Supply of Institutional Investments

of these miracle machines is, of course, overdone. It casts doubt over this subject. But don't be too skeptical. Read General Sarnoff's speech to the Life Insurance Association of last spring. He says, and I think he is right, that there is a good possibility that over a period of time the clerical operations of this economy are going to be done by electronics—including you! [Referring to the stenotype reporter].

To accomplish this, a very large amount of investment must be made, and perhaps a considerable amount of it will have to be in novel ways: in investment instruments and in analytical methods that we don't now have—kinds of securities and kinds of contracts perhaps that haven't yet been written.

Possibilities of Expanding Investment

Now, the possibilities of investment are not only large because of growing technology but also because the depreciation in the value of the dollar has meant that the dollar borrowing power of all real property has been enormously increased. You see, the house that used to sell for $10,000 now sells for $20,000, and the owner who could get a loan for $6,000 when it sold at $10,000 can now get a loan of $12,000 or more. The loan value has gone up at least as fast as the price of the house; it may have gone up faster. That means, you see, that the supply of investments from that source, that is, from increased borrowing power on the part of property holders, has enormously increased.

I expect that one doesn't need to be too concerned that there will be places for the institutions to invest their funds, that there will be securities and mortgages in adequate volume for the investment bankers to handle, even though there will be a gradual development of unorthodoxy in the future just as there has been a gradual development of unorthodoxy over the last decade or two or three decades.

I expect, therefore, that these growing institutions will continue to be fully invested at all times if they want to be fully invested.

At times the interest rate will be up, and at other times down, and that will be influenced by the policy of the central banking authorities in the future as it has been in the past. But I think we will continue fully invested and active.

Continued from page 2

The Security I Like Best

a company will have available as much business as it can properly handle.

The advent of jet aircraft also brings with it a revolutionary change in the aircraft maintenance field. The old piston engine plane could be maintained with modest investments by a large number of small shops. The postwar surge by many to stay in aviation created an oversupply of airplane-garages. Cut-throat competition liquidated many, leaving but a handful of strong companies.

Pacific Airmotive was one of the survivors. Now with the modern jet, complications of maintenance are multipiled many times. Extensive investment in equipment and technical know-how rules out the maintenance "over-supply" condition of the postwar period. Thus, those now well established, such as PAC, can look to a more promising future. The multi-million dollar airplane of today must be maintained well and kept constantly busy to pay out. Truly, maintenance is no longer a "patch-up" business, but a science as important as the prime producer and the operator.

Net working capital is approximately $3 million; earnings for the six months ending May 31, 1952 were $483,000 or 74 cents per share, after provision of $303,000 for Federal income taxes. The company has a very favorable tax position: it can earn as high as $1,300,000 for 1952 before experiencing any excess profit tax, so that earnings after taxes for the full year ending Nov. 30, 1952 should be in excess of $1.50 per share.

PAC common stock is today selling at levels far below those which prevailed in 1946, despite the improvement which has taken place in management, sales, earnings and prospects. 1951 was the turning point in the history of the company, whose business has increased from less than $4 million yearly during World War II to about $28 million for 1952.

President Thomas Wolfe in his July 8, 1952 letter to stockholders wrote that "Strong emphasis on engineering and development continues as a major program of our company, giving us a new long range horizon."

"Long range horizon" must characterize a company if it is to keep pace with the zooming developments in the field of supersonic flying, guided missiles and other "fantastic" air-weapons which have already been tried out. Such a future is most exciting, particularly in a company which is also solidly and profitably established in the more prosaic branches of the aviation industry And the stock stills sells AT LESS THAN 4 TIMES EARNINGS!!!

ARTHUR J. NEUMARK

Partner, H. Hentz & Co., N. Y. City
Members New York Stock Exchange

Pennsylvania Railroad

The railroad industry has come a long way since the outbreak of World War II even if we discount the high earnings of the war years. Net income of Class I railroads in the 1946-1951 period averaged $563 million annually against an average of only $45 million in the six prewar years. A $200 million reduction in annual fixed charges accounted for a good portion of this improvement, but the considerable increase in earnings from operations despite higher taxes and the sharp price inflation constitutes a major achievement for a closely regulated industry. Without the development of the diesel engine and the willingness of the industry to invest billions in new facilities it would not have been possible.

Arthur J. Neumark

Yet the Pennsylvania Railroad, the nation's largest system, has failed to participate in this improvement. In fact, its average net income of about $18.5 million in the six postwar years was slightly less than in the prewar period. The present price of $19 a share for its stock was exceeded in every year of the depression by at least four points. What are the factors responsible for this adverse showing and to what extent can they be remedied?

First let us examine the causes. The more important ones appear to be: (1) The large proportion of revenues derived from passenger train operations; (2) Excessive yard and terminal costs in the handling of freight; (3) Delays in dieselization because of dependence on coal traffic; (4) Heavy deferred maintenance built up during the war; (5) A management slow to realize the importance of modernization to meet new conditions; (6) A serious lag between cost increases and rate increases during the postwar years.

Some of these factors, such as the heavy volume of passenger traffic, have no easy remedy. It will continue to act as a substantial drag upon earnings until the railroads are given much greater freedom in the abandonment and consolidation of such services. Nevertheless, the loss this year from passenger train operations will be less than the deficit of nearly $72 million reported for 1951, and further shrinkage of this huge loss appears likely in 1953. The loss includes the allocation of a portion of general overhead expenses much of which would have to be absorbed by freight operations if passenger service were non-existent.

Most of the other factors responsible for Pennsylvania's poor profit margin in the postwar years, however, are more amenable to remedy and much is being done to overcome them. By 1953, about 85% of the road's traffic will be moved by diesel engines or over electrified lines. Freight rate increases averaging 14% granted in 1951 and 1952 and other rate adjustments will go far toward absorbing the cost increases of the past two years. A large program of heavy repairs on freight cars has been a drain on earnings, but together with new car purchases, have improved the condition of the road's car fleet to the best in many years. Large expenditures have been made for the modernization and expansion of freight yards, terminals and shops and more are scheduled. Important economies are being realized from all of these outlays.

The Pennsylvania requires no spectacular improvement in its profit margin to justify a considerable advance in its stock from present depressed levels. The road carried through 6.6% of its gross revenues to net operating income in 1951 before income taxes. For the industry as a whole the margin was 14.5%. It is the ambition of the present management to eliminate this disparity entirely. But even if they are only half successful, substantial improvement in earnings will result.

J. M. Symes, an able and dynamic executive, was chosen in 1947 to spearhead the system's modernization and rehabilitation program and he has already accomplished much in this direction. Heavy deferred maintenance outlays charged to expenses and large non-recurring losses due to strikes and accidents have minimized the effect on earnings, as have the delays in rate adjustments and other factors, but earnings in 1953 should reflect the very considerable improvement in operating efficiency which five years of planning and spending has made possible.

Traffic prospects are relatively favorable. The road has done better than average for the Eastern region and should continue to do so. The new Morrisville steel plant will be served mainly by the Pennsylvania and the entire Delaware River Valley is expected to under go substantial industrial growth in the next few years. The new atomic plant in Pike County, Ohio, will mean additional traffic both for its own lines, and more especially for the controlled Norfolk & Western.

The Pennsylvania Railroad, itself a 10,000 mile net work, has a controlling stock interest in four other important lines including the Norfolk & Western, Wabash, Lehigh Valley and the recently acquired Detroit, Toledo & Ironton. Together, these systems operate over 6,000 miles of road. While the Norfolk & Western has long been one of the most profitable railroads in the country, both the Wabash and Lehigh Valley are showing marked improvement and should contribute more to parent company earnings. Most of these stocks are held by the wholly owned Pennsylvania Company. Dividends from the affiliate have been considerably less than earnings, but consolidation of its income in the parent company's statement beginning with 1953 will bolster the latter's reported earnings.

The Pennsylvania Railroad has long had a reputation for financial strength and sound credit. Its financial policies, since its formation, have been among the most conservative in the industry. Its uninterrupted though fluctuating dividend record of over a century has given its stock a wide investment following. While the road's credit has been weakened to some extent by the poor earnings of recent years, it remains substantially intact. Its long-term junior mortgage bonds sell to yield about 4½% in the present poor bond market and are still held largely by institutions. Its cash position remains strong and holdings of marketable securities and real estate can, if necessary, be sold to bolster its liquid assets.

Investors think well enough of the road even today to sustain an average market price of about par for the system's billion dollar indebtedness. Yet the equity of this giant railroad enterprise, represented by 13,167,000 shares, sells for about $250 million, less than one-fifth its depreciated book value. Either the confidence of investors in its obligations is misplaced or the road's stock is unduly depressed by factors which are not likely to prove permanent. Based on the improvement in earnings which appears to be close at hand, the latter would appear to be the more likely explanation.

Earnings of the Pennsylvania Railroad this year should approximate $3 a share if the coal strike is not of long duration. In any case, some improvement will be shown over the $2.02 a share reported for 1951. Any estimate of 1953 net income is difficult at this time. But unless there are unforeseen developments of a serious character, there should be a very decided improvement in earnings with net income probably exceeding $4 a share. The company's financial position and past dividend policy are such as virtually to assure a higher dividend rate if this figure is reached. What makes Pennsylvania Railroad an attractive vehicle for appreciation at the present time is its thoroughly deflated price. While the Dow-Jones rail averages have advanced four-fold since 1939, the price of Pennsylvania common shows virtually no change. On the other hand, the system's importance and its strong finances would appear to preclude a sizable price decline from present levels in the event of a market reaction.

Joins Kidder Staff

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla.—Laurence C. Olson has joined the staff of A. M. Kidder & Co., 506 Florida Avenue.

Two With Compton & Wharton in Florida

(Special to THE FINANCIAL CHRONICLE)

WINTER GARDEN, Fla.—Edmund K. Hartley and Buford G. Reams have become associated with Compton & Wharton of Philadelphia. Mr. Hartley in the past was manager of the Philadel phia office of R. H. Johnson & Co

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Most of the celebrating has died down. Eisenhower's in, and that's that. Now the important questions have to do with the future action of the stock market and in what stocks can reasonable profits be made.

* * *

Last week's piece was of necessity a sketchy one because it was written before the election returns. Basically, however, the pattern followed by the market was what was expected; a hooray at the start with a dwindling of enthusiasm as the day wore on.

* * *

There's some belief in sound quarters that the market will now recapture its quality of forecasting the future; a quality that many people believe has been lost during the reign of the New Deal and the Fair Deal. The belief is based on the theory that with a Republican Administration (including a Republican Congress) speculative and investment confidence will once again take over. There's even some talk that the SEC will either be pruned or eliminated.

* * *

I state these beliefs for what they are and not as facts. First of all I don't believe that the market has lost its forecasting power, though I agree that in many cases stocks seem to move after rather than before the event.

* * *

In the final analysis stocks will continue to reflect industrial and corporate changes; markets will continue to reflect changes in international and national currents. Perhaps the pace will be stepped up if the various controls are eased or removed. However, I don't believe changes will be as radical as is generally believed.

* * *

Taxes will of course play an important role in the four years ahead. There's considerable confidence that these will be reduced in the immediate future. I'd like to think it will be so. But what I like and what common sense tells me is something else.

* * *

Getting back to the market: A few weeks ago (when Stevenson seemed a cinch to get it) when prices faded away like snow in spring rains, I suggested getting aboard while the getting was good. Last week I suggested converting some of the paper profits into cash if the post-election news brought strength.

* * *

Before we are many weeks older I think we'll get another sinking spell. When, as and if that happens stand ready to get aboard again. Even if the reaction doesn't come, you'll have already converted some of your stocks into cash but will have some left to ride along with and see what happens.

* * *

I don't believe any sudden strength at this point should be used to buy new stocks. In fact I always prefer to buy on weakness no matter what political party's in power.

[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.]

Leonard M. Rees Forms Own Firm

SHAKER HEIGHTS, O.—Rees, Inc., has been formed to engage in a securities business from offices at 12930 Fairhill Road. Officers of the new firm are Leonard M. Rees, President and Treasurer; A. W. Hinchcliff and Gilbert A. Hitz, Vice-Presidents, and Donald P. Rees, Secretary. Mr. Rees was formerly associated with Baxter, Williams & Co. in charge of mutual funds. Prior thereto he was with Hugh Johnson & Co., Inc., and was an officer of Saunders, Stiver & Co.

Chicago Analysts Luncheon Meeting

CHICAGO, Ill. — Charles F. Adams, Jr., President of the Raytheon Manufacturing Company, accompanied by David T. Schultz, Vice-President and Treasurer, will address the luncheon meeting of the Investment Analysts Society on Thursday, Nov. 13, 1952, at 12:15 p.m. in the Georgian Room (8th floor), Carson, Pirie, Scott & Co.

Ellett G. Scarritt

Ellett G. Scarritt, partner in Scarritt & Bardach, New York City, passed away Nov. 4.

Bell Opens New Branch

BRADENTON BEACH, Fla. — Johnston E. Bell and Co. of Huntington, W. Va. has opened a branch office in Bradenton Beach.

R. C. Spangler Opens

WILLIAMSON, W. Va. — Richard C. Spangler is engaging in the securities business from offices in the Cinderella Building.

Now V. M. Cantella Co.

WINCHESTER, Mass.—Vincent M. Cantella is now conducting his investment business under the firm name of Vincent M. Cantella & Co. Offices are at 53 Swan Road.

A. M. Kidder Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Richard T. Schutt is now with A. M. Kidder & Co., 139 East Flagler Street.

With State Bond & Mtg.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn. — George C. Downer is now with State Bond & Mortgage Co., 26½ North Minnesota Street.

Continued from first page

After Mobilization, What?

next year. And when that takes place, business is supposed to slow down and already we hear cries from our government planners that a severe depression will be upon us unless plans are promptly made for what is commonly called "a sheaf of public works" to bridge the gap caused by decline in defense expenditures. Tonight I want to subject this point of view to an analysis.

Will There Be a Depression?

Is a business depression inevitable, should the country be fortunate enough to be able to reduce defense expenditures in the days ahead? Granting that some readjustments must inevitably take place when these expenditures lessen, is the proper way to meet this shock an increased amount of government expenditures in other lines? Must it be taken for granted that this country cannot have relatively full employment and generally prosperous conditions unless total government expenditures of one kind or another reach such huge dimensions as to be the dominant factor in our whole economy?

Most of you can recall the dismal forecasts which were made about the business outlook at the close of World War II. We were told at that time that it was almost certain that six or seven million idle men would again be walking the streets of our cities just as soon as demobilization had taken place. Frantic cries were sent up for Congress to appropriate huge sums of money for public housing, the building of roads, additional T.V.A. ventures and a whole host of other public works projects to cushion the readjustment from a war to a peace economy.

We have all lived to see how dismally wrong those forecasts turned out to be. The more I reflect upon the reasons why they were made, the more I am convinced that their origin lay in the depression thinking of the 30's.

The Administration's advisers knew that, in spite of all the pump priming and legislation which had been enacted during the 30's, the government had not been able to solve the unemployment problem and restore prosperity until war was declared. This being so, why should not they also have concluded that inasmuch as it had taken the huge war expenditures to bring the country out of the depression, that depression and unemployment would inevitably follow when war expenditures were once more reduced to normal proportions? What could be more logical? Remove the cause that brought about full employment and prosperity and the natural state of unemployment and business depression would inevitably be with us again.

I recalled this episode not for historical purposes, but because there are some lessons to be learned from it of value to our thinking about the future. Too many of us formed the habit of thinking of our economy in static terms during the 30's. You will recall that population was supposed gradually to stop increasing. Perhaps by 1960 or 1970 it might go up to about 160 million people, but this was to be about the limit.

The demand for labor was looked upon as something constant. There were just so many jobs to go around and it was our duty to shorten the hours of labor and divide the work so that everyone would have a job. The frontier had passed away, our economy had become mature, the inventive genius of our people seemed to be diminishing, wants would not grow and increased government expenditures would therefore have to be relied upon to provide the incentive for business expansion. It is hard to believe today, but this was the prevailing thinking in many circles during the 30's.

Although those who are confidently predicting another severe depression when defense spending levels off may not realize it, basic to their argument is this tendency to believe that our greatest growth is behind us and that the self-generating forces of a free economy will not provide for future business expansion and insure a growth in our total productive output which will provide for a constantly rising standard of living. So pervasive was that way of thinking for a decade that we must be constantly on our guard not to accept it again when the minor business readjustments occur which will inevitably take place if this country is ever fortunate enough again to cut down materially the tremendous amounts which it is now spending for armaments or giving away in foreign relief.

From what I have said thus far, I do not want you to draw the conclusion that some business readjustments are not going to take place a year or so hence. In my opinion, they are inevitable. We must expect them and in some respects they are to be desired. We have just gone through a political campaign where the slogan of one party was "you have never had it so good; don't let them take it away." While on the surface this may seem to be true, one does not have to dig very deep to find indications that this so-called increased economic welfare and progress is, to a considerable extent, an illusion.

It is true that this country has done a marvelous job of increasing its total production of both peacetime goods and arms under the forced draft of our huge defense expenditures. Today almost a quarter of our entire national income comes from expenditures which are directly related to the production of armaments. It just simply does not stand up to the test of common sense nor can any compilation of figures, no matter how astutely put together, ever convince me that we have finally arrived in such an Alice-in-Wonderland kind of economy in which the more we spend for defense and the more we give away to others, the more we will have left for ourselves for investment and consumption.

Traveling Dangerous Roads

We have been traveling some dangerous roads since the close of the last World War and they do not all lead to Economic Paradise. While constant emphasis has been placed upon the increase in our national income and the growth in our plant and equipment, all too little attention has been paid to the way these items have been mortgaged for the future. Dollar incomes may seem high, but it must not be forgotten that before they have any significance to the ones who receive them taxes must be deducted from the incomes and the dollars turned into purchasing power. Likewise, the increase in our plant and equipment, the number of houses erected and the huge volume of durable consumer goods sold, has been accompanied by an increase in private debt which, while its present figure may not be alarming, if permitted to increase at the same rate for another five or six years would certainly lead to serious trouble.

The figures are quite astonishing. Total private debt of all businesses and individuals, including obligations of corporations, stood at approximately $141 billion in 1945. By the end of 1951, this debt had risen to $277 billion, an increase of about 97% — almost double in seven years. Strange as it may seem on the surface, debts increase during periods of high business activity and tend to decline during periods of slow business. This is particularly true for private debt. Last year total debt increased by approximately $33 billion, carrying the total of both public and private debt at the end of the year to $519 billion. $31 billion of this increase was in the private sector of our economy and a little over $2 billion was government debt, mainly state and local governments. The increase in private debt alone last year was approximately 12% above that a year earlier and, as I have already said, reached $277 billion.

It is interesting to note that as a result of this substantial growth in private debt last year the proportion of total debt represented by private obligations reached 53%. At the close of the war, total private debt was only 35% of total indebtedness. The great growth which has taken place in our total output has been accompanied by a very substantial increase in indebtedness of all kinds —bonds, real estate mortgages, bank loans, instalment and consumer credit.

Whichever may be the cause or the effect, these data seem to indicate clearly that prosperity apparently goes with an increase in private indebtedness. It is perfectly clear, of course, that increase in consumer indebtedness tends to stimulate retail sales. There is nothing mysterious about this operation. When individuals go into debt to buy goods, they are spending more than their current income and the spending of this excess brings into the market when it is spent, an increased demand for goods. So long as, therefore, consumer and instalment debt increases, business feels the stimulating effects of this increase. Since the close of the war, the total amount of this debt has increased from approximately $4 billion to something over $21 billion, and the increase has been going on at an accelerated rate during the last few months with the passing of Regulation W. In fact this increase reached the astonishing total of $1 billion in the past four months. Time does not permit me to elaborate in detail how it works, but an increase in any kind of debt whether it takes the form of bonds to finance the additions to public utility companies, bank loans to finance increases in inventories or improvements to plant and equipment, or mortgages to build houses or instalment credit to aid sales, the net result of all increases in debt is to act as a stimulus of business activity.

Will Debt Increase Rate Continue?

Looking ahead, therefore, to the future, one of the most important questions we must decide before we can form any worthwhile opinion as to whether or not business activity will increase or decline after we have reached the plateau of defense expenditures, is whether or not total debt is likely to increase or decline at that time. My crystal ball is not too clear on this question. But certainly it does not indicate that there is likely to be an increase in consumer indebtedness at the same rate during the next few years as has taken place in the recent past.

Optimistic as realtors are by nature and as ambitious and forward looking as builders must be to succeed in their business, I doubt if there are many of them here at this convention who seriously believe it will be possible to increase mortgage indebtedness in the same amounts and at the same rate as it has been increased since the close of the war. In the past three years alone, the increase in nonfarm mortgage debt rose to over $66 billion, a percentage increase of 42%. Let us not forget that for several years we have been building more housing units than the number of new families created.

Contrary to a prevailing opinion, our Federal debt has not increased materially since the close of World War II. In June of this year it was approximately the same as it was in June of 1945. But we have only about held our own in spite of the fact that during this seven year period of time our Federal Treasury has collected about $308 billion of taxes, an amount which exceeds by over 20% the total amount of taxes which had previously been collected in the whole 157 years of our country's history. It is not difficult to increase total monetary income when the national debt increases as much as it did during the war and when private debt increases as it has during the last six years, and when the government collects such stupendous amounts in taxes and spends them on armaments. But the price which the nation pays for such growth is an increased money supply accompanied by inflation and a steadily rising price level, with a constantly growing volume of debt which mortgages the future of all of us.

These facts clearly show that today's high level of economic activity rests upon a temporary foundation. The rearmament program has had two stimulating effects. It not only has raised governmental spending to record breaking peacetime levels, but it has also caused business investment in plant and equipment to reach an all-time peak. The increase in debt, in government spending and in plant investment have made extraordinary sources of demand which cannot possibly continue in their present volume.

Unmistakable trends are also beginning to appear which would indicate that the volume of foreign demand for goods produced in this country has already begun to contract. This is only to be expected as the world recovers from the devastations of the last war. The so-called "Dollar Problem" of many foreign countries still exists and increasingly they are attempting to meet it by import restrictions imposed on our exports. One would have to be sanguine, therefore, to hope that an increase in our foreign trade could be depended upon to help us over post-mobilization readjustment. The truth is that the near-term prospects for our export trade are not promising, to say the least.

Prospective Economic Changes

The difference in the overall economic situation that appears likely to exist when war expenditures once begin to level off at a somewhat lower figure from the situation that existed at the close of World War II may be briefly summarized as follows:

(1) There will be no such amount of deferred demand for goods, either at home or abroad, as existed at that time. While of course scarcities are always relative, nevertheless all must admit that they are much less severe at this moment than they were in 1946 and, with perhaps one or two minor exceptions, they should all be a thing of the past 12 months hence.

(2) Plant capacity, both at home and abroad, is much in excess of what it was seven years ago. Practically every nation west of the Iron Curtain is turning out more goods than it did in 1939. Here in this country we will invest this year in plant and equipment approximately five times as much as we did in 1939.

(3) We have already mentioned that credit of all kinds, particularly consumer credit, has expanded phenomenally. We must not expect sales to be stimulated in the next few years by such a rapid rate of growth of debt—the credit structure will not stand it.

(4) Liquid assets, while still abundant and recently growing at a satisfactory rate, are probably not so widely held as they were at the close of the war. A considerable portion of nest eggs of government E Bonds may well have been spent by those in humble circumstances.

Admitting the validity of these four points, it still is easy to over-emphasize the importance of any reduction that is likely to take place in our defense expenditures. Assuming that there will be no further expansion of the Korean War and no outbreak of hostilities in Europe, but that foreign affairs will remain unsettled and little real progress made toward a genuine peace, present plans probably do not call for a reduction of more than $12 to $15 billion annually. While this is a large sum of money, even in 50 cent dollars, nevertheless it is a very small percentage of the total value of goods and services produced annually, which this year will amount to approximately $345 billion and which, it is estimated, will go above $350 billion in 1953. With a gross national product much smaller than this, government expenditures in 1945-46 declined by about $54 billion without bringing on a depression.

While it is not reasonable to expect such a revival of investment in plant and equipment as took place after the last war to help cushion the shock of reduced government spending, nevertheless a preliminary survey recently made by the McGraw-Hill Company leads its chief economist, Dr. Dexter Keezer, to express the opinion that capital expenditures in 1953 will only be about 10% to 15% less than they will be this year when an all-time record in this respect will be broken. Personally, I think Dr. Keezer's forecast may be a little optimistic when one remembers that by the end of this year our plant capacity will have increased by about 50% since the close of World War II. This is a rate of expansion well in excess of anything which ever was thought of as normal in the past. It cannot be denied, however, that in such industries as chemical, electric utilities, natural gas, aluminum, electronics and oil refining and exploration, substantial expansion programs are now taking place which, if present plans are not changed, will continue for another two or three years.

Another aspect of construction which has received all too little attention and which should continue to expand for several years in the future, is public construction. State, county and municipal expenditures for highways, hospitals, schools and public welfare institutions of all kinds must continue because of our rapidly increasing population. Everyone that drives a car knows that our highway system has not even begun to keep pace with the increase in traffic. The director of research of Dun & Bradstreet estimates that the backlog of these expenditures over the next 10 years approximates $100 billion. In my opinion, this figure may well be on the conservative side. The rapid increase in population which has occurred in this country since 1940 furnishes the basis of my belief that, after some minor post-mobilization readjustments have taken place, this nation is going on to attain levels of production and standards of living higher than those even contemplated today.

I have already referred to the dismal forecast of the '30's when we were told that the growth in population of this country would level off and in the not too distant future might well decline. We were also told that our economy was mature, the frontier was gone, the average age of our population would steadily grow older and people would become more interested in security than in enterprise and adventure. We have all lived to see how inaccurate those forecasts, brought forth out of depression thinking, have proven to be. Between 1940 and 1950, our population increased by approximately 20 million. It is now estimated in the current decade another 20 million will be added to our numbers. And this is not all. Population experts are now saying that by 1975 this country will have a population in the neighborhood of 190 to 195 million which, if it occurs, will be a gain in the 25 years between 1950 and 1975 of over 42 million, approximately the same number of people as now live in Great Britain.

Perhaps some of you, still remembering your Malthusian doctrine of population, may be wondering why I believe such a phenomenal increase in population will insure a dynamic economy and a rising standard of living. Why, you may ask, is it not just as reasonable to expect that this growth may cause a lower standard of living? Is not that what takes place in China and India all the time?

Effect of Increased Population

These are all good questions and one must be prepared to give reasonable answers to them in estimating the future. Under what conditions, therefore, is it reasonable to expect that an increase in population will prove a stimulus rather than a depressant to our economy?

Briefly, one can answer by saying it depends upon the amount of land, natural resources and the level of industrial know-how or technique in the country experiencing the growth in population. So long as our economy is dynamic, our natural resources ample, our schools and research institutions flourishing and our business conducted under the free enterprise system, any increase in population which this country will experience through natural birth rate will prove a stimulus to our economy. The situation is different in a country like India where for centuries its population has been suppressed by stifling customs and traditions until the initiative and energy of its people are gone.

If war can be avoided, we may well be on the eve of a new age, the atomic one, where more new industries will come into being, opening up new markets and tapping additional sources of demand now not dreamed of. Our business economy has a great capacity to make substantial adjustments when need arises. If they do not all come at once, such as the failure of total demand which occurred in 1930-32, they can be taken in their stride.

Already a considerable cross-section of our industry has been shaken down in line with consumer needs. The textile industry is a good example of this. In the coming year, the decline in the demand for materials is not likely to come all at once. The fall is likely to be first in the non-ferrous materials, probably to be followed by steel and then aluminum. Housing starts will no doubt decline from recent levels during the next three or four years and then, when the new crop of babies which began to appear in 1940 reach marriageable age in the late 1950's, we are likely to see a housing boom which will make that of the recent past seem small by comparison.

Unwise and precipitate government action is the greatest thing to fear in the coming readjustment. We now have on our books what is commonly but erroneously called the "Full Employment Act." The preamble of this Act declares that it shall be the policy and responsibility of the government to promote conditions under which maximum employment opportunities will exist. It does not state, of course, what such conditions are nor how they will be promoted. The possible policies which may be pursued under this Act cover a wide range and what they will be, of course, will depend upon the thinking of the Administration which happens to be in power at the time.

Personally, I believe that it is inherent in the free enterprise system that there will always be ebbs and flows in the state of business activity. This is not to say, however, that severe depressions such as that of the '30's are inevitable. But if, when one of these ebbs in business activity takes place, a government is in power dominated by pressure groups, and the Employment Act be made an excuse for unwise and profligate government expenditures coupled with paralyzing restrictions placed on the freedom of business enterprise, then it is altogether possible for such a government unwittingly to convert a minor inevitable readjustment of business into a severe and prolonged business depression. This is a very real danger that must be guarded against.

In conclusion may I say that in a world in such a constant state of flux as ours, no one can do more than make an intelligent guess as to what the future holds for us after the peak of mobilization has once been passed. But barring the spread of further war, it seems certain there will be a recession of the main forces which have been making for inflation and rising prices since the close of World War II. If to bring this about some slow-down in business activity must take place, the price will not be too high. Too long we have been operating our economy under forced draft stimulated by over-investment and over-spending on the part of both government and private industry. We already have a 50 cent dollar and certainly few of us want to see it reach a lower value than it has already attained.

Our banking authorities have learned a good deal during the past 30 years and I do not believe there is much danger, no matter who is Secretary of the Treasury or who controls our Federal Reserve System, of a deflationary credit policy being put into effect. It is not desirable that total credit should be materially reduced, whether mortgage, consumer or bank credit. In fact, it would be a real mistake during the coming transition period to put much emphasis upon reducing the Federal debt. While the rate of credit expansion that has been going on during the recent past must be slowed down, we do not want to start a deflationary spiral.

A cut in taxes should follow promptly any reduction in total government expenditures. In fact, taxes should promptly be reduced just as soon as defense expenditures level off. By so doing, a larger proportion of the spending power of our people can be returned to them so that the increase in the private sector of demand may compensate for the decrease in demand resulting from decreased government expenditures. A reduction in taxes is imperative, let me repeat, to provide additional private demand for goods to replace the reduced armament demand. It is of the greatest importance in this connection that the excess profits tax should be abandoned because it is precisely the companies now paying this tax to which we must look for expansion to provide more jobs to take care of those who may be let out of defense plants.

While freely admitting the possibility of some business decline after peak defense expenditures have been reached, I am optimistic about the rapidity with which business can make the necessary readjustments if not hampered by too many restrictions. Nothing short of a devastating war can stop this great free enterprise system of ours from making further progress toward greater freedom and a higher standard of living for the common man. Given peace, wise government leadership and reasonable cooperation of labor with management, there should lie ahead a long period of stable economic growth.

The millions of dollars annually spent on research, the steady improvement in our manufacturing techniques, the constantly increasing output of our factories, plus the rapid growth of our population, all unmistakably indicate this. Perhaps the President's Committee on Raw Materials Policy in its recent report looked pretty far ahead when it sketched business goals to 1975. No one knows, of course, with certainty what the future holds forth, but I find myself substantially in agreement with their findings and do not believe they were too optimistic. The advice, "Don't sell America short," is just as true today as it ever was.

And finally, I have the faith and courage to look confidently ahead to something far more important than even the ebbs and flows of business activity. I think I can see freedom again on the march. Let us not believe for a moment that the "Wave of the Future" will be the triumph of tyranny, the return of slavery and the loss of individual freedom and liberty. This is not the "Wave of the Future." It is but the record of the dismal past from which it took centuries for mankind to fight its way out. Moreover, in this day of rapid communications, I believe that eventually the Iron Curtain will no more be able to keep out our political and religious ideas from penetrating to the people behind it than their leaders can afford to ignore the progress which we are making in science and industry. These are no doubt trying times, but we must keep the faith, resist fear and fight depression. If we do this, I firmly believe that our best times will not be those that lie behind, but those that are ahead.

Joins Grimm & Co.

(Special to THE FINANCIAL CHRONICLE)

WINTER PARK, Fla. — Edwin L. Bemis has become associated with Grimm & Co. He was formerly with Craigmyle, Pinney & Co.

Francoeur Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Paul H. Dunakin has become affiliated with Francoeur & Company, Inc., 39 South La Salle Street. He was previously with Barclay Investment Co.

With Daniel F. Rice Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William V. Pantos has been added to the staff of Daniel F. Rice and Company, 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges.

Three With Slayton

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Sanford L. Barnett, Charles W. Brown and Frank O. Emmos have become associated with Slayton & Company, Inc., 408 Olive Street. Mr. Brown was formerly with Reynolds & Co. in Chicago.

With Westheimer & Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—George T. Webb is now affiliated with Westheimer and Company, 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

Mutual Funds

By ROBERT R. RICH

KIDDER, PEABODY & Co. heads an underwriting group which is making an initial offering today of 700,000 shares of Diversified Growth Stock Fund, a newly-created series of Diversified Funds, Inc. The shares are priced at $8 per share for single transactions of less than $25,000 each; $7.79 per share for single transactions of $25,000 through $49,999; $7.68 per share for single transactions of $50,000 through $99,999; $7.60 per share for single transactions of $100,000 through $249,999; and $7.49 per share for single transactions of $250,000 or more.

Diversified Growth Stock Fund is designed to provide a means whereby an investor may secure an interest in a diversified list of securities selected and continuously supervised. The objective of the management will be to invest substantially all of the assets of the fund in securities of companies which it believes to possess better than average prospects for long-term growth.

The fund was created by a resolution of the board of directors of Diversified Funds, which became effective as an amendment to the charter on Sept. 29, 1952. Diversified Funds has been in operation as an investment company since 1936. Until 1944 its shares were issued in a number of series, each devoted to a single industry. Later, certain other specialized series were added.

In 1944 the corporation created two general management series—Diversified Investment Fund and what is now known as Diversified Common Stock Fund. Since that time, the net assets of the corporation have increased from less than $10,000,000 to approximately $45,000,000 at Aug. 31, 1952 — largely as the result of sale of shares of the general management series. Diversified Growth Stock Fund is the third general management series.

On Nov. 10, 1952, stockholders of Diversified Funds approved provisions for recapitalization under which all of the outstanding shares of Diversified Preferred Stock Fund, Corporate Bond Series and Government Bonds Series will be reclassified into shares of Diversified Investment Fund, and the outstanding shares of Pacific Coast Investment Fund and of all the 18 industry series will be reclassified into shares of Diversified Growth Stock Fund. The reclassification will become effective at the close of business on Nov. 28, 1952.

Associated with Kidder, Peabody & Co. in the offering are: Dean Witter & Co., Scott, Horner & Mason, Inc., First California Company, J. C. Bradford & Co., Courts & Co., Hill Richards & Co., Manley, Bennett & Co., Mitchum, Tully & Co., Foster & Marshall, Glover & MacGregor, Inc., Grimm & Co., A. M. Kidder & Co., Dick & Merle-Smith, and Reinholdt & Gardner.

Meanwhile, all traditional notions of stockholder indifference to corporate affairs were badly dented at Monday's meeting of shareholders of Diversified Funds, where a landslide vote was cast in favor of simplifying the corporate structure of the company.

Votes representing 88.2% of all shares outstanding were cast on the proposal to eliminate 22 "specialty" funds and industry series of that investment company by reclassifying them into shares of two general management funds, Diversified Investment Fund and Diversified Growth Stock Fund. Ninety-eight per cent of the votes cast approved the plan.

Series by series, shareholders of the funds to be eliminated ratified terms of the plan by majorities ranging from 71% to 89% of all shares outstanding.

Important changes brought about by Monday's meeting include the reclassification of the 22 series, an increase in authorized capitalization from 10 million to 15 million shares and the privilege of free conversion for one year among the three continuing series—Diversified Common Stock Fund, Diversified Growth Stock Fund and Diversified Investment Fund.

Reclassification of the 22 series will be on the basis of the relative net asset values of the respective series on Nov. 28, 1952, in full shares of either Diversified Investment Fund, or Diversified Growth Stock Fund, as follows:

Diversified Preferred Stock Fund into Diversified Investment Fund; Corporate Bond Series into Diversified Investment Fund; Government Bonds Series into Diversified Investment Fund; Pacific Coast Investment Fund into Diversified Growth Stock Fund; and 18 Separate Industry Series into Diversified Growth Stock Fund.

In commenting on the shareholders' vote, Hugh W. Long, President of Diversified Funds, Inc., said, "In approving the plan, holders of the specialty and industry series voted not only to approve a simplification plan for their company but also expressed their satisfaction with the management's stewardship of their capital. They are relinquishing industry selection and timing responsibilities that the ownership of specialty funds entailed, and in effect, are asking that the company take over full-scale management of their investment by placing it in one of the three continuing general management funds."

IT IS INDICATION, indeed, of the stalwart honesty and forthrightness of the mutual funds business that a substantial and comprehensive booklet on "Understanding Capital Gain Distributions" should be voluntarily and modestly offered now for general distribution by Lord, Abbett & Company's partner, Harry I. Prankard, 2nd.

This 16-page booklet, clearly written by a man known for his brilliancy in the field of accounting and his leadership in the mutual funds business, sets forth in exact detail the true nature and effect of capital gain distributions by investment companies.

Mr. Prankard notes that today there is much misunderstanding of the nature of capital gain distributions paid by investment companies because (1) when shareholders are given a opportunity to receive capital gain distributions in additional shares of stock at net asset value rather than in cash, a substantial number elect to receive cash, (2) many investors buy the shares of investment companies just before the record dates for capital gain distributions, apparently in the belief that an impending distribution makes the investment timely regardless of other factors, and (3) some shareholders believe that the amount of capital gain distributions paid by an investment company is of itself a measure of success of the company.

In an effort to make capital gain distributions more understandable, Mr. Prankard has set forth certain facts about such distributions and his thoughts as to what the investor should do about them. The fact set forth and the opinions expressed relate primarily of course to the large number of open-end investment companies whose shares are currently being offered to the public by dealers and salesmen.

Because this booklet, which any retailer will be glad to mail to his clients, fills a need of general application on all funds regarding capital gains distributions without bias or favor, dealers will be glad to know that the booklet contains no mention of the names of Lord, Abbett's two funds—Affiliated Fund and American Business Shares.

Lord, Abbett & Company expects that copies of the booklet will be enclosed with the annual reports to be mailed to 110,000 shareholders of Affiliated Fund in November and to the 33,000 shareholders of American Business Shares in December.

Dealers, of course, may now utilize this booklet in mailings to prospective investors in investment company shares, to banks and trust companies, and to all others who might be interested in this subject.

JOHN L. COOPER, investment specialist for Massachusetts Investors Trust, one of the country's oldest and largest mutual funds, was guest speaker on Sunday's radio program "Your Money at Work," sponsored over WOR by Kidder, Peabody & Co. His subject was "The Chemical Industry."

Mr. Cooper described the chemical industry's outstanding features as the emphasis on research, its rapid growth, and its scientifically trained management.

Moderator of the program was Milton Fox-Martin, head of Kidder, Peabody & Co.'s Central Mutual Fund Department.

THE MANAGEMENT of Delaware Fund announced the shares of the $14 million open-end mutual fund will be underwritten and distributed by Delaware Distributors, Inc., a corporation recently organized for that purpose.

The announcement was made jointly by W. Linton Nelson and D. Moreau Barringer as President and Chairman of the board, respectively, of Delaware Fund.

The new distributing firm is owned by the investment advisory firm of Barringer & Nelson. "We believe," Messrs. Barringer and Nelson said in their formal notification to dealers, "you will agree with us that the present arrangement will make a smooth and workable facility for the operation of Delaware Fund and the distribution of its shares.

"Unification under the same control of the functions of management and distribution," they said, "is widely practiced in the industry, and, we believe, holds in the long run the best promise for harmonious operation, consistent direction, and service to the members of our selling group. As we reorganize Delaware Fund's distribution on these lines, we feel sure that you will continue to find the shares an attractive and suitable medium for your clients' investments."

Messrs. Barringer and Nelson emphasized that the change in underwriter implies no change whatever in Delaware Fund's management, directors or general policy.

Security dealers who had a dealers' agreement with the former underwriter were notified that they may transfer their relationship to the new distributor of Delaware Fund without the necessity of signing a new agreement form. "Therefore," Messrs. Barringer and Nelson in their capacity as underwriters told dealers, "unless we receive advice from you to the contrary, your orders for Delaware Fund shares received on and after November 4, 1952, will be construed as your assent to the incorporation by reference and adoption of the provisions of your present agreement as our dealers' agreement with you."

The same process is applicable to the reinvestment orders for Delaware Fund shares and with some minor modifications to monthly investment plans of Delaware Fund now in force.

NEARLY 300 of the leading sales representatives of Waddell & Reed, Inc., principal underwriters of the $87 million United Funds investment group, met recently at an annual sales congress in Daytona Beach, Fla. One of the features of the 3-day event was a series of 5-minute discussions on investment and sales policies by

33 district and divisional managers.

OPEN-END REPORTS

NET ASSETS of Affiliated Fund increased by about 30% to a new high of $220,479,631 during the first nine months of this year. This represents a gain of $50,873,878 over the $169,605,753 held on Dec. 31, 1951. On Sept. 30, 1952 the Company's assets were equivalent to $4.74 for each share outstanding on that date, after provision for a 12-cent capital gain distribution to shareholders. At the end of its last fiscal year (Oct. 31, 1951) the company had net assets of $158,818,398, equivalent to $4.65 per share on the shares then outstanding.

Additions to and eliminations from holdings of common stocks in the past three months have been as follows:

Additions: Arizona Public Service Co., Consolidated Edison Co. of New York; Consolidated Gas; Electric Light & Power Co. of Baltimore; First National Stores, Inc.; Indianapolis Power & Light Co.; New England Electric System; and United States Gypsum Co.

Eliminations: American Radiator & Standard Sanitary Corp.; Chicago, Rock Island & Pacific Railroad Co.; P. Lorillard Co.; Southern Pacific Co.; and Southern Railway Co.

The portfolio shows 97.10% invested in common stocks and 2.90% cash and receivables. Groups accounting for more than 5% of the total are tobacco 6.60%; oil 7.42%; food 7.10%; natural gas 8.13%; banking 9.49%; and electric light and power 22.85%.

TOTAL NET assets of Investors Mutual, largest of three mutual fund affiliates distributed and managed by Investors Diversified Services, Inc., rose from $302,597,921 to $398,529,794, an increase of $95,931,863 during the fiscal year ended Sept. 30, the Fund's shareholders were told in the company's annual report. Total number of shareholders increased from 108,000 to 135,000, a gain of 27,000 investor accounts during the 12 months.

A year of the "greatest growth in the company's history" was marked not only by a record increase in shareholder accounts, but also by a continued relatively low level of redemptions. substantial reinvestment of dividends by 63% of the Fund's present shareholders and rising markets for many securities of the type held by the Fund, said Harold K. Bradford, President.

Reporting on distribution and investment management progress, Earl E. Crabb, Chairman and President of I. D. S., pointed out that slight abatement of continued inflationary threats and higher taxes effective during most of the fiscal year were two factors which combined to increase the attractiveness of senior securities. Investors Mutual during early fiscal 1952 increased its investments in fixed-income securities, mainly preferred stocks offering relatively attractive yields.

However, Crabb explained, common stock holdings at the fiscal year represented about 60.4% of the Fund's assets. This is about "normal" for Investors Mutual, the world's largest balanced fund, with holdings consisting of a widely diversified group of common stocks, preferred stocks and bonds.

There was little selling during the year of common stocks which were in the Fund's portfolio at the start of fiscal '52. However, new money placed in equities was largely invested in securities which promised comparatively stable income.

TOTAL ASSETS of the three funds in the United Funds, Inc., investment group, reached an all-time high during the first nine months of 1952, surpassing the 1951 record by more than 25%, Cameron K. Reed, President, announced.

Total assets of the three trusts on Sept. 30 were $86,353,593, compared with $68,113,731 a year earlier.

United Income Fund had Sept. 30 assets of $60,926,651, and the net asset value of the outstanding 4,945,608 shares was $12.32 a share. During the first nine months of 1952 the net increase in the number of shares was 585,469.

United Science Fund had Sept. 30 assets of $13,826,066 and the net asset value of the outstanding 2,343,607 shares was $5.90 a share. During the nine months of 1952 the net increase in the number of shares was 464,606.

United Accumulative Fund had total assets of $11,600,876 on Sept. 30 and the net asset value on the outstanding 936,595 shares was $12.41 a share. During the nine months of 1952 the net increase in shares was 320,939.

United Funds, Inc. has filed a registration statement with the SEC covering 2 million shares of United Continental Fund Shares, which are expected to be publicly offered at $5 a share.

NATURAL RESOURCES of Canada Fund, reports net assets of $1,211,303.80 at the close of the Fund's first fiscal year on Sept. 30, Frank L. Valenta, President announced. Mr. Valenta pointed out that the report covered the full fiscal year even though the Fund had only been in actual operation since June 4. On the latter date net assets of the Fund were $107,238.23.

The number of shareholders increased to 1,517 on September 30 and the number of shares outstanding totaled 398,228. The fund is qualified for sale in 20 states.

Since the original offering the management of Natural Resources of Canada Fund has invested approximately 82% of its funds in the securities of 55 selected Canadian natural resource companies operating in a number of different resource fields.

Continued from page 11

Natural Gas in an Expanding Economy

the standpoint of valuing natural gas itself. For it proceeds on the false assumption that there is some relation between the "cost" of finding gas and the "value" of the produced gas itself. It is not necessary to tell people in the oil business what is wrong with that theory.

Some interstate pipe-line companies own their own reserves, and produce a substantial portion of the natural gas which they transport and sell. Under Federal regulation, these companies are required to carry such gas on their books at "cost." As the gas is produced, the book value of the investment is amortized proportionally. The price of gas accordingly moves progressively downward as gas becomes scarcer and scarcer. By such low prices, gas consumers suffer an illusion of growing plenty instead of realizing the fact of growing scarcity. The absurd conclusion has been reached in some cases, where the field market value is actually increasing, that a regulated company is required to carry its gas reserves on its books at near-zero value. In effect, such a company is required to give the gas away to consumers hundreds of miles from the point of production, but is permitted to charge a rate sufficient to cover the transportation costs.

In the Hope Natural Gas Co. case in 1944, Mr. Justice Jackson argued that the Federal Power Commission and the courts should get away from the rate-base method of determining the field value of natural gas under Federal jurisdiction. He said the value should be determined along economic lines; the standard should be not the fair return on the rate base of a particular producer, but the value of the gas as a commodity in competition with other gas from other producers. As he said: "The emphasis would shift from the producer to the product . . ."[2]

Mr. Justice Brandeis, a man who strongly favored Federal regulation of public utilities, said this about the gas industry: "If natural-gas rates are intelligently to be regulated, we must fit our legal principles to the economy of the industry, and not try to fit the industry to our books."[3]

Commissioner Nelson Lee Smith, of the Federal Power Commission, objected recently to the Commission's policy of including natural-gas reserves in the rate base, and offered a solution when he said that the traditional rate-making policies of the Commission in respect to pipe-line gas have the effect of discouraging and destroying the incentive to search for and produce gas. He continued: ". . . the remedy lies largely in our hands . . . As a practical matter of very real advantage to the consuming public . . . pipe lines should be encouraged to find, develop, attach, and retain in public service their own reserves of natural gas in substantial proportions . . . We are not legally bound to our present rate-making policies regarding pipe-line produced gas . . . we should endeavor to develop a more realistic and less short-sighted view of this entire matter."[4]

These quotations from two Justices of the Supreme Court, and from one veteran member of the Commission, indicate to me that there is no legal reason why the Commission must apply public-utility pricing to natural gas at the well. It seems to be merely a matter of Commission preference. The Commission could change its mind and bring its policies into closer relationship with the realities of the industry. This would certainly be desirable from the standpoint of the national interest.

(2) *Rate of Return*—As mentioned earlier, in fixing rates the Commission determines a rate base on which the regulated company is permitted to earn and then determines a rate of return which is thought to be reasonable.

It has long been recognized that one of the factors to be considered in determining a fair rate of return is the cost of money. But what the Commission has now done is to say that fair rate of return and cost of money are synonymous and has recently used that theory in two important rate cases. In developing its overall cost of money, the Commission took the actual interest cost paid on debt and the actual dividend rate paid on preferred stock. It gave weight to these costs in the same proportion as debt, and preferred stock was of total capitalization. The Commission disregarded the fact that current interest rates are higher than the rates the companies are paying and this way a very important fact in one case because the company has a substantial portion of its debt in the form of serial maturities.

But the real trouble with the Commission's approach was on the common-stock side. In one case, the Commission allowed 8¾% for common-stock money. In the other, it allowed 8.45%. In both cases, the amounts are exclusive of a one-half percent allowance for flotation costs. In support of the amounts allowed, the Commission referred to what it called an investors' appraisal of seven natural-gas company stocks. The Commission determined for a period beginning with 1946 the arithmetical relationship between the market value of the common stocks of the seven companies and the related earnings.

There are several things wrong with this method of measuring the cost of common-stock money. Since the Commission obtained its cost by relating earnings to market price, it assumed that market price is a direct result of reported earnings. This is not true. Common stocks are purchased for future earnings and dividends. Past and present earnings are only indicators to the investors of what future earnings might be. The companies involved in the two cases both had substantial gas reserves and undoubtedly investors placed value on these reserves. Investors undoubtedly looked at the recent growth record of the companies in question and of the industry of which they are a part. Having looked at these and other factors, in addition to past and current earnings and dividends, they placed a value on the stock based on their expectations of future earnings and dividends. Any method of computing the cost of common-stock money which does not recognize the fact that market value reflects factors other than current earnings cannot produce the proper answer.

One other thing about the Commission's action should be pointed out. Its percentage was arrived at by relating earnings to market value. But the percentage was then applied by the Commission to the book value of common stock which, in the case of both companies, was much less than its market value. Obviously, such treatment would decrease earnings materially.

Other criticisms might be made of the formula for arriving at the cost of money. No doubt the financial experts in the public-utility field will be discussing these for some time. Our interest here is to assess what the effect of this policy may be on the expansion of natural-gas service. I think it will be adverse.

The Commission is required by law to fix rates which are "just and reasonable." That ought to mean "just and reasonable" to the seller as well as to the purchaser; and the Commission should bear this in mind when preparing its formulas of what is a fair return. On that point, I have my own definition.

What Is a "Fair Return"?

The rate of return of a utility rate base should, in the public interest, be the lowest practical rate that will insure continued good service. A higher rate is not necessary. A lower rate endangers the quality of service.

If transmission and distribution lines, with other necessary facilities, are to be built to serve the public, the money to pay for them cannot be had from the investing public unless these regulated companies earn enough to make their securities sufficiently attractive for buyers to want to own them. Unless this condition prevails, new facilities cannot be financed; and, as a result the consumers will not be able to get proper service.

For more than six years the investor has watched the commodity value of the dollar decline. Incidentally, that is one of the unrealities of the "price-earnings" ratio which the Commission now uses. An average of earnings from 1946 to 1951 is an average of dollars of different values. Furthermore, for more than a year, the investor has watched interest rates rise and bond prices decline sharply.

In effect, the Commission's new policy tells the investor that, in a market where money is earning more, his dollars will be allowed to earn even less if he puts them into the expansion of the natural-gas business. If the Commission pursues this policy, it will be impossible for existing companies to take care of normal market growth. A rate of return which has that effect is not a fair rate.

The Gas Industry Today

Today, we have a natural-gas industry which rests on a broad foundation of adequate reserves, which is soundly financed and efficiently operated.

But it is an industry which is plagued by forces outside its control. Where gas is cheap in comparison with competing fuels, consumers are demanding more and more gas. The Federal Power Commission keeps natural-gas prices too low by refusing to permit rate increases, or by permitting only partial increases.

Furthermore, the Commission is making it difficult, and more difficult, for regulated companies to expand gas service. It takes two things to increase gas deliveries in interstate markets—gas reserves and money. The Commission's policies discourage the exploration for reserves by regulated companies, and discourage the sale of gas in the field by non-regulated companies. On the money side, the Commission makes it increasingly difficult for transmission lines to obtain the necessary financing to expand pipe-line facilities.

The Gas Industry in the Future

The picture of today is a warning for the future. The Federal Power Commission can destroy all incentive and all possibility for industry growth. But the Federal Power Commission itself cannot satisfy the growing energy requirements of the nation, nor supply the gas which far-flung markets are demanding.

It was private enterprise which built a natural-gas industry in the half century and more before Federal regulation. It was private industry which brought natural-gas service to its present state of excellence, in spite of the hobbles and road blocks invented by the Commission. It will have to be private enterprise which ministers to the needs of the markets of tomorrow. But it can do so only in the measure that the Federal Power Commission permits the industry to get the necessary reserves and the necessary financing.

I believe it in the public interest that the natural-gas industry be kept healthy and kept growing. But it may have to fight for its life against regulatory processes that would destroy it by slow and stealthy erosion. I heartily urge you to use your influence in any way that can be helpful to this industry which is so vital to our national well being.

2 FPC et al vs. Hope Natural Gas Co. 320 US 491.

3 Penn vs. W. Va. 262 US 553.

4 FPC opinion No. 230, Docket G-1618-Northern Natural Gas Co.

Canadian Securities

By WILLIAM J. McKAY

The Bank of Nova Scotia, in its current "Monthly Review," gives a thoroughgoing analysis of the factors in the present strength of the Canadian dollar. Pointing out that the Canadian dollar now ranks with the Swiss franc and the U. S. dollar as one of the few strong currencies in an unsettled world, the Bank assets there is nothing abnormal because the Canadian dollar is above parity with the U. S. dollar. "After all," the Bank states, "the Canadian dollar is a separate currency and the Canadian economy a separate economy from that of the United States. Apart from habit and past experience, there is no special reason why parity with the U. S. dollar should be regarded as the 'right' rate for the Canadian dollar. What is really significant is not the 4% premium over the parity rate but the rise in the Canadian dollar in relation to the U. S. dollar of 10% in the past sixteen months and of 14% in the past two years."

"The truth is," the Bank adds, "the Canadian dollar has been generally and surprisingly strong ever since the fixed exchange rate was abandoned in favor of a market rate of exchange at the beginning of October, 1950. Even in the first half of 1951 when Canada was running a heavy deficit in her current international transactions, the rate declined only moderately, remaining well above the previous fixed level. And since the autumn of 1951 it has been almost uniformly strong."

Commenting on the present position of the Canadian dollar, the Bank finds that there are a number of influences which have contributed to its strength in international exchange. The substantial inflow of capital into Canada provides the main explanation, it is pointed out. From 1950 to date, Canada has been importing capital on a substantial scale for the first time in twenty years. In 1950, the net capital inflow was over $1 billion, and in 1951 it was over $500 million.

This inflow is in marked contrast with the earlier postwar period when Canada was an exporter of capital in amounts exceeding $600 million in each of the years 1946 and 1947. This shift from a capital-exporting to a capital-importing position has clearly resulted in a very large increase in the demand for the Canadian dollar, the Bank maintains.

The "Review" points out, however, that capital movements do not explain the fact that the Canadian dollar has been stronger in 1952 than in 1951. Indeed, the net capital inflow is likely to be small this year, whereas there was a substantial net inward movement in 1951. The fact that the exchange rate has been consistently much higher must be attributed to the marked improvement in the current trading position this year as compared with last.

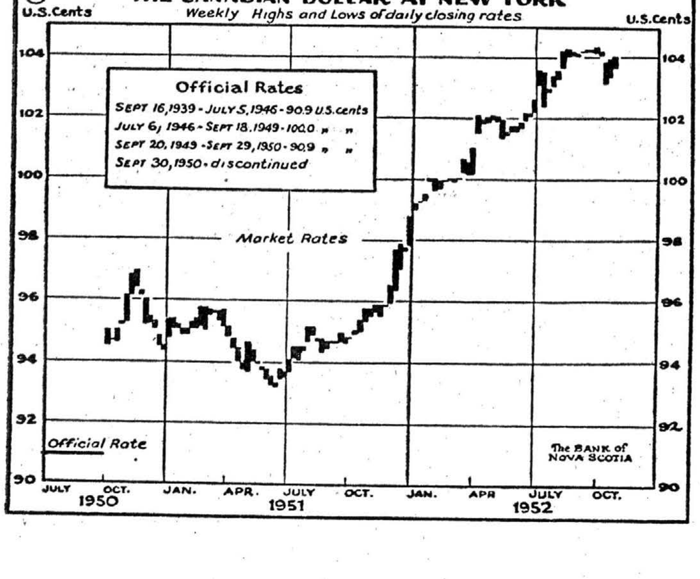
Last year, according to the "Review," Canada ran a deficit in her current transactions with the rest of the world of over $500 million. This year, the accounts suggest something approaching a balance—an improvement of around $500 million from one year to the next. Thus, this year, Canada has not been dependent on a large inflow of capital to balance her international accounts. With her current transactions approximately balanced, and direct investment in Canada and Canadian borrowing in the United States continuing on a substantial scale, the Canadian dollar has necessarily been strong.

The Bank of Nova Scotia calls attention to the fact that though the overall trading balance of Canada has improved, the regional picture of Canadian trade is less reassuring. The main fact is that Canada is running a large current deficit with the United States and an almost equally big trading surplus with overseas countries, mainly Britain and Western Europe. There has been no sign of any reduction in the large current deficit with the United States which reappeared in 1951. This year, it seems likely to be as large as the $950 million deficit of 1951, and perhaps a little larger.

On the other hand, says the "Review," Canada's trading surplus with overseas countries will be much larger in 1952 than in 1951. It is strange to reflect that the process by which Canada's current transactions are being approximately balanced this year is the traditional triangular method of settlement. As long ago as 1947, this method seemed untenable and was, indeed, followed by a marked tendency toward a closer balance in all the main geographic sectors of Canada's trade.

The fact that Canada is again running large surpluses with Britain and Europe is clearly not an indication of any improvement in the dollar position of the countries concerned, the analysis reveals. Nor is it an indication of any real tendency toward the restoration of multilateral trade. It simply reflects the fact that Canada has had basic products to sell which were urgently needed and not available in adequate quantities in the non-dollar world—wheat, base metals (including aluminum) and certain wood products.

The "Review" observes that it would be a mistake to count too much on the continuance of a trading position strong enough to go on producing large convertible surpluses in Canada's overseas trade. The current export figures probably present a more favorable picture than that which is developing, since they still reflect some orders placed before the import cuts put into effect by overseas countries and since grain shipments have been unusually large recently. It should also be observed that prices in world markets for a number of Canadian basic products, though still reasonably good, have weakened this year—pulp, lumber, lead and zinc are all cases in point.



Bank Resources Exceed Two Hundred Billion

Resources of the banks of the country stood at $204,303,000,000 on June 30, 1952, according to the recently published final 1952 edition of the Rand McNally Bankers Directory. This figure represents an increase of $13,386,000,000 for the 12-month period ending on that date, but is down $1,100,000,000 from the total shown on Dec. 31, 1951.

Deposits aggregating $186,618,000,000 showed an increase of $12,525,000,000 for the year, but a reduction for the last six months of the period of $1,570,000,000.

The number of banks showed an increase of 33 for the year, to a total of 14,711. Branches totaled 5,713, an increase of 312.

RESOURCES AND LIABILITIES AT JUNE 30
(000 omitted)

	1952	1951
RESOURCES:	$	$
Cash & sight exch.	42,304,055	38,880,559
U.S. Govt. securities	71,211,929	69,213,970
Other securities	16,988,888	15,206,202
Loans and discounts	70,979,549	64,897,034
Other resources	2,819,170	2,719,839
Total resources	204,303,591	190,917,604
LIABILITIES:		
Capital	3,970,087	3,772,524
Surplus	7,857,181	7,321,478
Undiv. profits & res.	4,021,574	3,893,534
Total cap. accts.	15,848,842	14,987,536
Deposits	186,618,160	174,092,671
Other liabilities	1,836,589	1,837,397
Total liabilities	204,303,591	190,917,604

Guardian Chemical Common Shs. Offered

Batkin & Co., of New York City, is offering publicly an issue of 299,900 shares of Guardian Chemical Corp. common stock "as a speculation" at $1 per share.

Guardian was organized in Delaware on June 26, 1952 for the purpose of manufacturing and selling a group of closely related chemical products which collectively bear the name of "Clorpactin."

There are five major grades of the Clorpactin products which the corporation is now producing. They are all white powders, and are, in their various forms, powerful disinfectants, fungicides, deodorizers, strong bleaches and detergents.

Following completion of the stock offering, the corporation will have outstanding 1,122,900 shares of common stock (par 10 cents) and 125 shares of preferred stock (par $100).

H. B. Cohle Adds

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Robert M. Swisher has been added to the staff of H. B. Cohle & Co., Union Trust Building, members of the Cincinnati and Midwest Stock Exchanges.

Two With Saunders, Stiver

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Charles J. Benedict and John B. Hannah are now connected with Saunders, Stiver & Co., Terminal Tower Building, members of the Midwest Stock Exchange.

Continued from page 16

Nature and Functions of The Federal Reserve System

country, some parts of our contribution to economic thought would be impossible, and I want to express our appreciation for the cooperation of those who help by informing us about their operations. I have great confidence in the information you furnish us and you can have full confidence, too, in the information we give you in return. I have heard competent outsiders describe the research staffs of the Board and the Reserve Banks—which sift, compile, and evaluate the economic information assembled by the System—as "the best in the business." I shall not gild the lily by adding my own appraisal, but I will say that the Federal Reserve places the same emphasis on the integrity of its economic data, as it does on its other operations.

Now, lest anyone be misled into believing that — despite my protestations—I am bent on enticing nonmember banks to join the System, I would like to devote a minute or two to the subject of bank supervision.

Bank Supervision

When the Federal Reserve Act was adopted nearly 40 years ago, one of the three objectives set out in its preamble was to establish "a more effective supervision of banking in the United States." This was in spite of the fact that the Comptroller of the Currency already had and still has primary responsibility for the supervision of national banks and state supervisory authorities occupy a similar role for state-chartered banks.

Why did Congress connect supervision with authority to regulate money and credit? Not with the idea that supervision through the examining process should be used as a tool to carry out economic policies. The Federal Reserve System can and does make a very great contribution toward moderating business fluctuations and maintaining high levels of employment and production, but it does so as a reserve banking institution, working through open market operations, discount policies, and reserve requirements—**not** bank supervision. The Board of Governors made this clear in its replies to the Patman Committee's Questionnaire early this year.

The real reason for connecting the task of bank supervision with the authority to regulate money and credit was that Congress realized that an effective reserve banking system had to be predicated upon a sound commercial banking system.

We on the Federal Reserve Board believe the purpose of bank supervision is to aid in the maintenance of a system of strong individual banks, with sound assets, sound management, and sound operating policies. If we can fortify the banking system by developing strong banks in times like these, banks which are responsive to changing conditions as well as to the needs of their communities, those same banks will be a mighty bulwark against the forces of instability.

Today, things are pretty good in Nebraska. People are making money. There have been no bank failures for a long time. In fact, banks here have taken very few losses during recent years. But let me ask: Will these conditions obtain always? How long has it been since the last really bad crop year in Nebraska? How long since you had two or more successive bad years?

Let us think a minute about agriculture, remembering that farming provides more than one-fourth of the individual income of Nebraskans and that the economy of Nebraska is much more directly dependent on prosperous agricultural conditions than is the country at large.

For the last five years cash receipts from farm marketings in Nebraska have averaged more than a billion dollars. That is an increase of more than 400% since 1940, far outstripping the increase for the nation as a whole. According to the Department of Agriculture, the average income of Nebraska farmers is almost twice the average of other American farmers. This shows how much enterprise and hard work of Nebraskans can accomplish, with an assist from the weather.

I'm sure we can bank on continued enterprise and hard work by the people of our state. I wish the same could be said for the weather. It troubled me to read a newspaper report a couple of weeks ago that parts of Nebraska, along with adjacent areas in the nation's bread and meat basket, were feeling the effects of drought—that cattle were being placed on winter feed earlier than usual, and that rain was needed rather badly for the fall planting of wheat and grass crops

The Federal Reserve System, as I said before, can exercise great influence over some causes of economic fluctuations, but to my knowledge no one has yet found a really effective way of controlling the weather.

Realistic Credit View

Common sense dictates looking realistically at the possibilities—the vagaries of the weather, the increased out-of-pocket costs that have accompanied the increased mechanization of Nebraska farms—when one tries to visualize a need for meeting unusual credit demands and when one considers the problem of constructive banking in all kinds of economic circumstances.

We in the Federal Reserve recognize that, in certain events, the Reserve System would have to do far more than it has ever done before in meeting the credit needs of its member banks and thus keeping the transmission of our economic machine properly oiled. Fortunately, the System today is in a better position than ever before to lend its assistance to member banks in times of need. But in return—we believe member banks must earn the right to that assistance by the exercise of prudence and the adherence to sound banking principles in times like the present.

The Federal Reserve does not stand in the front-line trenches of bank supervision with respect to either national or state member banks. As I mentioned before, that position is held by the Comptroller of the Currency and the state bank supervisors. But when Congress imposed on the Board of Governors the task of making bank supervision more effective, it vested in the Board certain powers. For example, It empowered the Board under certain circumstances to remove officers and directors of member banks, to bar member banks from access to the credit facilities of the Federal Reserve, and to oust state banks from membership. Therefore, it is the duty of the System to insist on sound member banks and, if necessary, to use all its powers to achieve that end.

This is not a "club in the closet"

approach to bank supervision. It is merely a statement of one of the principles of Federal Reserve policy that bankers are entitled to know. You should also know the reason therefore.

Obligations of Banks

First, there can be no possible doubt that Congress intended that the Board should exercise its powers to the end that membership in the Federal Reserve System shall constitute a badge of distinction. Second, the Board recognizes that it has an obligaton to exercise its supervisory powers in a manner which will to the fullest possible extent protect soundly-managed, soundly-capitalized member banks from the devastating effects of failures of poor ones. Third, if a bank cannot operate soundly in times like these, it has no business being in the System, for in times of stress its failure might jeopardize the benefits which member banks are justified in expecting from the Federal Reserve System. The integrity of the System is more important than the continued membership of any bank. Widespread membership is certainly desirable, but it is more important to have the System composed of good banks than to have the largest possible membership.

All of us realize that the ideal concept of bank supervision can not be put into practice unless there is profound mutual understanding and confidence between the banks and the supervisors. Real progress has been made in this direction over the past few years. Supervisory authorities are aware that further progress depends to some extent, at least, on constantly improving the competence of the examining forces.

With this in mind, the three Federal authorities have established in Washington an Inter-Agency Bank Examination School. The first experimental five-week session has just been completed and we are ready to launch another. Like the first one, this class will be picked from among the newer assistant examiners of the three agencies in every section of the country. The faculty is drawn from the top men of each agency. As bankers, you will be interested to know that as a part of the school, we set up a model $4,000,000 bank—complete in every essential detail—to be used as a training ground.

After finishing the schools' intensive course, even a young man who has never before seen the "inside" of a bank should not only know more about how to perform his work, but also understand the why's and wherefore's of basic bank records and how to check them.

It is my hope that next year we can establish a graduate school for men who have served their apprenticeship as assistant examiners and are ready to be commissioned as full-fledged examiners.

This school, which in my opinion has great potentialities, could not have been launched without the wholehearted cooperation of the Comptroller of the Cuerrncy, Preston Delano, and Chairman Maple Harl and Director Earl Cook of the Federal Deposit Insurance Corporation. It represent one of the finest examples of cooperation among agencies that I have seen in my quarter-century of government service. From the beginning, there has never been a question about who should do the work, or who would get the credit. Everyone pitched in, and the result was an outstanding example of government at its best, working with only one aim—to improve the public service.

I am very glad to be able to bring this example to your attention, and urge you to interest yourselves in other examples of government in action.

If the public service is to be improved, especially now that it has reached such gargantuan size, the people of this country must stop looking at government as something apart from themselves, something manned by men who are continually trying to get their hands on new levers of control. They must start looking at government in its true character, as the servant of the people, composed of men and women who are a cross-section of the people, and who are subject to the will of the people.

It is imperative that we regain some of what we lost with the passing of the frontier, stop looking to government for paternalistic support and protection, and once more stand on our own feet and look to each other for aid and assistance, because power for good is dependent upon the combined strength of us all.

Continued from page 5

The State of Trade and Industry

totaled 2,200,000 tons. A month ago output stood at 106.5%, or 2,211,000 tons, while a year ago when the capacity was smaller the estimated output was 2,021,000 tons with the rate at 101.1%

Electric Output Makes Further Gains in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Nov. 8, 1952, was estimated at 7,806,795 kwh., according to the Edison Electric Institute.

The current total was 53,870,000 kwh. above that of the preceding week when output amounted to 7,752,925,000 kwh. It was 410,680,000 kwh., or 5.6%, above the total output for the week ended Nov. 10, 1951, and 1,232,711,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Advance 13.3% Above Prior Week as Coal Loadings Rise

Loadings of revenue freight for the week ended Nov. 1, 1952, totaled 862,012 cars, according to the Assaociation of American Railroads, representing an increase of 101,271 cars, or 13.3% above the preceding week, due mainly to increased coal loadings.

The week's total represented an increase of 24,395 cars or 2.9% above the corresponding week a year ago, but a decrease of 1,137 cars, or 0.1% below the corresponding week in 1950.

United States Auto Output Drops 5% From 16-Month High in Previous Week

Passenger car production in the United States last week dropped 5% from its 16-month high level attained in the previous week. The industry however, still made 29% more cars than a year ago.

It aggregated 110,452 cars compared with 116,860 cars (revised) in the previous week, and 85,706 cars in the like week a year ago, according to "Ward's Automotive Reports."

Total output for the past week was made up of 110,452 cars and 30,052 trucks built in the United States, a new high mark, against 116,860 cars and 29,794 trucks the previous week and 85,706 cars and 23,991 trucks in the comparable period a year ago.

Canadian plants turned out 6,745 cars and 2,515 trucks against 6,028 cars and 2,455 trucks in the prior week and 4,866 cars and 2,799 trucks in the like week of 1951.

Business Failures Show Slight Increase

Commerical and industrial failures increased slightly to 143 in the week ended Nov. 6 from 136 in the preceding week, Dun & Bradstreet, Inc. reported. This up-turn brought casualties almost even with a year ago when 150 occurred and above the 135 in 1950's comparable week. Mortality remained far below the pre-war level, however; failures were down 47% from the 269 in the similar week of 1939.

Casualties involving liabilities of $5,000 or more accounted for the week's increase, rising to 121 from 114, and exceeding the 116 of this size last year. Failures with liabilities under $5,000 were steady at 22, but below the 1951 total of 34.

Retail and commerical service casualties were heavier during the week. Mild declines prevailed in other industry and trade groups. Fewer businesses failed than last year in manufacturing and trade, while construction and service mortality rose a little from the 1951 level.

Geographically, all of the week's upturn was concentrated in the Pacific States, where failures rose to 43 from 33, and in the South Atlantic States where they climbed to 12 from 4. Small decreases occurred in most areas, including the Middle Atlantic and New England States. The East North Central States remained unchanged. Four regions reported more failures than last year: the New England, Middle Atlantic, East North Central, and South Atlantic States. There were moderate declines from 1951 in the other five regions, with the Pacific States reporting the largest drop.

Wholesale Food Price Index Registers New Low for Year

The wholesale food price index, compiled by Dun & Bradstreet, Inc., continued to work lower last week. At $6.30 as of Nov. 4, the index represented a new low for the year and the lowest level since shortly after the start of the Korean war, or since July 11, 1950 when it stood at $6.28. The previous low for this year was $6.31 on April 22, and the high was $6.70, touched on Aug. 26 and Sept. 2. The current figure at $6.30, compared wtih $6.33 a week previous, and with $6.64 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 Gains in Latest Week After Earlier Set-Back

After dropping to 284.96 on Oct. 30, the lowest since Aug. 25, 1950 when it stood at 284.51, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., turned upward to show a slight advance for the week. The index closed at 286.15 on Nov. 3, as compared with 285.21 a week previous, and with 305.02 on the corresponding date a year ago.

Grains developed considerable strength last week under the leadership of corn and soybeans. The sharp advance in corn was influenced by strength in the cash market prompted by good demand from domestic consumers and export interests. Firmness in wheat reflected the less favorable outlook for the 1953 winter wheat crop as the result of continued dry weather in the Southwest and a more active domestic and export demand. Oats and rye advanced in sympathy wtih corn, with offerings light to moderate in volume.

Stocks of wheat in all positions on Oct. 1 were the second largest of record and totaled 1,342,000,000 bushels, as compared with 1,128,000,000 a year ago, and 1,205,000,000 bushels on the corresponding date two years ago.

Domestic flour prices turned slightly lower following recent advances. Demand was routine and buying interest was small with most bakers and large users preferring to draw against stocks bought some time ago. Cocoa futures displayed a firmer tone as the week closed, aided by short covering and limited offerings. Weakness in the early part of the week was prompted by heavy arrivals in primary markets and disappointing manufacturer demand. Warehouse stocks of cocoa showed a further decrease to 53,021 bags, from 58,522 a week ago, and 150,703 at this time last year. The spot coffee market remained easy with futures down sharply on recurring reports of Brazilian devaluation. The domestic raw sugar market was less active the past week; prices drifted downward and closed about 25 points below the high of two weeks ago.

Demand for lard was slow with prices dropping to new lows for the season. Live hog values declined for the fifth straight week, reflecting further weakness in wholesale dressed pork markets. Supplies of hogs at Chicago were the largest for any week since March. Prices for steers and lambs were also easier.

After sagging to new low levels for the season at mid-week, spot cotton prices turned upward to close with slight net gains for the week.

Early easiness was attributed to slow demand for cotton textiles, continued lag in export trade, and fears of an increase in the next official crop forecast.

Strength in late dealings reflected trade buying and short covering following recent declines, and a further increase in cotton loan entries. The parity price for cotton was reported at 34.35 cents in mid-October, against 34.47 cents a month earlier, and 33.98 a year ago. Loan entries during the week ended Oct. 24 amounted to 23,700 bales, bringing the total for the season through that date to 58,300 bales.

Trade Volume Advance Slowed as Shoppers' Attention Is Diverted to National Elections

Retail trade which had been rising steadily in recent weeks slowed slightly in the period ended on Wednesday of last week as the nation-wide elections diverted the attention of many shoppers. However, as during the last seven months more money was spent in retail stores than during the similar week a year earlier.

Suburban stores continued to chalk up more favorable gains over the year-ago levels than did large city department stores.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 1 to 5% higher than the corresponding level of a year ago. Regional estimates varied from the similar 1951 levels by the following percentages: New England and Midwest +1 to +5; East —1 to +3; South, Southwest, Pacific Coast +2 to +6 and Northwest 0 to +4.

Apparel stores sold less apparel than in the preceding week but moderately more than in the similar 1951 week. Rather mild temperatures in many sections discouraged the interest in winter wear. However, there continued to be a strong demand for sportswear, shoes and children's clothing.

Housewives trimmed their food budgets somewhat last week but continued to spend slightly more than in the corresponding 1951 week. In diminished demand were lamb, beef and hams, while the buying of pork, poultry and link meats gained. Halloween celebrations spurred the purchasing of candy and baked goods.

Retailers of household goods reported consumer demand as unchanged from the prior week but well above a year ago. Particularly popular were washers, decorating materials, giftware and phonograph equipment. More television sets were sold than at this time last year; the most spectacular rises in demand were in Texas and the Pacific Coast States.

There was little variation in most of the nation's wholesale markets in the period ended on Wednesday of last week. However, in commodity markets prices eased downward as many buyers saw a lessening of inflationary forces in the Republican victory.

As in recent months, the total dollar volume of wholesale orders was modestly higher than the level of a year earlier. Unlike the situation several months ago, merchants were less reluctant to order beyond their immediate needs since it was widely understood that previous hesitancy, particularly in the soft goods lines, had resulted in delivery snags. Retailers continued to add to their stocks for the Christmas selling season which was expected to reach a new record.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Nov. 1, 1952, declined 5% below the level of the preceding week. In the previous week an increase of 7% (revised) was recorded from that of the similar week of 1951. For the four weeks ended Nov. 1, 1952, sales reflected an increase of 4%. For the period Jan. 1 to Nov. 1, 1952, department store sales registered a drop of 1% below the like period of the preceding year.

Retail trade in New York last week suffered as a result of mild weather on the important shopping days and Election Day, in particular. Trade estimates placed the decline at close to 7% under those of the prior year.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Nov. 1, 1952, decreased 3 below the like period of last year. In the preceding week a rise of 4% was reported from that of the similar week of 1951, while for the four weeks ended Nov. 1, 1952, no change was recorded. For the period Jan. 1 to Nov. 1, 1952, volume declined 8% under the like period of the preceding year.

Continued from page 14

Should Government Regulation Manage the Carriers?

pendent of natural bias of the proponents.

Basis for Suggested Change

Last, although I am talking about standards or clues for measuring change, it may be worth reminding ourselves that every proposal carries the fingerprint of its proponent. In other words, we can often find a clue to the purpose—and thus even to the desirability—of suggestions for more or less regulation if we know who makes the suggestion, and upon what sort of experience or study it is based. Every cook flavors the pudding to her own taste. I suppose you have all had puddings which were in very bad taste! And, although we know that too many cooks spoil the broth, we must, nevertheless, agree that any pudding which is for universal consumption deserves a consultation of cooks.

Now, if my admitted predilections have not already given away the rest of my story (and for those still outside in the hall), let us see what is happening to transportation regulation in these respects.

Two Features

The Interstate Commerce Commission is well and generally recognized as a conservative and well conducted institution which, through the years, has done a good job of regulating public transportation to the general satisfaction of the transportation industry and its users. In large measure, no doubt, this general satisfaction has been due to the high caliber of personnel appointed to the Commission, as well as to the intelligence, devotion, and restraint of its well selected staff. At no time has the Commission behaved or posed as an institution of super-men! Beyond this, however, I suggest that the general acceptance of transportation regulation has resulted mainly from two features which have characterized Commission regulation.

First, the Commission has administered a statute which laid down broad principles and defined the duties and powers of the carriers and of the Commission—with clear and unmistakable reservation to management of the rights and opportunity to initiate methods, rates, practices, and programs. The basic provisions of Section 1, which prohibits unreasonable rates; of Section 2, which prohibits discrimination; and of Section 3, which prohibits unjust and undue preference or prejudice, have been the broad standards. The Commission has been the impartial umpire or judge to which anyone who felt a grievance could go and prescribe a remedy. The function truly benefits the carriers as much as their patrons, in that they have had a forum for the adjustment of grievances. Beyond that, the Commission's specific powers, as those over car service, of establishing through routes and of certifying new carriers of all types, have either been necessary adjuncts of enforcing the first three sections of the law or have been limited power truly related to the philosophy of a regulated monopoly.

Second, the Commission over the years, has not followed any idea of running transportation or of attempting to improve upon the imagination or initiative or resourcefulness of management. If service was poor, it was management's fault; and, if service improved, it was management which improved it. The Commission was not concerned with that, but only with umpiring the universally accepted rules of the game, chiefly established by the Congress.

As Old as Tyranny

In recent years the climate of opinion in government circles *outside the Commission* has cultured a new idea (new, that is, to our form of government), although it is really as old as tyranny. This idea is that government should initiate and manage, plan and protect.

This idea was slow to take root within the Commission which, largely through the years, has held fast to the American ideal that carrier management initiates and publishes rates, and that the Commission has authority to change them only upon complaint or after investigation in which the tariff or practice is found unreasonable or otherwise unlawful. Then, and only then, could the Commission set forth the rate or practice to be followed in the future as reasonable and lawful in lieu of the condemned rate or practice. And, always, the limits of reasonableness were faithfully held to the verge of two extremes—leaving a broad zone between unreasonably high and unreasonably low rates.

Entirely Unproductive

Some more recent proceedings indicate a different conception of a larger duty and obligation in the Commission—a more ambitious place in the realm of commerce and transportation.

In the so-called *small-shipments* case, the Commission undertook to explore what was talked about as the small-shipments problem—not with any role as umpire or arbiter but, rather, with an announced purpose of improving and initiating methods and practices as well as rates. This proceeding consumed years of time, and the expense and effort of hundreds of people. It has been entirely unproductive.

The enormous proceeding known as *Ex Parte 104: "Practices of Carriers Affecting Revenues"* was a colossal undertaking of the Commission which included, as Part II, the investigation of spotting practices in terminal areas—with the definitely socialistic results of cutting off service at large industries (simply because they were large and had large traffic volume) while permitting much more expensive service to small shippers, yet without any general public demand or complaints, and with no benefit to transportation.

In the motor-carrier field, the Commission undertook an investigation of leasing practices wherein it actually has legislated beyond the terms of the statute to prohibit leasing except under terms which the Commission has dictated.

And, in *Dockets 28300* and *28310*, the Commission embarked upon a self-imposed task of bringing about uniformity in class rates and classifications throughout the country.

In all of these the Commission's staff has been high-principled, honorable, and rather restrained; but it has been studying questions and imposing improvements which theretofore were considered in the proper domain of private management, and which to many transportation companies and their users were of dubious or totally lacking benefit.

Even More Ambitious

At the same time that the Commission has thus been doing, in a rather restrained and sensible way, essentially the same thing which alphabetical agencies and bureaus have been doing in extravagant fashion, there has been another development which resulted in further encroachment upon the reserved rights and privileges of management.

Since, let us say, 1935 the former monopolistic position of the railroads has given way to intense inter-carrier competition. Motor carriage has developed to the point where most of the traffic in some categories is carried by truck. Water carriage has burgeoned anew as the result of such things as enormous government expenditures in opening up inland waterways, and the developments of the war years.

In this situation, although the national transportation policy, as stated in the Interstate Commerce Act, calls for "fair and impartial regulation," there has been a tendency—growing almost to a fixed policy—of coordinating the various forms of transportation by the initiation of, and regulation of, the rates in such minutiae and detail as, in effect, to apportion the traffic. Minimum-rate cases are becoming almost the order of the day, in place of the maximum-rate cases with which the Act was primarily concerned in the past; the minimum-rate power is being used not to hold rates from going below an extremely low level, but, in an imperfect effort, to coordinate the traffic via all forms so that each may share equally in the business, with small regard to the natural forces of competition.

These trends manifest themselves in several ways. In the first place, the Commission has undertaken an impossible burden. The sheer volume of work involved in coordinating all forms of transportation, in integrating their rates, and in exploring and imposing improved methods and practices, is impossible of performance with the budget which the Commission is given. As a result, even the normal work of passing on complaints, and of administrating the specific provisions of the law, has suffered. The best efforts of the Commission, practitioners, and the public are being bent toward providing an adequate budget for the Commission. No budget, however, could be made adequate to the task if these trends are followed to their logical conclusion. In the end, the budget would have to be equal to the task of all carrier-management expenses.

Possible Reorganization

One current development or proposal is responsive to this development. The Wolfe organization, upon direction of the Congress, is currently making a study of the Commission's organization, techniques and methods—to the end of possible reorganization. This is a much needed study, and may be expected to be beneficial; but it cannot produce economies or promote efficiency sufficient to offset the effect of a new policy to run the carriers.

Numerous bills were introduced in the last Congress, of which only a minor few passed—none having broad effects; but renewal of these proposals is expected in the next Congress. Some are for lessening of control; whereas others would mean a real tightening, or further enhancing of the Commission's duties and functions, to run or to coordinate the carriers, rather than to administer a statute.

For example, there has been a large body of public opinion which regarded Section 4 of the statute as no longer necessary. That is the section which prohibits, except upon special permission from the Commission, any rate which is greater for a longer distance than the rate for a shorter distance over the same route, and which also prohibits any rate for a through movement greater than the aggregate of intermediate rates for portions of the through movement. Yet the bill introduced in the last Congress, and proposed by the railroads, to take care of this situation was curious indeed. I say curious, because railroad executives have been complaining against tight restraints. Instead of proposing a repeal of Section 4, the railroads proposed that it be introduced into Part II of the statute and thus made applicable to motor carriers; in other words, instead of removing the unnecessary burden from the back of railroad management, let us make all forms of carriage equal by putting the same burden on the back of motor-carrier management!

Another Idea

There is discussion—although no specific proposals are yet made—concerning the transfer of the entire Commission so as to make it subordinate to the Department of Commerce or a branch of the new Department of Transportation—which is to be created with cabinet status. Variously, it is also suggested that certain functions of the Commission be so transferred.

As an opposite thereto, it is suggested also that air transport—now regulated by the Civil Aeronautics Board and administered by the Civil Aeronautics Authority under the Department of Commerce—come within the aegis of the Commission.

In all of these proposals we should remind ourselves that it is most important that the Commission be kept independent of any political division—which means that it be kept out of the executive department and preserved as an independent agency. It should be restored to its traditional fine position of a non-partisan, open-minded tribunal for the determination of complaints, for the settlement of grievances, and for the condemnation, after appropriate procedures, of violations of the law. To do this, it must be taken out of the status of a body having the design and purpose of improving transportation, of finding better rules, and of encroaching on demands of management.

If it is necessary in the public interest to have our Federal Government exploring and investigating the questions of transportation, this should not be by the same men who determine controversies.

Question: Should such functions be transferred to and imposed by an executive department? This, from some points of view, would be desirable but would, after all, put transportation under certain political influences. It would be better if the investigatory, promotional, and research functions (if the government must perform them) were under a side branch of the Commission itself — this with a clear-cut separation so that any proposals or positions or policies would have no consideration by the quasi-judicial Commission itself, and in such fashion that this would be only under formal proceedings initiated by others so that they would be passed upon entirely without prejudice one way or the other, i.e., without pride of authorship, preconceived idea of merit, or otherwise.

A Return to First Principles

The Interstate Commerce Commission has had a long and honorable history. It is now endeavoring to perform an almost impossible task of regulating the minutiae of rates and relationships — and this under a small force and a limited budget. In considering the proposals of changes in jurisdiction and in methods, I urge the paramount principle of return to full acceptance of the doctrine that railroad managements, motor-carrier managements, and all other managements of businesses of transportation should have great responsibility, and very large freedom from interference, in the job of making the service meet the public's requirements and of insuring sound transportation at fair rates—this with the protection for the public, and for the carriers themselves, of a tribunal of high standing and experience, with authority limited to prescribing for the future only substitutes for those rates or practices found in fact to be undesirable and unlawful.

NITL Objectives

Men of the petroleum industry, many companies here represented have membership in the National Industrial Traffic League which, as mentioned in the Chairman's introduction, I have had the honor and privilege of serving as counsel for many years. The League is composed of traffic managers—the men who do the work of procuring, arranging, and planning transportation *As Users*. Their functions are entirely practical—not speculative; yet they are students of transportation, critics of unsound principles and methods, and seekers after better ways of furnishing and using transportation. Without their fine work, I want to say to any higher executives who may be listening, the petroleum industry would not have prospered and progressed as it has, and would not be flourishing for the present and the future!

Paying that short tribute (where it is deserved), I want to tell you that this nationwide league of shippers has had one great objective, viz., that the United States must have the finest possible transport machine and the highest quality of service at the lowest cost compatible with fair return. This can be accomplished only under private ownership and carrier management.

A spell-binder would say: The creeping paralysis of Socialism must not be allowed to give the United States any resemblance to the pattern for transportation which has come about in Great Britain.

In contrast, an orator for the Welfare State, paternal government—even a simple advocate of greater activity or enlarged powers in government—would shrug off my remarks as mostly broad generalities. But, in all human affairs and conduct, the fundamentals are important—and they are generalities. The Golden Rule and the Ten Commandments are powerful! Unless right in fundamentals, we cannot be right in details. And the thing which has distinguished the United States, and which has furnished our success and enjoyment, is *Private Enterprise* — give it what name you choose — not merely representing the freedom of each individual, but based especially on the duty and responsibility of each and every person—not the power and responsibility of the State over its people. As government itself is the servant, not the master, so transportation must be the handmaiden of commerce and industry. For its continued success in serving the people by taking them and their goods where they want to go, it must not come about that transportation is managed or conducted by our government officials. There must not be strangling and restrictive rules. The business of running the railroads, the trucks, the boats, and the planes over this whole great country is too immense—the job is so big as to be impossible of performance by any army of administrators. It is quite too big to be centered in Washington.

We are today at another crossroad in the progress of carrier regulation. Consider any suggestions of change, or of supposed improvement, in the light of my outline of principles, i.e., my humbly submitted platform!

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. 16	106.4	*105.9	106.5	101.1
Equivalent to—					
Steel ingots and castings (net tons)	Nov. 16	2,209,000	2,200,000	2,211,000	2,021,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Nov. 1	6,549,050	6,537,700	6,514,500	6,287,800
Crude runs to stills—daily average (bbls.)	Nov. 1	†6,892,000	6,938,000	6,928,000	6,543,000
Gasoline output (bbls.)	Nov. 1	23,687,000	22,301,000	23,451,000	22,057,000
Kerosene output (bbls.)	Nov. 1	2,587,000	2,493,000	2,595,000	2,737,000
Distillate fuel oil output (bbls.)	Nov. 1	9,907,000	10,531,000	10,423,000	9,226,000
Residual fuel oil output (bbls.)	Nov. 1	8,525,000	8,497,000	8,966,000	8,792,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 1	120,563,000	120,767,000	119,793,000	119,563,000
Kerosene (bbls.) at	Nov. 1	33,760,000	*34,212,000	35,212,000	35,904,000
Distillate fuel oil (bbls.) at	Nov. 1	120,077,000	*121,286,000	118,078,000	110,224,000
Residual fuel oil (bbls.) at	Nov. 1	53,292,000	54,101,000	54,617,000	49,724,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 1	862,012	760,741	851,866	837,617
Revenue freight received from connections (no. of cars)	Nov. 1	663,772	653,909	723,941	697,185
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 6	$195,442,000	$276,359,000	$341,573,000	$159,525,000
Private construction	Nov. 6	120,681,000	129,365,000	204,680,000	85,693,000
Public construction	Nov. 6	74,761,000	147,494,000	136,893,000	73,832,000
State and municipal	Nov. 6	57,272,000	69,328,000	93,093,000	54,267,000
Federal	Nov. 6	17,489,000	78,166,000	43,800,000	19,565,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 1	9,175,000	2,150,000	9,075,000	11,335,000
Pennsylvania anthracite (tons)	Nov. 1	849,000	935,000	863,000	692,000
Beehive coke (tons)	Nov. 1	65,900	*28,500	87,900	144,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Nov. 1	115	*122	116	121
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 8	7,806,795	7,752,925	7,697,880	7,396,115
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Nov. 6	143	136	147	150
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 4	4.376c	4.376c	4.376c	4.131c
Pig iron (per gross ton)	Nov. 4	$55.26	$55.26	$55.26	$52.72
Scrap steel (per gross ton)	Nov. 4	$42.00	$42.00	$42.00	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 5	24.200c	24.200c	24.200c	24.200c
Export refinery at	Nov. 5	34.625c	34.850c	34.025c	27.425c
Straits tin (New York) at	Nov. 5	121.125c	121.500c	121.500c	103.000c
Lead (New York) at	Nov. 5	14.000c	13.500c	16.000c	19.000c
Lead (St. Louis) at	Nov. 5	13.800c	13.300c	15.800c	18.800c
Zinc (East St. Louis) at	Nov. 5	12.500c	12.500c	14.000c	19.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Nov. 11	97.26	97.10	96.30	97.65
Average corporate	Nov. 11	109.24	109.06	109.06	109.60
Aaa	Nov. 11	113.31	112.12	112.93	114.08
Aa	Nov. 11	112.00	111.81	111.62	113.12
A	Nov. 11	108.70	108.70	108.70	108.70
Baa	Nov. 11	103.47	103.30	103.47	103.30
Railroad Group	Nov. 11	106.39	106.21	106.21	105.86
Public Utilities Group	Nov. 11	109.42	109.24	109.06	109.60
Industrials Group	Nov. 11	112.19	112.00	112.19	113.70
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Nov. 11	2.69	2.70	2.76	2.66
Average corporate	Nov. 11	3.21	3.22	3.22	3.19
Aaa	Nov. 11	2.99	3.00	3.01	2.95
Aa	Nov. 11	3.06	3.07	3.08	3.00
A	Nov. 11	3.24	3.24	3.24	3.24
Baa	Nov. 11	3.54	3.55	3.54	3.55
Railroad Group	Nov. 11	3.37	3.38	3.38	3.40
Public Utilities Group	Nov. 11	3.20	3.21	3.22	3.19
Industrials Group	Nov. 11	3.05	3.06	3.05	2.97
MOODY'S COMMODITY INDEX	Nov. 11	407.1	411.4	422.2	459.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 1	226,485	200,915	335,236	297,394
Production (tons)	Nov. 1	244,854	242,598	240,751	207,910
Percentage of activity	Nov. 1	97	97	95	85
Unfilled orders (tons) at end of period	Nov. 1	452,959	472,987	553,261	487,788
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Nov. 7	109.65	109.39	109.23	116.30
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. 25	25,139	26,290	24,083	42,697
Number of shares	Oct. 25	694,152	732,341	689,120	1,224,448
Dollar value	Oct. 25	$30,480,614	$32,785,362	$31,188,227	$53,842,025
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Oct. 25	20,797	20,503	21,292	32,865
Customers' short sales	Oct. 25	124	167	128	532
Customers' other sales	Oct. 25	20,673	20,336	21,164	32,333
Number of shares—Total sales	Oct. 25	594,255	582,964	599,922	971,059
Customers' short sales	Oct. 25	4,281	5,742	4,840	17,049
Customers' other sales	Oct. 25	589,974	577,222	595,082	954,010
Dollar value	Oct. 25	$23,838,174	$23,704,017	$24,376,660	$41,923,238
Round-lot sales by dealers—					
Number of shares—Total sales	Oct. 25	170,310	189,990	173,400	265,550
Short sales	Oct. 25	------	------	------	------
Other sales	Oct. 25	170,310	189,990	173,400	265,550
Round-lot purchases by dealers—					
Number of shares	Oct. 25	279,150	304,250	276,646	487,220
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. 18	205,290	171,340	190,800	297,270
Other sales	Oct. 18	6,048,480	5,606,060	5,626,080	9,826,560
Total sales	Oct. 18	6,253,770	5,777,400	5,816,880	10,123,830
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	Oct. 18	625,210	527,680	556,920	1,013,470
Short sales	Oct. 18	116,940	91,680	89,140	166,540
Other sales	Oct. 18	543,620	414,320	427,290	902,880
Total sales	Oct. 18	660,560	506,000	516,430	1,069,420
Other transactions initiated on the floor—					
Total purchases	Oct. 18	116,000	118,830	136,020	222,630
Short sales	Oct. 18	8,100	5,100	15,400	18,200
Other sales	Oct. 18	156,400	141,800	111,800	270,210
Total sales	Oct. 18	164,500	146,900	127,200	288,410
Other transactions initiated off the floor—					
Total purchases	Oct. 18	223,700	224,988	212,950	380,799
Short sales	Oct. 18	22,330	24,850	31,800	45,740
Other sales	Oct. 18	325,780	263,530	225,295	438,577
Total sales	Oct. 18	348,110	288,380	257,095	484,317
Total round-lot transactions for account of members—					
Total purchases	Oct. 18	964,910	871,498	905,890	1,616,899
Short sales	Oct. 18	147,370	121,630	136,340	230,480
Other sales	Oct. 18	1,025,800	819,650	764,385	1,611,667
Total sales	Oct. 18	1,173,170	941,280	900,725	1,842,147
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—(1947-49 = 100):					
Commodity Group—					
All commodities	Nov. 4	110.1	*110.3	111.1	------
Farm products	Nov. 4	104.3	104.5	106.6	------
Processed foods	Nov. 4	105.6	*106.2	108.5	------
Meats	Nov. 4	99.4	*101.1	108.3	------
All commodities other than farm and foods	Nov. 4	112.4	112.4	112.6	------

*Revised figure. †Includes 630,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of August	85,175	78,368	73,816
Stocks of aluminum (short tons) end of Aug.:	19,842	15,759	10,968
AMERICAN GAS ASSOCIATION—For month of August:			
Total gas (M therms)	3,316,416	3,147,038	3,212,600
Natural gas sales (M therms)	3,152,189	2,954,966	3,018,100
Manufactured gas sales (M therms)	58,184	73,137	93,400
Mixed gas sales (M therms)	106,043	118,935	106,043
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of September	9,034,000	*8,498,687	8,660,357
Shipments of steel products, including alloy and stainless (net tons)—Month of August	6,312,118	1,413,672	6,755,589
AMERICAN PETROLEUM INSTITUTE—Month of July:			
Total domestic production (barrels of 42 gallons each)	206,537,000	203,227,000	206,729,000
Domestic crude oil output (barrels)	188,868,000	*185,917,000	190,362,000
Natural gasoline output (barrels)	17,628,000	17,271,000	16,357,000
Benzol output (barrels)	41,000	39,000	10,000
Crude oil imports (barrels)	18,519,000	17,434,000	16,940,000
Refined products imports (barrels)	9,122,000	9,917,000	7,500,000
Indicated consumption domestic and export (barrels)	219,145,000	212,839,000	217,752,000
Increase all stock (barrels)	15,033,000	17,739,000	13,417,000
AMERICAN ZINC INSTITUTE, INC.—Month of September:			
Slab zinc smelter output, all grades (tons of 2,000 pounds)	76,019	78,167	70,623
Shipments (tons of 2,000 pounds)	78,129	78,435	64,632
Stocks at end of period (tons)	94,541	96,651	17,235
Unfilled orders at end of period (tons)	42,791	44,522	66,838
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S.—U. S. DEPT. OF LABOR—Month of August (000's omitted):			
All building construction	$736,756	*$806,071	$781,644
New residential	410,003	*444,654	405,077
New nonresidential	229,184	*252,209	272,951
Additions, alterations, etc.	97,568	*109,208	103,616
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of October (000's omitted):			
Total U. S. construction	$1,446,381,000	$952,218	$1,026,973
Private construction	788,004	441,893	653,378
Public construction	658,377	510,325	373,595
State and municipal	414,309	267,607	205,262
Federal	244,068	242,718	168,333
COAL OUTPUT (BUREAU OF MINES)—Month of September:			
Bituminous coal and lignite (net tons)	46,870,000	*34,320,000	42,954,000
Pennsylvania anthracite (net tons)	3,694,000	2,663,000	3,267,000
Beehive coke (net tons)	356,800	*260,300	553,400
CONSUMER PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES—1935-39=100—Adjusted as of Sept. 15:			
All items	190.8	191.1	186.6
All foods	233.2	235.5	227.3
Cereals and bakery products	194.1	194.2	189.4
Meats	278.5	280.3	277.6
Dairy products	216.7	213.8	206.4
Eggs	221.4	217.2	239.3
Fruits and vegetables	227.6	242.3	205.1
Beverages	346.6	346.6	345.0
Fats and oils	141.1	141.4	161.5
Sugar and sweets	190.4	189.9	188.2
Clothing	202.3	201.1	209.0
Rent	142.4	142.3	137.5
Fuel, electricity and refrigerators	147.6	147.3	144.4
Gas and electricity	99.0	99.0	97.3
Other fuels	210.1	209.0	204.[illegible]
Ice	165.8	164.2	157.[illegible]
Housefurnishings	205.0	204.2	211.[illegible]
Miscellaneous	173.8	173.2	166.[illegible]
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE-INSURANCE—Month of September:			
Death benefits	$146,410,000	$145,944,000	$122,338,000
Matured endowments	34,400,000	31,584,000	35,119,000
Disability payments	8,253,000	8,229,000	7,453,000
Annuity payments	28,532,000	29,886,000	26,483,000
Surrender values	48,768,000	47,978,000	42,855,000
Policy dividends	56,273,000	54,840,000	54,145,000
Total	$322,636,000	$318,461,000	$288,393,000
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of October:			
Industrial (125)	5.62	5.63	6.15
Railroad (25)	6.14	6.03	6.41
†Utilities (24)	5.30	5.28	5.77
Banks (15)	4.29	4.23	4.77
Insurance (10)	3.15	3.18	3.44
Average (200)	5.56	5.56	6.02
RAILROAD EARNINGS—CLASS I ROADS (ASSOCIATION OF AMERICAN RRS.)—Month of September:			
Total operating revenues	$942,139,287	$899,733,630	$856,153,461
Total operating expenses	674,576,858	663,359,720	657,912,594
Operating ratio	71.60	73.73	76.85
Taxes	$129,932,014	$113,780,148	$105,535,059
Net railway operating income before charges	120,912,578	104,939,433	78,668,841
Net income after charges (estimated)	95,000,000	79,000,000	53,000,000
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION—Month of August (000's omitted):			
Savings and loan associations	$592,065	$585,995	$485,532
Insurance companies	118,874	113,440	132,080
Bank and trust companies	313,236	317,159	293,493
Mutual savings banks	108,285	104,994	88,283
Individuals	239,129	245,535	227,046
Miscellaneous lending institutions	226,194	223,196	222,533
Total	$1,597,783	$1,590,319	$1,448,967
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000s omitted):			
As of Oct. 31	$264,964,296	$262,721,632	$258,335,674
General fund balance	6,175,061	7,156,176	4,873,884
Net debt	$258,789,235	$255,565,456	$253,461,790
Computed annual rate	2.349%	2.348%	2.310%
ZINC OXIDE (BUREAU OF MINES)—Month of August:			
Production (short tons)	13,376	12,433	13,575
Shipments (short tons)	17,408	16,783	[illegible]
Stocks at end of month (short tons)	21,280	25,310	[illegible]

*Estimated. †Not including American Tel. & Tel.

Continued from page 4

The Changing Economic Climate of Canada

ment in Canadian business and industry amounted to approximately $850 million. Last year, investment activity in Canada amounted to $4.5 billion, and it is estimated that some $5 billion will be invested this year. As in the case of Gross National Product, these figures are perhaps distorted by the inflationary impact of recent years. In terms of dollars of constant purchasing power, it may be said that our investment per year since 1946 has been higher each year than in the oft-referred to peak year of 1929.

We have had, and in fact continue to be in, a period of relatively heavy capital investment, and because of its importance a word or two might not be amiss concerning one or two aspects. From the end of the war through 1948 a good part of our investment efforts centered on reconversion, modernization and expansion of existing plant and equipment to meet current and anticipated demand. By the end of 1948, the reconversion period had ended and adjustments within the labor force and employment revision had, in general, become more or less stabilized. During this time investment requirements in the neighborhood of from $1¾ billion to $3 billion — averaging at the rate of some $2½ billions per year for this period—were almost entively financed within Canada.

During 1949, expansion and accompanying capital investment became more noticeable in the form of new plant, new industries, new industrial processes and, of course, in new resources. Paced by the Leduc oil discovery, we may properly include the development of iron ore, uranium, titanium, and so on. Recognition of these resources naturally invited consideration of processing and manufacturing techniques requiring substantial long-term capital investment. Beginning at this time, we witnessed a quickening of United States interest in the Canadian economy reflected by an investment during the year of some $500 million—a figure higher than in the three previous years combined—and in the past two years this investment has been in the neighborhood of $750 million each year.

The subject of capital investment opens up many avenues for discussion but time permits but two brief observations. Capital investment of a sustained character has multiplier effects which make it an attractive factor in the maintenance of high employment. But this form of economic activity is a means, not an end in and of itself, and productive capacity must be related to capacities to consume—effective demand—both domestic and foreign.

Having regard for our improving standards of living (and general approval thereof) and bearing in mind our population growth both natural and by immigration, it would seem from an arithmetical point of view that growth in Gross National Product is essential and continued capital investment a necessity. It is suggested that a long run investment target of 18-20% of Gross National Product is within our means of achievement if personal and corporate saving is not discouraged.

Canada in the International Sphere

In the international sphere two changes have been taking place in recent years: on the politico-economic front and in the field of international trade. Canada since the end of the war has been actively engaged in the United Nations and in the North Atlantic Treaty Organization in our own right. In years gone by we have participated in international conflict but in the past our movements from a peace footing to a military program and then to peaceful pursuits were clearly defined. The outbreak of war in Korea in 1950 has brought home the fact that we as a nation — small in numbers though we may be—have continuing responsibilities that must be fulfilled. Now it is obvious that we must function with the objectives before us both of defense and of domestic progress.

It is unnecessary to reflect on the events since V-J Day leading up to our voluntary participation in international organizations, designed by their architects to bring about the return of peaceful and fruitful commercial relations. Yet I would suggest that since 1945 the contributions by Canada to international rehabilitation and stability are in both marked and significant contrast to our prewar position. Bearing in mind a complete prewar Federal budget in the neighborhood of some $500 million, we have during the past six years made contributions abroad—in financial terms—to the total of approximately $2.5 billion. In prewar days we were scarcely interested in the condition of affairs abroad, if comparison of government expenditures then and now are of any significance. As we expand and consolidate our newly-developed position in international affairs it is not unlikely that we shall be expected to continue in this role. Manifestly it will become increasingly difficult to determine the degree to which our financial or technical contributions should continue in the light of the alternatives or choices that undoubtedly will confront us. It is the hope of many that enlightened self-interest will have its impact on the discussions — even with our recent economic development and its accompanying statistical aggregates the mantle of paternalism is unattractive.

Importance of Canada's Foreign Trade

In our preoccupation with domestic and regional affairs it comes to some as a shock to realize that for years about 30% of our Gross National Production has been generated by import and export trade. We are not among the nations that are self-sufficient, nor can our trade problems be viewed in the same manner as those in other countries. (I would further suggest that solutions designed for the problems faced by other countries are not necessarily applicable to ours.) While it would be an exaggeration to say that trade is our life-blood it would be remiss if it were not pointed out that we would appear somewhat anemic without it. That an estimated three out of eight people are daily engaged in the trade segment of our economy indicates its relative importance.

In the period from 1935 to 1939 our exports were distributed approximately 40% to the United Kingdom, 36% to the United States and 24% to other countries. Since the war, however, a steady decline in the percentage of our exports going to the United Kingdom and other Commonwealth countries has taken place. In 1945 30% of our exports went to the United Kingdom and in the following years a steadily declining percentage has been recorded in spite of assistance through ERP, credits, and the like. In 1951 only 16% of Canada's exports went to the United Kingdom but an upturn from this level has been noted during the first eight months of 1952 to 19% of total exports. With regard to the sterling area there also is noted a modest increase during the eight-month period and this in spite of reductions in import quotas designed to improve exchange reserve positions. It might be added at this point that all countries engaged in trade cannot have favorable balances at the same time. What is lacking at present is a truly corrective mechanism.

In recent years a north-south trade bias has been evident and in part reflects our efforts to expand markets in the United States in order to pay for our imports from the United States, greatly increased as a result of the high level of Canadian incomes, associated with a rapid rate of economic development. In dollar terms, our domestic exports to the United States in the prewar period averaged $321 million; in the past five years they have increased from slightly more than three times to over seven times this value. Percentagewise the north-south trade has absorbed an increasingly larger share of our total exports.

For the near future the pattern of Canada's trade seems likely to be a continuation of the present trend—in the short run at least. A long run continuation of this trend would appear to present many problems of adjustment in the Canadian economy. Our economy and that of the United States are more or less complementary, but many of the products of which we have an exportable surplus are not readily marketable in the United States. Our industrial capacity has made enormous strides in the past decade and it is unlikely that United States markets for our processed goods would expand in proportion to our industrial expansion. It seems, therefore, to be in the interests of Canada continually to seek more diversified markets in order to proceed with our development as an industrialized nation as well as a supplier of feed grains and agricultural products.

This can only be achieved by efforts toward re-establishing a freer world movement of goods and by a stimulation of the free flow of investment capital. Tariff barriers, import and export restrictions, inflexible exchange rates and inconvertible currencies hamper such freedom. In the more immediate sphere of the "North Atlantic Triangle," Marshall Aid and other such temporary expedients have preserved a measure of multilateral trade but they present no permanent cure. Only by increasing their exports to dollar countries can the United Kingdom and other sterling area and "soft" currency countries earn the means of putting their currencies on a convertible basis, lessen their dependence on bilateral trade arrangements and secure for themselves and for the world as a whole the benefits of multilateral trade.

That our trade picture continues to be in a state of change is reflected in the fact that within ten years the Canadian dollar has passed through a cycle of devaluation, revaluation and devaluation, of fixed exchange rates, partly the cause and partly the effect of widespread disruptions in our foreign trade and in our reserve position. Our move away from a *fixed* rate to *free* market rates is one step in the direction toward freer movements of goods and capital and toward quicker readjustment to changes outside the national economy.

Changes in Canada's Domestic Scene

Returning now to the domestic scene, two generally broad changes in direction have taken place, the first entering on employment and the other in the field of welfare. Whether or not war speeded up what has been called by some a social evolution is open to debate. In any event the outbreak of war in 1939 did resolve some of the more grievous and unsolved economic and social problems of the depression period. Late in the war consideration was being given to possible postwar patterns and it was at this time that we began to accept the idea of "full employment" as an objective—not as a circumstance.

So far it has been unnecessary for us to construct the machinery for the implementation of a "full employment" program. International reconstruction and reconversion coupled with our own domestic development provided more than the necessary impetus to the achievement of a high and sustained level of productive employment. However the discussions and the publication of the White Paper "Employment and Income with special reference to the initial Period of Reconstrution" (April 1945) led to the supposition that if and when government action is necessary to combat aggravated cyclical change the monetary and fiscal weapons now available will be utilized to the degree and extent deemed practicable. Whether our available weapons are capable of achieving their purpose awaits the test of time.

We also have had emphasized for us a welfare philosophy which, while not perhaps worked out as far as some would like to see, already is reflected in young age pensions and old age pensions. Much of our welfare activity, and for that matter subsidy programs and price supports of one kind and another, have been aided by means of redistribution of income through the taxing power. There are of course obvious limits to this procedure and in so mentioning this fact an opportunity is afforded to revive a homespun comment—none the less significant for being so—that you cannot continue to consume without producing.

While we have become preoccupied with the subject of consumption—or, perhaps better, the purchasing power necessary for consumption — and particularly with respect to certain groups, it may be that we have tended to overlook the road-blocks to production. Perhaps the wider acceptance of welfare concepts relative to a decade ago—despite continuing confusion as to the precise meaning or implication of the term—is a notable change. What needs clarification is whether we should support the approach involving the redivision of the existing stock-pile of goods or whether in the general self-interest an expansion of the stock-pile might not provide larger sections for every one—a not unworthy objective. If we support the latter alternative then it becomes glaringly obvious that deterrents to production are not in the general self-interest.

Government Outlays Up Ten-Fold

Today the amount of money allocated by the Federal Government on the grounds of need is over ten times as large as in 1939. I think it can be said with conviction that our economy is becoming more and more humane and that care is being taken of the unfortunate and needy. But to those who envisage expansion of welfare services it cannot be too often emphasized that the possibilities of increasing welfare by output far exceed the possibilities of increasing it by redistribution. In little more than a decade the national income in real terms has more than doubled; in the next 25 years a further doubling in real terms would go a long way towards improving the standard of living from coast to coast.

We now are in the third year of the Korean war. This war perhaps has effected the greatest change in our economic thinking that we in Canada—that we on this continent—have had to face. The necessity of meshing a military program with an essentially civilian program, and at a time of accelerated resource development, invited and required great resiliency on the part of the people and imagination on the part of our Government. Upward price movements, perhaps even more than downward movements, cause social unrest and invite persuasive and often impractical appeals for government controls. Monetary and fiscal measures incorporated in the budgets for the fiscal years of 1951 and 1952 reflect the positive efforts of the Government to cope with the war-inspired inflationary issues. We have been forced to choose as between desirable expenditures and desirable investments. This has been and still is a new phase for many of us in our battle against incipient inflation. Conditions in an economy neither at peace nor at war are of a peculiar nature, and bearing in mind that our preparedness program may go on for some time the Government was careful not to impose a therapy ill-suited to cope with the ailments. As some one observed not long ago, very few people dislike inflation; in the same vein, if the agitation of some months ago is any guide, there are those amongst us who favor controls for their own sake.

Basic Factors in Canada's Industrial Growth

At this stage of the year 1952 it may be interesting to assess briefly some of the basic factors and changes in our commercial and industrial growth. First of all, the accelerated rate of resource development, which has been taking place during the past three or four years, is likely to continue on a somewhat similar or greater scale for some time to come. One of the most outstanding examples of such developments comes from our oil fields in the west which are presently fulfilling one-third of our oil requirements as contrasted with the import of 89% of our crude oil in 1946. However such development must not overshadow the recent increased expansion of the chemical, iron ore and base metal developments as well as the expansion of hydro electric power.

With every reason to believe we will surpass the high Gross National Product already achieved, there will be the accompanying high level of disposable income, an influential factor in the expanding consumer market. While I have emphasized the fact that an expansion of welfare should be based on increasing production, the converse is no less significant, namely that steadily increasing production requires increasing consumption both at home and abroad.

Resource development and expansion, accompanied by technological improvements, suggest that industrial development and capital investment will continue to be high, though at this stage it would be difficult to forecast the rate of future investment. In addition to these favorable underlying factors are the savings of people across the country which have attained a very high level relative to even three or four years ago. This potential source of spending power, while it may not be reached immediately, is nevertheless an underlying factor of strength.

Keeping in mind the other side of the picture, we must consider the ability of foreign countries to buy the products of our expansionary economy. We have a continued and important stake in trade and for this reason we actively participate in and watch closely the trade conferences that have taken and are taking place. Changes in international attitudes can influence our levels of prosperity. Furthermore, there is the question of the consumers' propensity to spend with regard to their increased earnings. Will they continue to purchase commodities at the present rate or at a greater or lesser rate in the months ahead? This query cannot be answered in brief compass other than to re-emphasize the fact that consumer attitudes and spending are basic to the over-all prosperity of the economy.

Our defense program will continue to expand in the near future and it is possible that we may encounter shortages in some of our basic materials — materials ordinarily used for domestic purposes. We have already been been made aware of this situation, experienced in a more intensified manner under "all-out" war conditions. Yet, even in a "grey war," shortages temporarily can emerge and can interfere with production schedules to the extent of disturbing existing balances. As a result, careful planning of production and inventory control will be required for the months ahead.

To look into the future and be able to define, with some accuracy, a factor which I have not mentioned previously, namely the Communist position, would be a difficult task indeed. How long their position will remain undefined is difficult to ascertain. Assuming a cold war continues for some years it is likely that we will go on blowing hot and cold by turns. This element of uncertainty must be understood and accepted by us—a marked change in our lifetime.

Under this condition, too, we are faced with the necessity of fighting a war, not necessarily at this stage with physical weapons, but with psychological (ideological) weapons. It is possible that our arsenal of ideas with which to combat alien influences may be less up to date than we realize. They may well need to be re-examined and re-valued. While it is in our immediate and even long-run interests to improve business conditions in our economy (progress, we call it) it is equally important that from time to time we re-examine the underlying philosophy which indeed makes business possible at all.

* * *

History reveals that a world at peace is a world in which some one or a group assumes responsibility for that peace. As a member of NATO, the United Nations and other alliances, we, as Canadians, have attempted to make a positive contribution toward world peace by lending our voice and sending our arms to our friends abroad. To this course of action we have committed ourselves; it is against this background that business and trade are being carried on. We have been called upon to increase our productive potential. If this situation can be fully met by increasing efficiency and expanding output then we will have done our best. The decision rests with us as to how well or how inadequately we manage the way of life which has been imposed upon us by recent international events. I have every reason to believe that the challenger will be well met.

Continued from page 14

Relating the News To Your Investments

dollars only from additional gifts or loans from Uncle Sam.

And that involves two things which relate to your midwest auto parts producer; taxes and foreign trade.

I repeat, all stories are economic.

News About the New President

When President Eisenhower gets to the White House, he will be confronted with some of the most perplexing problems in history. His decisions will make news. The news will affect your investments.

He will have to try to balance the budget while reducing taxes—a challenging assignment indeed.

He will have to adopt policies to control inflation and turn the precarious prosperity into something strong and growing.

He will have to decide the extent of our foreign aid program.

It will be his task to determine whether we can import more to aid European nations without hurting our own economy.

He will face the problem of Europe's yawning dollar gap.

He will have to deal with numerous socio-economic problems such as aid to education, health programs, employment insurance, Federal old age and survivors' insurance, and public housing.

He will have to decide how to run a more efficient veterans' program.

He will be required to unravel the tangled program involving water resources and land conservation.

All these relate to your investment.

It has always amazed me that the unshaven wild-eyed Communists who march in the May Day parade on Eighth Avenue can discuss the European Payments Union, the Moscow Conference or the Schuman Plan with authoritative tones, if not comprehension, while the average American has lacked even minor knowledge of the subjects.

Awakening to Economic Problems

But, sensitive to the economic opinion of the republic, I have been heartened in the past year to sense an awakening to economic problems. More Americans have learned that the world's ills are mostly of economic origin and that visible manifestations like militarism, nationalism, politics and unique ideologies, are but tail wags of the economic dog.

Even so, many Americans are not relating the economic news and the economic developments to their own investments.

For some reason, during the past 20 years, there has been a growing timidity among younger people when it comes to investments. They're afraid to tackle the problem first hand and instead prefer to deal in secondary markets like investing in mutual funds or buying larger and larger insurance policies.

Unless a person is terrifically busy so that he or she can't spare the time to read newspapers and give the stock market some serious thought, there's no reason why he or she couldn't be his own investment analyst, his own forecaster.

If we are to perpetuate the capitalistic system—if we are to maintain a steady flow of new wealth into new investments so that new enterprises can be formed and old ones can expand, then it's necessary that more Americans know something about the function of investments and the securities markets. This is particularly true of women, for, as Mrs. Soss has pointed out with great accuracy, it is the women, not the meek, who are inheriting the earth.

Wall Street Operates On Knowledge

Wall Street does not operate on tips. It operates on knowledge and judgment. It gains its knowledge and information from the daily newspapers, and the trade papers. The judgment is something only an individual can exercise.

The information needed to invest wisely is at hand every day, any day, for a nickel. A woman has a more meticulous mind than a man, and she can see sometimes with far greater clarity than her husband, the significance of news in relation to the stock she holds.

I like to think of a dollar as being new-born when it is put into my hand. It is up to me to give it the proper care and feeding to nurture it into adulthood, and it is up to me to see that it grows and flourishes in a healthy climate, in a good neighborhood. A parent doesn't have to be told when something is bad for a child. Neither should an investor have to be told when something is bad for his stock.

Pretend you're an insurance company. You're being asked to risk some money on the life of a corporation. You know how the real insurance companies who have risked money underwriting life insurance are always running institutional ads advising people to be careful crossing streets or stay out of the rain or not to get too overweight. If you're an insurance company issuing a policy on the life and health of a corporation, you'll know what's good for that corporation and what's bad for it.

Before closing, I have one word of warning. Too many of us, busy with the tasks of living, have come to rely too heavily on the commentators of radio and television. Worthy men though they are, they cannot give you all the news you need to be your own forecaster.

You need a daily session with a daily newspaper—or even two or three newspapers.

We are fortunate in living in a city that has so many excellent newspapers. They can be your guide. They're not tip sheets or green sheets. They won't advise you. But they'll inform you, if you'll let them. And with the proper information, you're well armed for a profitable assault on the ramparts of Wall Street.

What news to look for?

All news. It all relates to you and to your investment.

With Coburn Middlebrook

(Special to The Financial Chronicle)

WORCESTER, Mass.—Franklin B. Sher and Walter F. Winchester have become associated with Coburn & Middlebrook, Inc. Both were previously with H. L. Robbins & Co., Inc.

Denton Adds to Staff

(Special to The Financial Chronicle)

BOSTON, Mass. — Arthur J. Brown is now with Denton & Co., 16 Court Street.

With Prescott, Wright

(Special to The Financial Chronicle)

KANSAS CITY, Mo. — Joseph H. Cook has become connected with Prescott, Wright, Snider Co., 916 Baltimore Avenue.

Continued from page 5

The New Administration . . . What It Will Do in Finance and Business

really bank on is a healthful *climate*.

The Tax Front

The tax front is one place where at least some early action can be expected. Not that the *over-all* deficit-spending and tax bills will be materially reduced for another year (assuming the continuation of Cold War-ism); but that, under Finance Committee Chairman-designate Milliken's leadership, there will be sound re-adjustment in the *composition* of the tax structure. The so-called excess profits tax, which had been publicly criticised by Truman Cabinet members Snyder and Sawyer, will certainly be ended next June. But even here the Treasury's simple giving up of that levy's $3 billion take cannot be assumed—particularly if economic and political conditions abroad should deteriorate further. As sorely needed compensation therefor, the normal corporate tax might be raised instead of, as now is provided, being lowered; and the scheduled 1953 repeal of the 11% increase in individual income tax rates enacted in 1951, may be rescinded. However, in the absence of war-heatening and with Eisenhower's ability to talk back to the money-spending Generals, by 1954 it should be feasible to reduce individual income taxes about 10%, and reduce some of the particularly punitive excise taxes, as on liquor. In any event, the capital gains holding period should be shortened, and the rate lowered from 26 to 25% as it was pre-Truman's sop to the CIO.

Business

Epitomizing the outlook for corporate welfare, business can look forward to a *climate* attuned to the free market. As to the widespread fear of recession with a run-down in the armament tempo, it should be realized that, as after World War I, widespread expectations of post-armament boom recession and deflation were completely upset by the appearance of surprisingly large pent-up demand. This time the compensation may come from new processes, products and entire industries, in this dynamic economy of ours. But the state of international tension will continue as the great "X" factor in business as well as elsewhere.

The Stock Market

The future of the stock market is now as uncertain as ever. Over the short term, stocks may follow the British pattern since Churchill's re-accession to power in October, 1951, by declining in expectation of a reconstructive brake on expansion and inflation. Such market reaction would be largely psychological.

Objective appraisal of the present stock price level as related to value criteria leads to the conclusion that the *value* is there; that stocks are selling ex-inflation.

Dividend yields are generous, the average on the 955 dividend payers listed on the New York Stock Exchange now being 6½%, which is ½% higher than it was 12 months previously.•

This 6½% yield is in contrast to the 2.98% available from high grade bonds.•• The ratio of market price to the projected earnings, on the Standard and Poors stock index is only 10.3.

Most company balance sheets now are well buttressed with working capital and in many cases there is no funded debt or preferred stock, the common stock constituting the sole capitalization.

Based on such value criteria, American stocks are considerably cheaper than equities in the British or French markets.

And corporate profits, measured by 525 companies representative of the larger manufacturing organizations, as compiled in the National City Bank Letter, in the last three months showed a gain of 3% over the preceding quarter, and of 2% over the third quarter in the previous year.

Thus it seems that the inflation hedge is being thrown in gratis for the stock buyer; and that hence a floor exists not far below present levels.

The imminent change of Administration re-emphasizes the importance of selectivity — with attention to be paid to industries and issues affected by such factors as tax changes and states rights over tideland oil.

In the stock market also, middle-of-the-roadism is the theme!

•Based on Sept. 30 prices and cash dividends paid during the previous 12 months. *Source: "Exchange" Magazine, November, 1952.*

••*Source:* Standard and Poors Index of High Grade Bonds.

White, Weld Group Offers Int. Minerals & Chemical Debentures

White, Weld & Co. heads an investment group which is offering for public sale today (Nov. 13) $20,000,000 International Minerals & Chemical Corp. 3.65% subordinated debentures due July 1, 1977. The debentures, which are convertible into common stock on or prior to Dec. 31, 1967, are priced at 100 plus accrued interest from July 1, 1952.

Proceeds from the sale of the debentures will be added to the cash funds of the corporation and will be available for general corporate purposes including the completion of construction of certain capital assets.

The debentures are convertible, unless previously redeemed, into common stock on or prior to Dec. 31, 1957 at $50 principal amount for each share of common stock, thereafter on or prior to Dec. 31, 1962 at $55 principal amount for each share of common stock, and thereafter on or prior to Dec. 31, 1967 at $60 principal amount for each share of common stock.

The debentures are redeemable at 103% to and including July 1, 1954, thereafter to and including July 1, 1976 at decreasing prices and thereafter at 100%, together with accrued interest in each case.

The debentures are also redeemable through operation of a sinking fund beginning Jan. 1, 1959 at 100% together with accrued interest.

International Minerals & Chemical Corp. is engaged in the production and sale of phosphate rock and potash, two of the main ingredients of plant foods, or fertilizer, and chemical products derived therefrom; also complete plant foods and plant food components and amino acid products. The most important of the latter is "Ac'cent," a pure monosodium glutamate used to enhance food flavors. The company also produces and sells industrial minerals, including various types of bonding clays and bentonite.

With Blair, Rollins Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — Charles G. Price has become associated with Blair, Rollins & Co., Incorporated, 50 State Street. Mr. Price was formerly with Coburn & Middlebrook, Inc.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

NEW ISSUE CALENDAR

November 14, 1952
Baltimore & Ohio RR.----------Equip. Trust Ctfs.
(Bids noon EST)
Garrett Freightlines, Inc.--------------Debentures
(Allen & Co.)

November 15, 1952
Florida Telephone Corp.------------------Common
(Offering to stockholders—underwritten by Shaver & Co.)

November 17, 1952
Long Island Lighting Co.---------------------Bonds
(Bids noon EST)
Middletown & Royalton Water Co.---------Bonds
(Blair F. Claybaugh & Co.)
Smith-Douglass Co., Inc.------------------Common
(F. Eberstadt & Co., Inc.)
United Gas Corp.---------------------------Common
(Offer to Electric Bond & Share Co. stockholders)

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
Missouri Research Laboratories, Inc---------Common
(Offering to preferred stockholders—underwritten by Morfeld, Moss & Hartnett)
Northern Pacific Ry.-------------Equip. Trust Ctfs.
(Bids to be invited)
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 11:30 a.m. EST)
Peoples Gas Light & Coke Co.----------------Common
(Offering to stockholder—No underwriting)

November 26, 1952
Commonwealth Edison Co.----------------Preferred
(Offering to stockholders—underwritten by Glore, Forgan & Co. and The First Boston Corp.)
Federal Electric Products Co.---------------Common
(H. M. Byllesby & Co., Inc.)
Magma Copper Co.--------------------------Common
(Offering to stockholders—underwritten by Lazard Freres & Co.)

November 28, 1952
Cleveland Electric Illuminating Co.--------Common
(Offering to stockholders—no underwriting)
Union Bag & Paper Corp.--------------------Common
(Offering to stockholders—underwritten by Morgan Stanley & Co.)

December 1, 1952
Consolidated Gas, Electric Light & Power Co. of Baltimore-----------Debentures
(Bids to be invited)

December 2, 1952
Seaboard Air Lines RR.---------Equip. Trust Ctfs.
(Bids to be invited)

December 3, 1952
Florida Power Corp.----------------------------Bonds
(Bids to be invited)
New York, Chicago & St. Louis RR.--Eq. Trust Ctfs.
(Bids to be invited)

December 4, 1952
Pacific Telephone & Telegraph Co.-------Common
(Offering to stockholders—no underwriting)

December 10, 1952
Wabash RR.-----------------------Equip. Trust Ctfs.
(Bids to be invited)

December 15, 1952
New England Telephone & Telegraph Co.-----Debs.
(Bids to be invited)

January 20, 1953
Ohio Power Co.------------------Bonds & Preferred
(Bids 11 a.m. EST)

January 27, 1953
Iowa-Illinois Gas & Electric Co.-------Bonds & Pfd.
(Bids 11 a.m. CST)

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.

★ Alaska Air Transport, Inc., Juneau, Alaska
Sept. 12 (letter of notification) 200,000 shares of 5½% cumulative preferred stock. **Price**—$1 per share. **Proceeds**—For equipment and investment. **Address**—Box 2808, Juneau, Alaska. **Underwriter**—None.

★ Alaska Coastal Airlines (Co-partnership of Alaska Air Transport, Inc. and Marine Airways)
Nov. 3 (letter of notification) 300,000 shares of 5½% non-voting cumulative preferred stock (137,300 shares offered by Alaska Air Transport, Inc., and 162,700 shares by Marine Airways). **Price**—$1 per share. **Proceeds**—For new aircraft and equipment. **Address** — Box 2808, Juneau, Alaska. **Underwriter—None.**

Allpark Finance Co., Inc.
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.

★ Belle-Air Gold Club, Inc.
Oct. 28 (letter of notification) 200,000 shares of common stock, series No. 1. **Price** — $1 per share. **Proceeds**—For working capital. **Office** — 95th St. and Nall Ave., Overland Park, Kansas. **Underwriter**—None.

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.

★ Brunner Manufacturing Co.
Nov. 5 (letter of notification) 58,435 20/26 shares of common stock (par $1) to be offered for subscription by common stockholders of record Nov. 13 at rate of one new share for each 5⅕ shares held; rights to expire Nov. 28. **Price**—$5 per share to stockholders and $5.75 to public. **Proceeds**—To remodel plant and purchase new machinery and for working capital. **Underwriter**—Mohawk Valley Investing Co., Inc., Utica, N. Y., for up to 10,000 shares.

• Byrd Oil Corp., Dallas, Tex.
Oct. 22 filed $1,750,000 of 10-year 5½% convertible sinking fund mortgage bonds due Nov. 1, 1962, to be offered for subscription by common stockholders at the rate of $100 of bonds for each 28 shares of stock held (for a 14-day standby). Certain stockholders have waived their rights. **Price**—At par. **Proceeds**—To repay $1,014,500 of outstanding notes and for drilling expenses and working capital. **Underwriters** — Dallas Rupe & Son, Dallas, Texas; Carl M. Loeb, Rhoades & Co., New York; and Straus, Blosser & McDowell, Chicago, Ill. **Offering**—Postponed until after Jan. 1, 1953.

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.

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.

★ Commonwealth Edison Co., Chicago, Ill. (11/26)
Nov. 6 filed approximately 1,150,000 shares of convertible preferred stock (par $25) to be offered for subscription by common stockholders of record Nov. 24 at rate of one preferred share for each 12 common shares held. Rights will expire on Dec. 10. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriters**—Glore, Forgan & Co. and The First Boston Corp., both of New York.

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 Dec. 18, 1967 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. No public offering planned.

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.

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.

★ Federal Electric Products Co., Newark, N. J. (11/26)
Nov. 6 filed 225,000 shares of common stock (par $1). **Price**—To be supplied by amendment (expected to be between $5 and $6 per share). **Proceeds** — To acquire stock of Powerlite Switchboard Co. **Business**—Electric switchboard and panelboard. **Underwriter**—H. M. Byllesby & Co., Inc., Chicago, Ill.

• Florida Power Corp. (12/3)
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. 3.

• Florida Telephone Corp., Ocala, Fla. (11/15)
Oct. 27 (letter of notification) 25,500 shares of common stock (par $10), to be offered for subscription by common stockholders about Nov. 15. **Price**—$11.75 per share to public and $10.50 to stockholders. **Proceeds**—For expansion program. **Address**—Box 1091, Ocala, Fla. **Underwriter**—None. Shaver & Co., St. Petersburg, Fla., will offer unsubscribed shares.

Floseal Corp., Seattle, Wash.
Sept. 12 (letter of notification) 24,950 shares of capital stock (par $1). **Price** — $12 per share. **Proceeds** — For general corporate purposes. **Address**—c/o The Corporation Trust Co., 1004 Second Ave., Seattle 4, Wash. **Underwriter**—None.

Food Fair Stores, Inc., Philadelphia, Pa.
Sept. 9 filed 100,000 shares of common stock (par $1) to be offered to certain employees pursuant to the terms of stock purchase plan. **Price**—$3 below the average market price for the month in which payment is completed. **Proceeds**—For general funds. **Underwriter**—None.

Forming Machine Co. of America, Inc.
Oct. 3 (letter of notification) 175 shares of common stock (par $1) being offered for subscription by stockholders of record Sept. 23 at rate of one new share for each 15 shares held; rights expire Nov. 10. **Price**—$200 per share. **Proceeds**—For working capital. **Office**—18 Hamilton St., Bound Brook, N. J. **Underwriter**—None.

★ **General Investors Trust, Boston, Mass.**
Nov. 7 filed 50,000 shares of beneficial interest in the Trust. **Proceeds**—For investment. **Underwriter**—None.

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) being offered for subscription by certain employees and executives. **Price**—$28.50 per share. **Proceeds**—For working capital. **Underwriter**—None. Statement effective Nov. 5.

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.

★ **Hub Loan Co., Jersey City, N. J.**
Nov. 7 (letter of notification) 25,000 shares of cumulative preferred stock (par $2) and 250,000 shares of common stock (par 25 cents). **Price**—For preferred at par and for common $1 per share. **Proceeds** — For working capital. **Office**—183 Newark Avenue, Jersey City, N. J. **Underwriter**—None.

Idaho Maryland Mines Corp.
June 6 filed 200,000 shares of common stock (par $1). **Price**—At market (on the San Francisco Stock Exchange). **Proceeds**—To selling stockholder (Gwendolyn MacBoyle Betchtold, as executrix of the last will and testament of Errol Bechtold, deceased). **Office**—San Francisco. Calif. **Underwriter**—None.

International Glass Corp., Beverly Hills, Calif.
Sept. 22 (letter of notification) 299,635 shares of common stock, to be issued as follows: To William Hoeppner, 6,985 shares; to stockholders of Soft-Flex Glass Fabrics Corp., 17,650 shares; and to public, 275,000 shares. **Price**—At par ($1 per share). **Proceeds**—For general corporate purposes. **Office**—119 South Beverly Drive. Beverly Hills, Calif. **Underwriter**—Douglass & Co., Beverly Hills, Calif.

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.

★ **Kentucky Oil & Gas Corp., N. Y.**
Oct. 31 (letter of notification) 1,000,000 shares of common stock (par 3 cents). **Price** — 30 cents per share. **Proceeds**—For drilling and completion of wells. **Underwriters**—S. B. Cantor & Co. and Degaetano Securities Co., both of New York.

★ **Kut-Kwik Tool Corp., Brunswick, Ga.**
Oct. 31 (letter of notification) 10,000 shares of common stock (par 1 cents). **Price**—At market. **Proceeds**—To C. A. Veley, the selling stockholder. **Underwriter**—Compton & Wharton, Philadelphia, Pa.

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**—To be received up to noon (EST) on Nov. 17 at City Bank Farmers Trust Co., 20 Exchange Place, New York, New York.

Lowell Adams Discount Co., Inc., N. Y.
Oct. 23 (letter of notification) 29,000 shares of 6% cumulative preferred stock. **Price**—At par ($10 per share). **Proceeds**—To increase working capital. **Underwriter**—Louis L. Rogers Co., New York.

★ **Macco Corp., Paramount, Calif.**
Nov. 4 (letter of notification) 1,470 shares of common stock (par $1). **Price**—At the market (about $10 per share). **Proceeds**—To Mrs. Helen R. Davis, the selling stockholder. **Underwriter** — Dean Witter & Co., San Francisco, Calif.

★ **Magma Copper Co. (11/26)**
Nov. 7 filed 281,018 shares of common stock (par $10) to be offered for subscription by stockholders on or about Nov. 26 at rate of one new share for each 2¼ shares of stock held; rights to expire on or about Dec. 11 (the number of shares to be offered and the ratio of the offering may be changed prior to the effective date of the registration statement). **Price**—To be supplied by amendment. **Proceeds**—Sufficient to provide company with a minimum of $6,000,000, after expenses, will be used to provide additional funds to San Manuel Copper Corp., wholly-owned subsidiary, in connection with the loan authorized to it by the RFC in the amount of $94,000,000. **Underwriter**—Lazard Freres & Co., New York.

★ **Marine Airways, Inc., Juneau, Alaska**
Sept. 12 (letter of notification) 200,000 shares of 5½% cumulative preferred stock. **Price**—$1 per share. **Proceeds** — To increase investment and purchase aircraft parts. **Address**—Box 2808, Juneau, Alaska. **Underwriter**—None.

Marsh Steel Corp., North Kansas City, Mo.
Oct. 27 filed $500,000 of 5% debentures, series A, due $50,000 annually from Nov. 1, 1953 to Nov. 1, 1962, inclusive. **Price**—At 100% of principal amount. **Proceeds**—For working capital. **Underwriter**—The First Trust Co. of Lincoln (Neb.).

McCarthy (Glenn), Inc.
June 12 filed 10,000,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds** — For drilling of exploratory wells, acquisition of leases and for general corporate purposes. **Underwriter**—B. V. Christie & Co., Houston, Tex. **Dealer Relations Representative**—George A. Searight, 50 Broadway, New York, N. Y. Telephone WHitehall 3-2181. **Offering**—Date indefinite.

McGraw (F. H.) Co., Hartford, Conn.
Sept. 10 (letter of notification) 5,000 shares of common stock (par $2) and warrants to purchase 20,000 shares of common stock at $6 per share to be offered in units of one share and warrants to purchase four additional shares. **Price**—$19.87½ per share. **Proceeds**—To Clifford S. Strike, the selling stockholder. **Underwriter**—Granbery, Marache & Co., New York.
Oct. 6 (letter of notification) 25,000 shares of common stock (par $2). **Price**—$7 per share. **Proceeds**—To Clifford S. Strike, the selling stockholder. **Underwriter**—Granbery, Marache & Co., New York.

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 unit. **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.

★ **Middletown & Royalton Water Co. (11/17)**
Nov. 7 (letter of notification) $65,000 of 5% refunding and improvement mortgage bonds due Jan. 1, 1965. **Price**—At par and accrued interest. **Proceeds**—For capital additions and improvements. **Office**—Mill Street, Middletown, Pa. **Underwriter**—Blair F. Claybaugh & Co., Harrisburg, Pa.

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. (11/20)**
Oct. 29 (letter of notification) 25,000 shares of common stock (par 10 cents) to be offered for subscription by preferred stockholders at rate of two shares of common for each three preferred shares held. **Price**—$1.25 per share. **Proceeds**—For working capital. **Office**—2109 Locust Street, St. Louis, Mo. **Underwriter**—Morfeld, Moss & Hartnett, St. Louis, Mo. for 20,000 shares.

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.

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 shares of class B common stock (no par) and 150 shares of class C preferred stock (par $1,000) being 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. **Offering** — Being made to residents of Oregon only.

★ **Nesco, Inc., Chicago, Ill.**
Nov. 4 (letter of notification) 12,050 shares of common stock (par $5) to be issued upon exercise of stock purchase options granted to certain employees. **Price**—$8.10 per share. **Proceeds**—For working capital. **Underwriter**—None.

★ **New England Telephone & Telegraph Co. (12/15)**
Nov. 7 filed $20,000,000 of 25-year debentures due Dec. 15, 1977. **Proceeds**—To repay advances received from American Telephone & Telegraph Co., the parent. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Gloer, Forgan & Co.; Kuhn, Loeb & Co. **Bids**—Tentatively expected to be received on Dec. 15.

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. No general offering planned.

Pacific Finance Corp.
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. (12/4)**
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 on Dec. 3; rights to expire on Dec. 30. Subscription warrants will be mailed on Dec. 4. 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.

● **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

Continued on page 40

Continued from page 39

Stanley & Co. Bids—To be received up to 11:30 a. m. (EST) on Nov. 25 at Room 2315, 195 Broadway, New York, N. Y.

Pacific Western Oil Corp.
Aug. 5 filed 100,000 shares of common stock (par $4). Price—At the market. Proceeds—To J. Paul Getty, President, Underwriter — None, sales to be handled by brokers on the New York Stock Exchange.

Paradise Valley Oil Co., Reno, Nev.
Aug. 20 filed 3,000,000 shares of capital stock. Price—At par (10 cents per share). Proceeds—To drill six wells on subleased land and for other corporate purposes. Underwriter—None, with sales to be made on a commission basis (selling commission is two cents per share). Office—c/o Nevada Agency & Trust Co., Inc., Cheney Bldg., 139 N. Virginia St., Reno, Nev.

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.

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) being 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.

★ **Read (D. M.) Co., Bridgeport, Conn.**
Nov. 3 (letter of notification) $300,000 of 10-year 5% debentures to be offered in exchange for 4¾% cumulative convertible preferred stock (par $50) on a par for par basis (6,000 preferred shares are outstanding). Underwriter—Warren W. York & Co., Inc., Allentown, Pa.

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.

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.

★ **Sinclair Oil Corp.**
Nov. 10 filed 298,735 shares of common stock (no par) to be offered to certain officers and other employees of the company and its subsidiaries under the Stock Purchase and Option Plan. Price—$39.50 per share. Proceeds—For general corporate purposes. Underwriter—None.

● **Smith-Douglass Co., Inc. (11/17-18)**
Oct. 14 filed 370,000 shares of common stock (par $5), of which 100,000 shares are to be offered by the company and 270,000 shares by certain selling stockholders. Price—To be supplied by amendment. Proceeds—To install phosphoric acid facilities and other plant improvements. Business—Producer and distributor of fertilizer materials and mixed fertilizers. Underwriter—F. Eberstadt & Co., Inc., New York.

Southern 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 Sulphur Co., New York**
Nov. 7 filed 1,250,000 shares of common stock (par 10 cents). Price—$1 per share. Proceeds—For construction of plant and purchase of new equipment and for working capital. Underwriters—Gearhart & Otis, Inc., and F. L. Rossmann & Co., both of New York.

Standard Tungsten Corp.
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. Statement has been withdrawn.

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.

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.

● **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; rights to expire on Dec. 5. Price—To be suplied 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.

★ **Union Bag & Paper Corp., New York (11/28)**
Nov. 7 filed 253,008 shares of capital stock (par $20) to be offered for subscription by stockholders of record Nov. 28 at rate of one new share for each six shares held. Rights will expire on Dec. 15. Price—To be supplied by amendment. Proceeds — For working capital and expansion program. Underwriters—Morgan Stanley & Co., New York.

● **United Gas Corp., Shreveport, La. (11/17)**
Oct. 15 filed 525,036 shares of common stock (par $10) to be offered for subscription by Electric Bond & Share Co. to its stockholders on the basis of one share of United Gas stock for each 10 shares of Bond and Share stock held on Nov. 10; with rights to expire Dec. 3. Subscription warrants are expected to be mailed Nov. 14, with the offering to start Nov. 17. Price—$22.50 per share. Proceeds—To Electric Bond & Share Co., which presently owns 3,165,781 shares (27.01%) of outstanding United Gas stock. Underwriter—None.

★ **Unitelko, Inc., New York**
Oct. 31 (letter of notification) 40,000 shares of preferred stock (par $1) and 80,000 shares of common stock (par 10 cents) to be offered in units of one preferred and two common shares. Price—$5 per unit. Proceeds—For production of television shows, etc., and for general corporate purposes. Office—c/o H. E. Hangauer, 452 Fifth Avenue, New York, N. Y. Underwriter—None.

★ **Utilities Building Corp., Beverly Hills, Calif.**
Oct. 24 (letter of notification) 2,200 shares of common stock (no par). Price—$100 per share. Proceeds—To purchase building and for working capital. Underwriter—Real Property Investments Inc., 233 So. Beverly Drive, Beverly Hills, Calif.

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.

★ Western Light & Telephone Co., Inc.
Nov. 7 filed 65,168 shares of common stock (par $10) to be offered for subscription by common stockholders at rate of one new share for each five shares held. It is the present intention of the board to fix a period of approximately 10 days during which subscriptions may be made. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Harris, Hall & Co. (Inc.), Chicago, Ill.

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.

★ Zenda Gold Mining Co., Seattle, Wash.
Oct. 31 (letter of notification) 150,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—To 20th Exploration Inc. **Office** — 635 Securities Bldg., Seattle 1, Wash. **Underwriter** — Joseph U. Montalban-Troy.

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, Calif.
Nov. 12 company offered 246,088 additional shares of common stock (par $20) to common stockholders of record Nov. 7 at rate of one share for each three shares held. Rights to expire Dec. 11. **Price**—$50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Blyth & Co., Inc., and associates.

● Arkansas Fuel Oil Corp. (to be successor to Arkansas Natural Gas Corp.)
Oct. 3 it was announced that subject to approval of reorganization plan of Arkansas Natural Gas Corp. by U. S. District Court of Delaware, the new company, to be known as Arkansas Fuel Oil Corp., proposes to issue and sell $23,000,000 of sinking fund debentures due 1972. **Proceeds**—To retire $21,877,760 of 6% preferred stock (par $10), at $10.60 per share, with preferred stockholders, other than Cities Service Co., to be offered the debentures in exchange, plus a cash adjustment. **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 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 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. (11/14)
Bids will be received by the company at No. 2 Wall St., New York 5, N. Y., up to noon (EST) on Nov. 14 for the purchase from it of $5,505,000 equipment trust certificates, series FF, to be dated Dec. 1, 1952, and mature annually from 1953 to 1967, inclusive. This is the first instalment of a total issue of $10,005,000 series FF certificates. Probable bidders: Halsey, Stuart & Co.; 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.

Central Maine Power Co.
Sept. 2 it was announced company soon after March 1, 1953, intends to issue and sell $6,000,000 of first and general mortgage bonds and sufficient common stock to yield approximately $5,000,000 to refund the then outstanding short-term notes. **Underwriters**—To be determined by competitive bidding. Probable bidder—(1) For bonds, Halsey, Stuart & Co. Inc.; Coffin & Burr, Inc. and The First Boston Corp. (jointly); Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Harriman Ripley & Co., Inc.; Salomon Bros. & Hutzler. (2) For stock, Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc. and The First Boston Corp. (jointly); Harriman Ripley & Co., Inc.

Columbia Gas System, Inc., N. Y.
Oct. 10 it was announced company plans to issue and sell common stock and additional debentures early in the Spring of 1953. **Proceeds**—To repay bank loans and for construction program. Company has sought SEC authority to borrow from banks an aggregate of $25,000,000. **Underwriters**—To be determined by competitive bidding. Probable bidders: For stock, Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co. and R. W. Pressprich & Co. (jointly); Morgan Stanley & Co. For debentures, Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Connecticut Light & Power Co.
March 1 it was announced that it is presently estimated that approximately $11,000,000 of additional capital will be required during the latter half of 1952. **Underwriter**—Putnam & Co., Hartford, Conn.

★ Culver Corp., Chicago, Ill.
Nov. 3 it was announced that following proposed two-for-one stock split, the company proposes to offer to its present stockholders the right to subscribe at par ($2 per share) for one additional share for each share held.

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 Dec. 1, 1982. **Proceeds** — To refund about $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**—To be received up to noon (EST) on Nov. 18.

East Tennessee Natural Gas Co.
Sept. 29 it was announced company proposes to construct about 100 miles of pipe line the estimated cost of which, $5,784,606, is expected to be financed through the issuance of $4,500,000 of first mortgage bonds (which may be placed privately) and $1,300,000 of bank loans. **Traditional Underwriter**—White, Weld & Co., New York.

Eastern Utilities Associates
Sept. 3 it was announced that amended plant of reorganization of this company and subsidiaries calls for issuance by company of $7,000,000 debentures and a sufficient amount of common stock to raise approximately $2,000,000. plan further provides that Blackstone Valley Gas & Electric Co., Brockton Edison Co., and Fall River Electric Light Co. issue mortgage bonds. **Proceeds**—To repay bank loans. **Underwriters**—For EUA debentures may be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. (for bonds only); Lehman Brothers; Estabrook & Co. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co. and Harriman Ripley & Co., Inc. (jointly).

European American Airlines, Inc.
June 11 it was reported company plans to raise an additional $400,000 of equity capital. An issue of $200,000 of capital stock was just recently placed privately at $7.50 per share. **Underwriter** — Gearhart, Kinnard & Otis, Inc., New York.

● Garrett Freightlines, Inc. (11/14-17)
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.
Stockholders of record Nov. 6 were given the right to subscribe for 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**—Sharff & Jones, Inc. and White, Hattier & Sanford, both of New Orleans, La.

● Iowa-Illinois Gas & Electric Co. (1/27/53)
Nov. 3 it was reported company plans issue and sale of $6,000,000 first mortgage bonds and 60,000 shares of preferred stock (par $100). **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: For bonds, Halsey, Stuart & Co. Inc.; Harriman, Ripley & Co. Inc., Union Securities Corp. and White, Weld & Co. (jointly); Equitable Securities Corp.; Glore, Forgan & Co.; Harris, Hall & Co. (Inc.); Lehman Brothers; Blyth & Co., Inc.; The First Boston Corp.; Smith, Barney & Co. For preferred, Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; Glore, Forgan & Co.; Lehman Brothers; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Kidder, Peabody & Co.; Harriman, Ripley & Co. Inc. **Bids**—Tentatively scheduled to be received at 11 a.m. (CST) on Jan. 27.

Kansas City Power & Light Co.
Sept. 15 company announced that it plans to issue and sell late in 1952 $12,000,000 principal amount of first mortgage bonds **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Blyth & Co., Inc. and Lazzard Freres & Co. (jointly); The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Equitable Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc. **Proceeds**—For new construction.

Laclede Gas Co.
Oct. 1 it was reported company may issue and sell $10,000,000 to $12,000,000 of securities, probably bonds. **Proceeds**—For new construction. In August of last year, an issue of $8,000,000 3¾% first mortgage bonds due 1976 was placed privately through Lehman Brothers and Merrill Lynch, Pierce, Fenner & Beane.

Mansfield Tire & Rubber Co.
Oct. 1 it was reported company plans issuance and sale of a convertible preferred stock issue. **Underwriter**—A. G. Becker & Co. Inc., Chicago, Ill.

MidSouth Gas Co.
Sept. 23 company was authorized by FPC to construct 191 miles of natural gas pipeline and to acquire an existing 38-mile line from Arkansas Power & Light Co. at an aggregate estimated cost of $4,524,200. Stock financing in July, 1951, was underwritten by Equitable Securities Corp.; T. J. Raney & Sons; and Womeldorff & Lindsey.

Mississippi Power & Light Co.
March 14 it was reported company plans to issue and sell in November an issue of $8,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probably bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp. and W. C. Langley & Co. (jointly); Equitable Securities Corp. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.

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.
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. **Offering**—Expected in December.

● New Orleans Public Service Inc.
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. **Bids**—Originally scheduled to be received on Dec. 15 have been postponed until around the end of the first quarter of 1953.

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.; Kuhn, Loeb & Co.; Union Securities Corp.; Kidder, Peabody & 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.

Continued on page 42

Continued from page 41

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.

★ **Northern Pacific Ry. (11/20)**
Bids are expected to be received by the company on Nov. 20 for the purchase from it of $6,375,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc., Salomon Bros. & Hutzler.

★ **Ohio Edison Co.**
Nov. 10 company announced it plans issue and sale, early in 1953, of 150,000 additional shares of preferred stock (par $100) and 479,846 additional shares of common stock (par $12). **Proceeds**—To finance construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: (1) For preferred stock: Morgan Stanley & Co.; Lehman Brothers and Bear, Stearns & Co. (jointly); W. C. Langley & Co.; Glore, Forgan & Co. and White, Weld & Co. (jointly); The First Boston Corp. (2) For common stock: Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Morgan Stanley & Co.; The First Boston Corp.

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). **Registration**—Scheduled for Dec. 18.

Pacific Associates, Inc.
Sept. 13 it was reported corporation plans to sell publicly an issue of prior preference stock to finance expansion of Kaar Engineering Corp. of Palo Alto, Calif.

Pacific Northwest Pipeline Corp.
Aug. 29 company filed a second substitute application with the FPC proposing to construct a 1,384-mile transmission line extending from the San Juan Basin in New Mexico and Colorado to market areas in the Pacific Northwest. Estimated overall capital cost of the project is $179,000,000. Financing is expected to consist of first mortgage pipe line bonds and preferred and common stocks, and is expected to be completed by April, 1953. **Underwriters**—White, Weld & Co. and Kidder, Peabody & Co., both of New York, and Dominion Securities Corp., Ltd., Toronto, Canada.

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.

★ **Public Service Co. of New Hampshire**
Nov. 3 it was announced company plans to issue and sell approximately $5,000,000 of bonds in May or June, 1953, and in the latter part of 1953 to issue sufficient common shares to raise about $4,000,000. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: For bonds, Halsey, Stuart & Co. Inc.; The First Boston Corp. and Coffin & Burr, Inc. (jointly); Kidder, Peabody & Co.; White, Weld & Co. For stock, Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Harriman Ripley & Co. Inc.

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.

★ **Seaboard Air Line RR. (12/2)**
Bids are expected to be received on Dec. 2 for the purchase from the company of $5,700,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.**
Nov. 3 FPC authorized company to construct pipeline facilities estimated to cost $32,518,500. On Sept. 15 it had been 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 Planters National Bank, Memphis, Tenn.**
Oct. 31 it was announced company plans issuance and sale to stockholders of 100,000 shares of capital stock (par $10) on a one-for-five basis. **Price**—$32 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Equitable Securities Corp., Nashville, Tenn.

United States Pipe Line Co. (Del.)
Sept. 25, 1950 it was announced that this company had been formed to build, own and operate a petroleum products pipeline from the Texas Gulf Coast to St. Louis, Chicago and other midwest markets to operate as a "common carrier." The initial financing has been arranged for privately with no public offering expected for at least two years. E. Holley Poe and Paul Ryan, of 70 Pine St., New York, N. Y., are the principal officers of the corporation. **Underwriters**—Probably Dillon, Read & Co. Inc. and Glore, Forgan & Co., both of New York.

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 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.

Our Reporter's Report

Notwithstanding the stringency in the money market, with member banks being forced to borrow heavily at the Federal to maintain their reserve position, high-grade corporate bonds continue to creep gradually forward.

This paradoxical situation apparently reflects one of two conclusions on the part of people who are currently on the buying side. They are convinced that stringency in money is temporary and not likely to lead to firmer rates.

Or, they have swung around to the belief that the recent correction in the market overran itself and made many selected issues look a bit on the attractive side.

Whatever the reason, and of course, the prospective slack in the new issue market is among the major influences, it remains a fact that the market, at the moment, is a sellers' affair and expected to remain in just that status through the balance of the year.

Money continues to pile up with institutions which must invest it. The current report of the major life insurance companies, covering the first nine months of the year, is a case in point.

These organizations, it develops, have put $3.5 billion in new money into investments in that period. Taking into account funds derived from maturities, refundings and sales of investments, this group of companies had a total turnover of better than $10 billion in the period.

Life Firms Buying

A breakdown of the new money investments by life insurance firms discloses that of the total, more than $2 billion or some 60% went into obligations of industrial firms. An additional $677,000,000 consisted of utility bonds and some $214,000,000 went into obligations of railroads.

New investments in stocks absorbed only $141,000,000, of which less than half was placed in common shares. Mortgage financing in the nine months took the lion's share footing up to $2.9 billion.

As of Sept. 30, these firms had total business security investments of $20.5 billion while their stake in mortgages was approximately the same at $20.8 billion.

Swelling the Total

The scope of the expansion in life companies' investment in industrial securities was swelled by substantial purchases of securities through direct negotiation.

While International Harvester Co.'s latest acquisition of new capital through this medium did not figure in the foregoing report, it is nonetheless typical of operations in that area of the new money market.

Harvester has just closed with Prudential Insurance Co. for a loan of $100,000,000 to aid in financing construction and development of new products. The loan took the form of 3½% promissory notes maturing 1982, but subject to repayment at the rate of $5,000,000 annually starting in 1963.

Short Prospectus

Wall Street got its introduction this week to the "abbreviated" identification statement authorized under a recent change in the Securities and Exchange Commission's rules covering prospectuses.

This new departure in the marketing of new securities is designed to permit the potential investor to study a projected offering during the period of "hibernation" under the registration requirements of the law.

The condensed statement is being used in connection with the offering of 70,000 shares of Suburban Propane Gas Corp. convertible stock. Meanwhile the sponsors are mailing the full form of the statement to a substantial list of dealers.

Light Schedule Next Week

Next week finds underwriters facing an unusually light schedule of prospective new offerings. On Monday the Long Island Lighting Co. will open bids for $20,000,000 of first mortgage 30-year bonds.

On Thursday bankers will offer for the Province of Quebec an issue of $25,000,000 of 20-year debentures.

And on the same day the Duquesne Light Co. is scheduled to receive bids for an issue of 250,000 shares of common stock.

There is the usual smattering of municipals, of course, and always the possibility of some negotiated ventures being brought out.

Continued from page 8

NSTA Notes

Krisam, Geyer & Co., Incorporated; Paul J. Lane, Kidder, Peabody & Co.; T. Frank Mackessy, Abbott, Proctor & Paine; David R. Mitchell, Hill, Thompson & Co., Inc.; Herbert L. Seijas, Merrill Lynch, Pierce, Fenner & Beane; Homer Wirth, Mabon & Co.

Nominations other than those selected by the Nominating Committee can be made by a petition presented to the Secretary endorsed by 15% of the members eligible to vote for candidates. All nominations shall close 15 days prior to the Annual Election.

Members of the Nominating Committee are: Arthur J. Burian, Daniel F. Rice & Company; Richard H. Goodman, Shields & Company; Walter Kane, Shearson, Hammill & Co.; James T. McGivney, Hornblower & Weeks; Leslie Barbier, Ingalls & Snyder.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League standing as of Nov. 6, 1952 are as follows:

Team—	Points
Donadio (Capt.), Demaye, Whiting, O'Connor, Rappa, Seijas	35
Murphy (Capt.), Manson, D. Montanye, O'Mara, Pollack Gavin	31
Hunter (Capt.), Klein, Weissman, Sullivan, Murphy, Searight	30
Goodman (Capt.), Smith, Valentine, Meyer, Farrell, Brown	28
Serlen (Capt.), Gerstein, Krumholz, Rogers, Gold, Young	27½
Meyer (Capt.), Kaiser, Swenson, Frankel, Wechsler, Barker	27
Mewing (Capt.), Bradley, Weseman, Hunt, Gronick, Huff	27
Leone (Capt.), Greenberg, Tisch, Werkmeister, Leinhard, Corby	22
Bean (Capt.), Frankel, Strauss, Nieman, Bass, Krassowich	21
Burian (Capt.), G. Montanye, Voccoli, Siegel, Reid	18
Growney (Capt.), Craig, Fredericks, Bies, McGovern	17½
Krisam (Capt.), Ghegan, Jacobs, Gannon, Cohen	16

5 Point Club

Duke Hunter — Cy Murphy
Walt Mewing — Julie Bean

Reynolds Reduction Securities Placed

Reynolds Reduction Co., a wholly-owned subsidiary of Reynolds Metals Co., has arranged to place privately through Dillon, Read & Co. Inc. and Reynolds & Co. $76,750,000 of first mortgage bonds and notes due Jan. 1, 1968.

The proceeds from the sale of these securities are to be used to finance expansion of the company's plants in Texas and Arkansas.

Westheimer Adds

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—H. Russell Bracken II has become associated with Westheimer & Company, 30 East Broad Street. Mr. Bracken was previously with Merrill Lynch, Pierce, Fenner & Beane.

Joins F. I. du Pont

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C. — M. S. Mahaley has become associated with Francis I. du Pont & Co., Liberty Life Building. Mr. Mahaley was previously with Thomson & McKinnon.

Life Companies Boost Securities Investments

New acquisitions in business and industrial bonds in first three-quarters of 1952, exceeded $3½ billion, or about one-third of total increase in life companies' assets. Investments in stocks amounted to $141 million.

According to the Life Insurance Institute, new investments in securities and mortgages by the life insurance companies of this country totaled $10,155,000,000 in the first three quarters of this year.

The securities of business and industry accounted for the greatest single block of this year's new investments, adding up to $3,565,000,000. Industrial bonds made up two-thirds of this aggregate. Stocks accounted for only $141,000,000, less than half of these being common shares. Total life insurance investments in business and industrial securities on Sept. 30 were $29,494,000,000.

Mortgages financed by the life companies in the three quarters totaled $2,936,000,000, the third quarter alone showing $963,000,000. Total mortgage holdings on Sept. 30 were $20,801,000,000, up $1,510,000,000 since Jan. 1.

New investments and holdings are reported by the Institute as follows (000,000's omitted):

	—Acquired—				—Holdings—	
	Sept. 1952	Sept. 1951	9 Mos. 1952	9 Mos. 1951	Sept. 30 1952	Sept. 30 1951
U. S. Government Securities	$320	$234	$3,248	$6,313	$10,399	$11,355
Foreign Government Securities	2	28	90	166	1,394	1,512
State, County, Mun. Bonds (U.S.)	9	23	140	150	1,136	1,165
Railroad Bonds (U.S.)	37	25	280	214	3,425	3,177
Public Utility Bonds (U.S.)	46	64	709	677	11,365	10,636
Industrial & Misc. Bonds (U.S.)	183	147	2,435	2,088	12,546	10,551
Stocks (U.S.): Preferred	12	6	79	92	1,481	1,434
Common	8	9	62	109	677	620
Foreign Corporate Securities	21	6	148	100	859	724
World Bank Bonds	—	—	28	18	122	71
Farm Mortgages: Vet. Admin.	—	—	—	3	27	29
Other	23	20	279	320	1,627	1,467
Non-Farm Mortgages: FHA	79	74	634	813	5,592	5,095
Veterans Administration	12	73	346	1,063	3,326	2,962
Other	189	138	1,677	1,823	10,229	9,161
Total Securities & Mortgages	$941	$847	$10,155	$13,951	$64,205	$59,959
Farm Real Estate	—	—	—	—	19	26
Other Real Estate	11	20	158	166	1,717	1,529
Policy Loans	39	38	387	414	2,683	2,546
Cash	—	—	—	—	1,039	937
Other Assets	—	—	—	—	1,915	1,780
Total Assets	—	—	—	—	$71,578	$66,777

National Bank Assets Up $5 Billion in Year

Comptroller of the Currency Preston Delano reports that the total assets of the nation's 4,927 active national banks on Sept. 5, 1952 amounted to more than $102 billion, representing an increase of $5 billion more than was reported on Oct. 10, 1951.

Preston Delano

The deposits of the banks on Sept. 5 were $92,500,000,000, a decrease of $500,000,000 since June, and exceeded by $3,000,000,000 the amount reported in October last year. Included in the recent deposit figures were demand deposits of individuals, partnerships and corporations of $53,076,000,000, which increased $841,000,000 since June, and time deposits of individuals, partnerships and corporations of $20,905,000,000, which increased $185,000,000. Deposits of the United States Government of $2,804,000,000 were down $865,000,000, and deposits of States and political subdivisions of $5,875,000,000 were down $357,000,000 since June. Deposits of banks amounting to $8,657,000,000 increased $70,000,000. Postal savings were $14,000,000 and certified and cashiers' checks, etc., were $1,173,000,000.

Net loans and discounts on Sept. 5, 1952 were $33,782,000,000, an all-time high. They were $612,000,000 above the June figure and $2,500,000,000, or 8%, above the Oct. 10 figure last year. Commercial and industrial loans as of the recent call date were $15,510,000,000, an increase of 1% since June, and loans on real estate of $8,007,000,000 were up 2%. Consumer loans to individuals were $5,028,000,000, an increase of 4%, and all other loans, including loans to farmers, to brokers and dealers and others for the purpose of purchasing and carrying securities, and to banks, etc., amounted to $5,735,000,000, an increase of 2% since June. The percentage of loans and discounts to total assets on Sept. 5, 1952 was 33.06 in comparison with 32.67 on June 30 and 32.16 in October, 1951.

Investments of the banks in United States Government obligations (including $12,000,000 guaranteed obligations) on Sept. 5, 1952 aggregated $34,984,000,000, which was an increase of $289,000,000 since June, and an increase of $1,000,000,000, or 3%, since last October. The investments were 34% of total assets, compared to 35% nearly a year ago. Other bonds, stocks and securities of $8,520,000,000, which included obligations of States and political subdivisions of $5,988,000,000, were $129,000,000, or 1½%, more than in June, and $792,000,000, or 10%, more than held in October last year. The total securities held amounted to $43,500,000,000, an increase of $418,000,000 since June, and an increase of $2,000,000,000 since last October.

Cash of $1,145,000,000, reserve with Federal Reserve banks of $13,354,000,000 and balances with other banks (including cash items in process of collection) of $9,055,000,000, a total of $23,554,000,000, showed a decrease of $438,000,000, or 2%, since June.

Borrowed money of $1,069,000,000 was up more than $1,000,000,000 since June.

The unimpaired capital stock of the banks on Sept. 5, 1952 was $2,208,000,000, including $6,000,000 of preferred stock. Surplus was $3,197,000,000, undivided profits, $1,296,000,000, and capital reserves, $267,000,000, or a total of $4,760,000,000. Total capital accounts were $6,968,000,000, or 7.53%, of total deposits, compared to 7.42% on June 30.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Conservatives have won a precarious reprieve rather than a victory over the neo-socialism of the mid-20th century.

This is the consensus which is coming to be adopted by more and more friends of the prospective Eisenhower Administration, especially those with longer memories, as they contemplate what to them seems to be the appallingly small majorities which Dwight Eisenhower will have behind him in the 83rd Congress.

There are still many in this Capital, however, who blandly assume that because the Southerners so bitterly opposed Truman, they will support Eisenhower, and so everything will be hunky-dory.

As the older heads see it, however, the election in a nutshell gave the Republicans responsibility for what happens without power to fulfill that responsibility. The very great victory which the Presidential candidate won underscores that responsibility. "Well, the country gave the President the greatest vote of confidence it has given any President since Roosevelt," they will say if the time ever comes when an alibi for frustration in Congress becomes necessary.

The "Fluke" of the 30's

In this connection the curious turn of luck of 1930-31 is recalled. In November, 1930, the voters chose 220 Republicans, 214 Democrats and one independent for the House of Representatives. In other words, after the election the Republicans had two more necessary than the 218 seats required to obtain official control over the legislative machinery.

Before the House was organized, deaths of Republicans elected and vacancies filled changed the line-up to 219 Democrats, 214 Republicans, one independent, and one vacancy. Jack Garner organized the House. The "sons of wild jackasses" played with the opposition in the Senate even though officially the GOP was in charge of the upper-chamber, and the pack began the chase against their prey, Herbert Hoover.

So a Republican senatorial death in a state with a Democratic Governor might deprive the GOP of its organization of the Senate. Two of such deaths certainly would, because Governors invariably appoint members of their own party to fill Senate vacancies regardless of the party allegiance of the deceased.

This does not necessarily have to happen just between now and January, when Congress meets. It can happen any time in 1953 and if the Democrats obtain an actual majority of one in the Senate, they can kick the thing over and restore Democrats to committee chairmanships and the leadership and initiative over legislation to their party.

All Is Not Lost

In observing the precarious backing which the indubitably popular Mr. Eisenhower has, it is not predicted that all is, as it were, lost in advance for the new Administration. It is also not a view of the near term. Mr. Hoover was popular, too, after he first beat Al Smith. Mr. Eisenhower also will have what is tritely called the "honeymoon" period with Congress, which may last a month and may last a year. It is the period after the honeymoon which counts.

Mr. Eisenhower, in the first place, may have luck. So it was with Jack Garner. After narrowly wresting control from the Republicans on March 20, 1931, Jack's horseshoe never seemed to fail him. As deaths and vacancies occurred that year, the Democratic majority in the House steadily strengthened.

Then Mr. Eisenhower just might be able to resolve the Korean war, although every scoffing voice at the National Press Club bar says this is a fantastic phony. Europe, confident that America is irrevocably committed to stopping Russia, is exacting the price of further aid at every opportunity for its participation, like a spoiled brat constantly demanding more access to the cooky jar.

If Europe were confronted with the threat of genuine U. S. isolation and withdrawal of troops, it might suddenly decide that neutralism isn't so hot, and pitch in after all. Or those troops might be sent to Korea where there is a real war. In either case Russia might be given something substantive to think about.

Has Three Meanings

Nevertheless, as some of the more sober observers see it, the narrow GOP majority in Congress has three broad meanings.

(1) In the first place, Mr. Eisenhower should make every overture to southern Democrats to bring them into camp. This means much more than merely being kind to them. It means taking acts of imagination and courage, such as divvying up with them on patronage, and breaking the hearts of the phantom southern GOP organizations in the South.

(2) The newly-elected President must appreciate the position of Congress. Whereas the candidate for President on any ticket tries to snare a broad group of votes by a broad denominator of appeals, individual Congressmen are "stuck with" an inflexibility on certain specific issues due to the peculiar character of their own constituencies.

Thus, it does no good for Eisenhower to declare that all the payrollees are safe against economy if the Chairman of the Appropriations Committee is loved and revered and constantly re-elected by his district because he fights for economy.

(3) Business must appreciate that despite his personal popularity, Dwight Eisenhower is, over the four-year stretch, strictly as limited as was Winston Churchill after the last British election. Business can expect few broad measures of positive legislative relief.

It also means, as one of industry's foremost observers here pointed out privately, that the conservative elements which energized themselves to work for Eisenhower's victory, must realize that "we have only begun to fight," that positive and steady support must be given to the new Administration.

Otherwise — the normal "off-year" Congressional elections result in the defection of from 25 to 30 members of the party in power in the House. If this happens, it would guarantee a return of the situation which confronted Mr. Hoover during his last two years.

FTC to Be Renovated

While it is not as important as putting the Department of Justice in charge of clean hands, one effect of the GOP victory is that in 1953 the Federal Trade Commission will go into a change of thinking.

Commissioner John Carson goes out with the new Administration, and Stephen J. Spingarn's term expires next year. This will permit the new President two new appointees, and Lowell Mason, an incumbent, has always been a foe of FTC nonsense.

The new President also may designate a new Chairman, in place of the present Chairman James M. Mead, upstate New York Democrat, who has fallen in with the empire-building business-baiting crowd at the FTC.

Believe Tidelands Will Pass

It also is believed that the bill to quit-claim Federal control over off-shore oil, also will be passed and will be signed by the new President, in view of the latter's campaign commitment. This was passed this year by a substantial majority, if less than two-thirds, and four years ago, only to be vetoed by Truman.

Timing of action cannot be forecast at this stage, however. Unless the new Congress gives this special headway, it will be some time, for Congress seldom gets organized before the end of the month and then takes about 10 days off in February for Lincoln-day speeches.

If any Democrats had any lingering hope that the "world oil cartel" prosecution might prove to be a device whereby the 1952 Democratic campaign deficit might be paid off, that illusion has vanished.

Planners Elbow Way Into Commerce Set-Up

It is reported that the materials controllers are now making headway with the idea of elbowing their way into Commerce Secretary Sawyer's scheme to set up a new distribution and industry establishment within the Department, a plan which he hopes to create before leaving the government Jan. 20.

Whereas Mr. Sawyer emphasized the idea that Commerce should study and pay attention to problems of distribution, whilst also covering the remains of NPA back into his Department, the materials planners are scheming to make their show an important part. They are trying to get industry backing for retention of the numerous "industry advisory councils" that would back planning as a regular part of the Department under the new Secretary.

Incidentally, the old idea of a "shelf of useful public works" to trot out in case of a depression, has been completely abandoned by the Federal Administration. There is now no agency ding-donging state and municipal governments to plan school houses, firehouses, etc., for worthy objects of expenditure in case business takes a set-back.

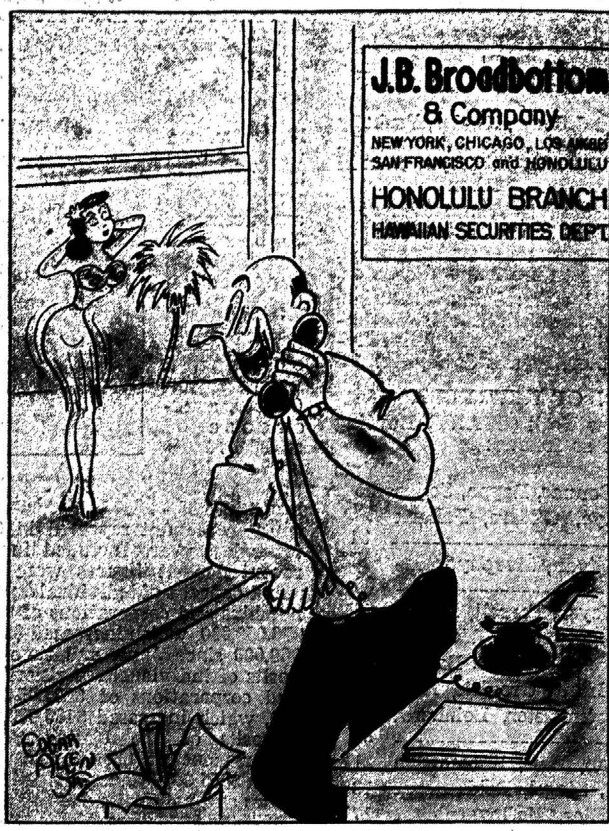
Drive for Liquor Tax Reduction

There is something new in the drive of the liquor industry for a reduction in the excise tax, boosted to $10.50 per gallon in 1951. That new element is that the industry is enlisting the active backing of state governments. States, the industry advises, have their bootleg liquor enforcement problems increased by the higher tax, and they suffer a loss in state revenues.

IF the states get actively behind this drive, they can exercise a weighty influence upon members of Congress.

(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



"Well, yes, J. B.—I can honestly say things are really moving down here!"

Business Man's Bookshelf

Annual Handbook of Product Design — McGraw Hill Publishing Company, 330 West 42nd Street, New York 36, N. Y.

Automobile Facts and Figures—32nd Edition, 1952 — Automobile Manufacturers Association, New Center Building, Detroit 2, Mich. —paper.

Conference on Research in Business Finance—National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y.—cloth—$5.00.

Financial Independence Through Common Stocks—Robert D. Merritt — United Business Service Company, 210 Newbury Street, Boston 16, Mass.—$5.00.

How Farm People Learn New Methods—Lauren Soth—National Planning Association, 800 Twenty-first Street, N. W., Washington, D. C.—paper—50¢.

Report on the American Communist — Morris Ernst & David Loth—Henry Holt and Company, 383 Madison Avenue, New York 17, N. Y.—$3.00.

Year Book of Railroad Information, 1952 Edition—Eastern Railroad Presidents' Conference, 143 Liberty Street, New York 6, N. Y. —paper.