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EDITORIAL

As We See It

While President-elect Eisenhower works steadily formulating his plans for the next four years, and the country awaits indications from him, the defeated candidate, Governor Stevenson, and his party are reported to be drawing plans for a career of "loyal opposition" to the regime which is to take office in January. After such a defeat as it has suffered, it is natural enough that the Democratic party should now be giving prayerful attention to what it should do and can do to rehabilitate itself. What it finally decides to do in the premises may not only shape its future for many years to come, but may likewise have a good deal to do with the good of the country in the years ahead.

Much anguish may be saved us all, for example, if those who control party policy will once and for all abandon the notion of party success based upon coalitions of minority groups whose support is secured by largesse and crass favoritism. It is conceivable, of course, that the party might succeed in regaining power by toadying to organized labor groups, promising to take still larger sums of money from the rest of us and pay them out to the farmers, and in general undertaking still more drastic redistribution of income and wealth. We do not profess to be sufficiently versed in things political to be able to judge the likelihood of practical political success by such tactics as these, but we are perfectly certain in our own minds that nothing of benefit to the country could come of them.

Too Much Fair Deal

It is obviously too soon to know with any great precision what the Eisenhower regime is to be

Continued on page 33

Is Prosperity Permanent?

By COURTNEY C. BROWN*
Assistant to Chairman, Standard Oil Co. (N. J.)

In pointing out new anti-depression devices have not been tested, Dr. Brown discusses such remedies as increased government employment, farm price supports, loan policies, and deficit financing. Although stating such measures may have been effective in the 1930 depression, he questions whether, under present conditions, they should be used, since they call for doses so strong as to involve social costs far greater than the gains. Holds "props" lead to inflation and foresees "storm clouds of contraction" gathering.

As an undergraduate, about a quarter of a century ago, I was told that business depressions were a thing of the past. We had learned a great deal, I was assured, about using a then new device in our economic and business life — the Federal Reserve System. That was in 1926—just three years before the crash.

C. C. Brown

Today, we have still newer devices to relegate depression to the limbo of historical things. Depression cannot recur, it is said, or at least it will not be politically tolerated if it should begin to reappear.

It is difficult to get perspective on this kind of thinking. Our knowledge and ability to handle social phenomena, including the business cycle, can, has been, and must be still further improved. Yet it may be that we have too much confidence in these new devices. For the most part they have not existed long enough to have been tested. They are probably more effective in preventing a self-generating contraction of business activity, than they are in keeping all of our resources fully employed at all times—and there's a big difference between these two objectives that is not always recognized. Finally, it is important to realize

Continued on page 36

*An address by Dr. Brown before the Association of Land Grant Colleges and Universities, Washington, D. C., Nov. 12, 1952.

Funds' Deflationary Policies Reaffirmed by Elections

By HENRY ANSBACHER LONG

Survey discloses investment company managers anticipate new Administration's policies will lessen attraction of oils and other natural resource stocks, although Tidelands legislation may favor some petroleum issues. Expectation of excess profits tax termination and other tax changes are prompting plans for some switches. Analysis of funds' transactions during third quarter reveals concentration of buying in utilities, rails, electrical equipments, television, retail and food issues; with liquidation of petroleums.

Investment company managers expect less emphasis to be placed on securities of natural resource companies and those whose earnings have been especially stimulated by inflationary forces, as a result of anticipated changes of policy to be made effective by the new Administration. Elimination of the excess profits tax now seems to be almost a foregone conclusion with the earnings potential enhanced of those companies formerly subject to this impost. Oils will tend to lose their relative tax-sheltered status, but passage of tidelands legislation may still make several issues in this group particularly attractive investments. While several managers are maintaining a more cautious wait-and-see policy on such predictions, the above is a consensus of opinion expressed by a representative number of fund sponsors in answer to the following questions sent out by us two days after the election results were known: "In view of your present understanding of proposed changes generally in policies contemplated by the new Administration, what shifts do you plan in cash position, type of security, and industry grouping

Henry A. Long

Continued on page 24

SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting in page 42.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

GORDON Y. BILLARD
Partner, J. R. Williston & Co., New York City
Members New York Stock Exchange

The Sperry Corporation

In the prewar years, Sperry common stock proved a very fine investment for the reason that its appreciation in value was far greater than that of the market as a whole. During the war years its price performance record was somewhat poorer than that of the general market, and in the postwar period the common stock lagged considerably behind the general price advance. Sperry Corporation common stock in future years should command more widespread attention by investors, during an age when emphasis will be upon the well-managed research and engineering organizations that will extend man's physical and mental powers to enable jobs to be done more quickly, more accurately, and with smaller expenditure of human energies.

Gordon Y. Billard

The present company was originally formed in 1933, although its predecessor was founded in 1910 as a research, engineering, and precision manufacturing organization. Through wise leadership under the present management it has so broadened its scope of activities that it now provides a wide variety of machinery, equipment, instruments, and electronic controls for the Armed Forces, for agriculture, and for industry generally.

The Sperry Corporation, as the parent organization, directs the broad policies of the various subsidiaries and divisions. Each has its own management and operates as much as possible on a decentralized basis within the framework of general policies formulated by the board of directors and principal officers of the corporation.

New developments in Sperry Gyroscope aviation instrument controls represent a considerable percentage of the company's present business.

The Zero-Reader, a flight computer that serves as an auxiliary to an automatic pilot, was developed during recent years and is already in widespread use on commercial and private planes. With a Zero-Reader, a pilot can fly his ship manually should difficulty be experienced with the automatic pilot. Recently the Air Force placed the first sizable military contract for this instrument with an initial order of $6 million.

Another device developed in recent years is the Engine Analyzer. This mechanism displays on a screen any misfunctioning of an engine while the plane is in flight or on the ground. It also indicates whether an engine is operating at maximum efficiency in relation to gasoline consumption. Among the air transport companies, Pan American is using this equipment extensively.

Another postwar development is the Gyrosyn Compass which is used by the U. S. Air Force and Navy and is standard equipment of the Royal Canadian Air Force. This precision compass eliminates the drift and resetting of conventional compasses. Another product, being developed for the Civil Aeronautics Administration, is a Map Computer which visually shows a pilot his direction and distance from an airport and also records the actual and required flight paths of the plane. Recently the company received a sizable production order for automatic pilots for Piasecki helicopters. This is the first application of such a device to overcome the instability of the rotary wing type of craft and to enable it to operate for long periods of time under adverse weather conditions.

Other new developments include sights for use with guns, bombs, and rockets which are now in action in Korea. Outstanding among the automatic controls developed in the postwar period by Sperry in conjunction with the U. S. Army Ordnance is a new anti-aircraft gun called the Skysweeper. This weapon is an automatic radar-directed gun and is used against low-flying, high and supersonic speed planes.

In the marine field notable developments have been made with respect to steering mechanisms and marine radar and loran. Several shipping companies have placed orders for loran, an electronic device that determines the position of a vessel independent of celestial observations. Ford Instrument Corp., a subsidiary, has obtained a substantial order for transmissions for the Piasecki helicopter, while Vickers Electric is producing magnetic amplifiers and clutches for military and commercial orders for its hydraulic mechanisms.

Unfilled orders as last reported were $712 million. Shipments for the first half of this year were about $178.6 million and earnings about $6.6 million, equal to $3.23 per share. Since the beginning of operations, earnings have totalled $58-$59 per share while stockholders have received $29 per share in dividends. During this period book value of the stockholders' equity increased from slightly less than $3 per share to more than $30 per share, without taking into consideration assets which have been written off. The growth of the company has been financed largely out of earnings. Public financing has been limited to the issuance of $20 million of debentures which were sold in 1949, the first in its long history. The number of shares is practically the same as at the beginning of operations in 1933. The present capitalization consists of $20 million in 3⅛% convertible debentures and 2,031,565 shares of common.

Dividends are being paid at the regular rate of 50 cents quarterly. Later on a more liberal dividend payment would be a reasonable expectation, especially if the excess profits tax is allowed to lapse, since Sperry would be a particular beneficiary. In this respect it might be pointed out that if the excess profits tax is eliminated, Sperry's earnings could readily rise on the present volume of business to around $8-$9 per share, in which event a dividend of $4 per share would be in line with the management's longer term policy of paying out approximately 50% of earnings. Thus under such conditions it would be feasible to project a substantially higher price level for the common stock over a period of time.

The outstanding success of the company under the present management may be attributed directly to the emphasis placed on research, engineering, and precision manufacturing. Such emphasis continues as the basic concept of the management and therefore should provide the investor with confidence in the future.

HENRY P. NEWELL
Filor, Bullard & Smyth, N. Y. City
Members, New York Stock Exchange

Kerr-Addison Gold Mines, Limited

The security I like best is Kerr-Addison Gold Mines, Limited — listed on the Toronto Stock Exchange and currently selling near 18. In a little over a dozen years this enterprise has grown from a relatively small producer to become Canada's greatest gold mine. Its growth and development was accomplished against a background of industry-wide disability caused by progressively rising costs coupled with an official price of gold that has been fixed at $35 an ounce. These adverse conditions have resulted in a generally declining trend of profits for gold mines and in many instances it has been deemed advisable to suspend operations altogether.

Henry P. Newell

Kerr-Addison has demonstrated its remarkable vitality in that it has reversed the retrogressive downtrend that has affected the industry for more than ten years. The company commenced operations on its properties in northeastern Ontario in 1938 with a mill capable of handling about 500 tons of ore daily. During that year 148,000 tons were milled, valued at $985,000. By 1951, Kerr-Addison was milling ore at an average daily rate of 4,500 tons. For the latter year bullion valued at $12,400,000 was produced as a result of treating over 1,600,000 tons of ore. Such growth would have been noteworthy even under conditions favorable to the gold mining industry. On a basis of comparison with other leading Canadian mines, Kerr-Addison's output is roughly one-third greater than Hollinger's almost double that of McIntyre Porcupine, and nearly two and one-half times Dome's production.

Capitalization consists of 4,700,000 shares outstanding; 5 million shares are authorized. Noranda Mines Limited, through direct ownership and through subsidiaries, controls about 45% of the stock outstanding. Financial position is strong. Working capital in excess of $4 million allows the company to pay out in dividends a very high percentage of earnings. Kerr-Addison is debt free. Growth and expansion have been achieved almost entirely through utilization of capital funds and a policy of plowing back earnings into physical equipment and property development.

But Kerr-Addison's great strength lies in its huge reserves

Continued on page 34

Recent Trends in Corporate Financing

By STANLEY R. MILLER*
Partner, Goldman, Sachs and Company
Members, New York Stock Exchange

Pointing out there are fashions in finance just as in other things, Mr. Miller reveals many departures from conventional financing techniques by corporations seeking to meet their special problems. Among these are: (1) resort to very long-term issues; (2) new "open-end" features; and (3) increased use of subordination and convertibility privileges. Sees continued emphasis on debt financing, and upward trend in private placements. Describes unusual features in some new securities offerings, and forecasts resort to more convertible issues and revival of Class B (non-marketable) common stock.

Corporate finance is considered by many people to be a staid, stuffy subject with today's practices virtually unchanged from those of many years ago. In reality, there is fashion in finance just as there is style in clothing, automobiles, or houses, even though the style cycles in finance swing much more slowly. Your Program Committee thought it might be of interest to you to consider some of the current styles and suggested that I talk with you on "Recent Trends in Corporate Financing." Time does not permit a detailed discussion of many interesting developments which have taken place since the registration of new security issues was first required by the Securities Act of 1933. I shall instead attempt only to highlight a few of the more important trends which have become evident in the last few years, particularly the period since World War II. Among these are:

(1) The continued emphasis on debt financing.

(2) The upward trend in private placements.

(3) The lengthening of maturities and the introduction of unusual features.

(4) The increased usage of convertible and subordinated issues.

I will also comment briefly on the possible revival of Class B common stock for usage by closely held companies.

Continued Emphasis on Debt Financing

During the past decade, many corporations found that their resources were inadequate to carry their expanded volume of business. Increased capitalizations were made necessary by World War II and the economic developments arising from it. The imperative demand for war production compelled an increase in plant; the increased purchasing-power generated by the war economy expanded the demand for civilian goods, and the rise in the price structure, which Government controls could not wholly prevent, created the need for more cash, more receivables, and more inventory. After the war, the post-war demands continued to exert similar pressures due to the pent-up needs for goods, full employment, high purchasing power and the increase in population; and, in 1950 came the Korean War, which further extended the process. Even the strongest companies have been compelled to raise new money to put into plant and into working capital.

Traditionally, much of the expansion of American industry has been financed out of retained earnings. During the 1920s, a great many industrial companies needing more money raised additional capital through the sale of new common stock. During the 1930s and early 1940s, financing was in most instances through bonds or long-term bank or insurance loans. During the latter part of the 1940s and in the 1950s, common stock financing increased but still represented only a fraction of the total. These shifts, of course, have not been due to whims of fashion but to a careful weighing of alternative methods. Historically, it has not been the level of long-term interest rates but the *relative* level of common stock prices and bond prices which has tilted the decision to bonds or stocks. Managements are willing to finance through sale of common stock when they believe the price of the common stock is not unreasonably low, but are reluctant to finance in this way when they believe that the price of their stock is inadequate to justify the sale of additional shares, using in each case the level of bond prices as a tidemark. If common stock prices appear too low, companies will turn to bonds or preferred stocks, whether bond yields *per se* are low or high.

This is borne out by the per cent of total corporate offerings which took the form of common stock sale in certain years. In 1936, only 6% of corporate offerings were in the form of common stock, but in 1937 the per cent doubled to 12%. In 1940, when the equity market had declined and was falling, only 4% of corporate offerings were in the form of common stock. The proportion of common stock offerings rose to 13% in 1946, dropped to 9% in 1948 but rose again to 15% in 1951. A comparison of these figures with the trend of stock prices in the years referred to will bear out the statement that common stock offerings will *not* be chosen when the market for stock appears relatively low.

Throughout most of the past 20 years, the prices of common stocks

Continued on page 40

*An address by Mr. Miller at the Finance Conference of the American Management Association, New York City, Nov. 19, 1952.

INDEX

Articles and News

Regular Features

*See cover page for analysis of fund operations in third quarter.

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1953 Business Outlook Favorable

By A. W. ZELOMEK*

President and Economist, Intl. Statistical Bureau, Inc.

Mr. Zelomek predicts total 1953 business volume, both in dollars and units, will average slightly higher than in 1952; with business rising during first half and receding in second six months. Expects cost of living, particularly in food, to decline. Belittles post-armament depression danger.

My appearance before you this evening can be compared with a busman's holiday. We are constantly projecting data into the future, not only daily but hourly. Our business is to express an opinion on what is in the offing. If this were confined only to the economic and domestic scenes alone, it wouldn't be bad. But we are also called upon to express opinions on international economic as well as political developments. Those of you who have been in the economic analysis and forecasting field and have been on the firing line in the past 10 to 15 years need no reminder that even Nostradamus' task was easy by comparison to what has faced us during that period. So you can sympathize with those who have been forecasting not only during the past 10 to 15 years, but in the past 27 years.

A. W. Zelomek

I would like to make a suggestion that you devote a meeting dealing with the subject, "What great economic event made the greatest impression on the speaker?" This certainly would be an interesting evening.

Jumping the Gun

I have observed in recent years that it has been the tendency on the part of the economic analyst to jump the gun in indicating the probable trend for the coming year. We seem to be following the footsteps of the average retailer who begins to promote summer merchandise when the snow is still on the ground and, in like manner, begins to promote fall merchandise when temperatures are still in the 90's and the humidity is not much below that.

Forecasting for 1953 is in many respects somewhat more complicated and slightly more difficult than it was for 1952. It was easy to indicate a year ago that inventory liquidation resulting from the excesses accumulated after the outbreak of the Korean War couldn't continue uninterruptedly beyond the early part of this year. This conclusion was especially logical in view of rising defense spending and indications of a sustained high level of capital goods expenditures. As long as the setback in 1951-52 was confined mostly to the consumers' goods industries, then there should have been little concern regarding the probable general business trend.

*Address by Mr. Zelomek before the New York Area Chapter of the American Statistical Association, Nov. 14, 1952.

1953 Different

As we approach 1953, the situation is somewhat different. The upturn in consumers' goods industries has been on its way since early summer, with a temporary interruption due to the protracted steel strike. Most people are pretty well agreed on the fact that the consumers' goods recovery of 1952 will extend into 1953. The unknown factors, however, are how much and how far. Before answering these questions, I should like to point out what is probably well-known to most of you, that consumers' expenditures for goods and services in 1951 represented 60% of the total gross national expenditures, which include spending for business and government as well. Last year, total expenditures for consumers' goods alone, both non-durables and durables, approximate 42% of the total. Those figures should leave no doubt in your mind how important it is to know what the consumer will do and how the consumers' goods industries will react. Unfortunately, we know more about production than we do about distribution. We also realize that the important problem in coming years will be the proper utilization of the tremendous capacity American industry has built.

Your Committee's suggestion, therefore, that I devote most of my discussion to the consumers' goods industries is a recognition of their great importance.

Any forecast of trends in 1953 must begin with a certain premise dealing with the international political situation. Will it be war, peace or the status quo? I have assumed that conditions will show little change. Incidentally, this is the same assumption we made for 1952 when we refused to accept the optimism regarding an early cease-fire in Korea. By the status quo, I mean the sustainment of the high level of defense spending. With this premise in view, what can you look forward to?

The Overall Outlook

First, I should like to give you my general thinking on the overall business outlook for 1953. Total volume of business done in 1953, both in dollars and in units, will probably average slightly higher than in 1952. However, the movement of important business indicators will be quite different than that of 1952. At the beginning of 1952, business was tending downward in most industries and continued to move lower for some months. In contrast, at the beginning of 1953 indicators will be tending higher and will continue in that direction for most of the first half of the year. However, the trend during the last half will be the reverse of that of the corresponding period of 1952. It will probably turn moderately lower.

Nineteen hundred fifty-three will not usher in a major recession or a depression. It will be a period of relative stability with the trend veering moderately lower at the end of the year. My conclusion that volume will be slightly higher is based on the belief that total spending for goods and services will average moderately higher during the year, despite an indicated decline in expenditures on plant and equipment during most of the year and some nominal decline in construction. I believe that the moderately upward trend in 1953 will get its support from the steady increase in government spending. Even with a change in the Administration, national security spending in the last six months may still approximate the annual rate of $58½ billion. State and local spending will continue to increase, although to a moderate degree.

Consumers' Goods Sales to Rise

In 1953, total production and sales of consumers' goods, including both non-durables and durables, will average moderately higher than in 1952, despite some let-down during the latter half of the year. The let-down in the latter half of the year should not be sufficient to bring the annual averages below those of 1952. Competition for the consumer's dollar will be keen. But consumer spending will show a favorable trend due to the following:

Disposable income will be higher.

Retail prices will be reasonable and excellent. At the same time, food prices will be tending lower. Cost of living in 1953 may actually average slightly lower than in 1952.

Credit terms will be easier.

Savings are of record proportions.

Industry will go all out in providing new items at good prices. The textile apparel industry will have the advantage of the most diversified fabrics, weaves and designs. It will have the advantage of the great consumer appeal of the new miracle fibers. The hard lines or durable goods industries will be stimulated by the introduction of new gadgets and new designs. There will also be an expansion in buying of those items which are at a low saturation point, such as dryers, freezers, automatic washers, as well as air conditioners and television. Replacement needs in automobiles are also very high.

During the past several years, total retail spending relative to income has been below the prewar norm. This has been reflected in increased savings. The percentage of savings to disposable income in the years 1948-50 was only 4.9%, while for the first nine months of this year it averaged between 7.1% and 7.5%.

The lag in buying during the past several years, excluding temporary panic buying following the outbreak of the Korean War, was undoubtedly due to the heavy purchasing which developed immediately after the war. However, it was also due to the absence of any important stimuli. Appliance manufacturers have offered a minimum of new gadgets. Although new appliances have been increasing in importance, the supply of these has been limited. Even the changes in automobile models have been fewer and less significant than before the war.

Only within the last year, particularly since the outset of the current season, has the appeal in the textile apparel industry been really marked. The new designs, new weaves and new finishes have stimulated volume and should continue to do so.

It is economic history that consumer buying will not always be stimulated by emphasis on lower and lower prices. As a matter of fact, public buying tends to lag when inventories are heavy and promotions excessive. The public is very sensitive to heavy stocks and still more sensitive to undesirable merchandise.

Overproduction

Having spent 27 years in analyzing and studying the consumers' goods industries from the primary markets to the ultimate consumer purchases, I feel justified in concluding that industry will produce more than it will sell in 1953. The question is, when will this over-production develop? In the second quarter of the year I would begin to watch carefully developments in soft goods lines, and in the third quarter I would direct particular attention to hard goods. Economic cycles, such as were recorded in 1936-38, 1948-49 and 1951-52 may prove shorter both as far as advances as well as declines are concerned. Therefore, 1953 may be the beginning of another downward readjustment in consumers' goods industries, although I want to warn you that there are a number of important factors in the consumers' goods economy which may belie historical precedent.

Undoubtedly you will hear a great deal in 1953 regarding the maturity of the American economy. You will also hear talk about the fact that American consumers' wardrobes are bulging and that the number of automobiles on the road is at a record high and that we are nearly caught up in the buying of refrigerators and ironers and that needs generally are being satiated. There will be discussions regarding reduced housing requirements and declines in construction of new houses. My suggestion is that you give weight to these, but give greater weight to the following:

Population has been increasing rapidly to a point where the increases have dumbfounded the experts. A large potential market has developed for most goods.

We are still short not only several million homes, but several million which were built in the early part of the century need replacement.

The consumers' debt structure in relation to income is low.

The consumers' cash position is greater than ever.

The American housewife, in her inability to get adequate household help, must turn more and more to electrical appliances. The electric age is still in its ascendancy.

The chemical laboratory will be more important than ever in developing our clothing habits. Miracle fibers will provide very great stimuli and the public response will be good.

There will be less concern in 1953 about making both ends meet in view of the declining trend in the cost of living, and food prices in particular. This will be reflected in an increased proportion of spending on goods other than necessities.

In the post-armament period we won't have the huge reserve consumer demand that we enjoyed at the end of World War II. But we will have large market potentials in other areas. For example: the record baby crop (nearly four million) born last year will insure high employment in the food, clothing, toy and construction industries.

The U. S. Office of Education estimates that there will be 1.6 million more children in our elementary schools this fall than in 1951. And five million more by 1956 than there are now.

To take care of these millions of extra pupils, 40,000 classrooms were built last year and over 50,000 will be completed by the end of 1952. The need for more classrooms, more equipment, more books and more teachers will be acute for many years to come.

And here are some more things to think about: 20% of American families still do not have mechanical refrigeration; 18% are still cooking with coal and wood; millions of homes are without kitchen sinks, vacuum cleaners and bathtubs; nearly 15 million families do not own an automobile. Only one in 10 have two cars.

The problem of the consumers' goods as well as the capital goods industries will not be one of production. Since the problem will be mainly in distribution, it will be necessary to allot more and more attention to advertising, selling promotions and marketing. 1953 will be the first postwar year that will provide a real test for the consumers' goods industries. Supplies of most everything will be ample. The problem of selling them will be important.

I shall summarize only briefly what I look forward to in 1953. In terms of averages, it will be a good year as compared with 1952, which seems to be the test of business. But the improvement will be only moderate. It will probably witness the greatest competition in postwar history. It will be a year where international developments will be as important as domestic policies in shaping our economy. While the consumers' goods industries will do better in the first six months than the last half, nevertheless the year as a whole will be the second best on record. The public's ability to spend normally for general merchandise will be favorable.

Walsh, Wilson With Distributors Group

Reginald L. Walsh and John D. Wilson have joined Distributors Group Inc., 63 Wall Street, New York City, as wholesale representatives. In recent years Mr. Walsh, a resident of Boston, has been prominently associated in various capacities with the marketing of Television-Electronics Fund and Hudson Fund Inc., at one time serving as Vice-President of the firms which sponsor these mutual funds.

Earlier connections include Hugh W. Long & Co., Calvin Bullock and Hayden, Stone & Co. A resident of Boston, Mr. Walsh's territory is New York State (exclusive of the city), Eastern Pennsylvania, Maryland and D. C.

Mr. Wilson, a resident of Cleveland, was engaged in sales work prior to an extensive army service. He has recently returned from Korea, where he served as Major in the Tank Corps. His territory includes Ohio and Indiana.

Robert P. Vick Forms Own Co. in Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert P. Vick has formed Robert P. Vick & Company with offices at 209 South La Salle Street, to continue in the investment business. Mr. Vick for many years was a partner in the recently dissolved firm of M. B. Vick & Company.

Two With Slayton

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Blanche D. Becker and Myrtice M. Bieller are now connected with Slayton & Company, Inc., 408 Olive Street.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KEARNEY, Neb. — Albert W. Pierce is now connected with Waddell & Reed, Inc.

The State of Trade and Industry

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

Last week saw industrial production for the nation as a whole edge slightly upward to the highest level in seven years. This was the second successive rise in over-all output lifting it to a level of close to 5% higher than that of a year ago. However, it remained about 7% under the all-time high reached during World War II. Defense production accounted for a steadily widening share of total production.

Joblessness remained slightly over one million, the lowest level in seven years.

A battle between business people and government planners over how to end controls is already shaping up, with business people generally holding that controls should be allowed to die a natural death (next June 30), or should be ended quickly by positive action, states "The Iron Age," national metalworking weekly.

Washington reports indicate the government planners will argue that complete decontrol of materials is dangerous while there is a threat to world peace. Industrialists counter this by pointing out that controls have never produced a single pound of metal, and that world peace may be threatened for many years. They point out that controls authority belongs to Congress, and it can re-delegate the authority if and when it is needed again, according to the above trade authority.

But the planners are not making their pitch for continuing controls authority on that one point. They are saying that industry and government should unite to preserve the "reporting requirements" of the Controlled Materials Plan contending that industrial reports on materials are of particular importance in guiding the course of national planning.

Industry replies that national planning during recent years has been going in the direction of planned Socialism, and that's what they want to stop. Metalworking companies are not generally unwilling to furnish data on production and consumption of materials. A great many of them already do this through their trade associations. They do not fear collection of useful statistics, but they do fear that bureaucrats will use them in an effort to vault to a place in the sun, reports this trade journal.

Assuming that DPA, NPA, and CMP are for all practical purposes headed for the scrap heap, the planners believe the U. S. Census Bureau could be enlarged to accommodate the reporting project. Sample questionnaires are already being prepared to be sent to manufacturers before the end of the year. Presumably they would be asked to report sizes, shapes and types of metals used, as well as amounts, declares this trade magazine.

Steel people are continuing their series of meetings with NPA this week to map out details for orderly decontrol. Specific steps are being worked out by a task force consisting of representatives of five steel producing and six steel consuming companies. All but military uses are expected to be decontrolled early next year along the lines of a program advanced by steel companies last spring before the strike, concludes "The Iron Age."

Automotive production last week—despite labor and material shortages—climbed 3% above last week and was 22% above the like week a year ago, according to "Ward's Automotive Reports."

Auto output so far this year has been 3,730,800 units, a drop of 23% from the similar period a year ago.

"Ward's" said no auto maker last week increased its overtime operations, because of a lack of labor and steel.

Commenting on 1953 passenger models, this agency stated Chrysler Corp. was operating below its production goals—despite the past week's year-high output. Manpower and supply shortages have prevented Chrysler from putting on a second shift at DeSoto and introducing a Saturday work-day at Plymouth, it added.

The United States Department of Commerce currently reports that the national production of goods and services reached the highest level in history during the third quarter, rising to an annual rate of $343.4 billion. This was $800 million above the second quarter pace and $2.9 billion higher than in the initial three months of this year. For the full year 1951, national production was $329.2 billion.

Figures are not yet available to show what the current rate of output is in terms of 1939 dollars. The department has adjusted the 1951 total, however, and says on that basis the $329.2 billion

Continued on page 34

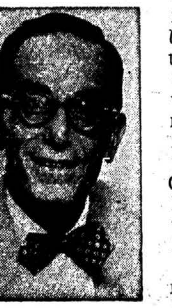
Can the U. S. Economy Stand the Cold War?

By A. WILFRED MAY*

Executive Editor, "The Commercial and Financial Chronicle"

On premise that Soviet's status is important reciprocal to the question, Mr. May cites numerous difficulties confronting Kremlin dictators on both armament and civilian fronts, manifested by Soviet's loss of relative economic strength since 1940. Maintains we can stand Cold War, but only if new Administration takes vigorous affirmative action—abroad, with trade policy to strengthen constructively our friends as well as ourselves; and at home, through restoration of economic strength and health via the free market.

Our topic tonight is "Can the U. S. Economy Stand the Cold War?" First I want to say that it seems to me that an important reciprocal of that question is: "Can the USSR stand the Cold War?", on which perhaps my recent visit to Moscow, to which the Chairman alluded, will throw some light.



A. Wilfred May

For we must maintain our overall perspective in our thinking on our relative strengths, and avoid tendencies toward the "foreign fields look greener" foible, with the exaggeration of our own weaknesses.

Soviet's Loss of Relative Strength

The fact is that during the interval since 1939, while American production has grown tremendously, the Soviet, with its war damage, has seen its comparative economic position, versus ours, measurably reduced. Malenkov's striking boasts about the Soviet production increases cover the period from 1945, not from 1940. Since *1940*, according to the Malenkov figures, production of grain—for example—rose only 10%, barely keeping abreast of the rise in population.

In the important area of motor vehicles, Soviet output remains at barely 5% of ours.

Excepting in coal, the combined industrial potentiality of the USSR-plus-its-Eastern European satellites, relative to the United States is now actually *lower* than was that of the USSR standing alone relative to the US, prewar. (And in coal too now, early deterioration of the Soviet position is indicated by her working of the thinner seams of the Donets basin.)

Even following their own projected goals, Soviet production in 1970 will still merely equal U. S. output as of 1950. As of 1955, even taking the recent Party Congress' goals, they will be far behind our 1951 figures—for example, pig iron—50% of ours, steel—50%, petroleum—2%, electric power—70%.

Dictatorship Also Has Cold War Difficulties

Of course—the Kremlin's monolithic dictatorship, in meeting armament exigencies, enjoys the great advantage of switching economic activity from consumer to war uses, by decree. But in a long-drawn-out Cold War, this is not nearly so easily done as in a climactic Hot War, such as when it is fighting for the survival of the motherland, on home ground.

We should not forget that a long drawn-out Cold War also entails a veritable host of problems for this under-supplied dictatorship. At the recent International Economic Conference in Moscow we got a clear demonstration of the Soviet's important shortages of capital goods, such as machine tools and locomotives, for that parley quickly revealed itself as a propaganda device—and a very clever one—to attempt to wheedle these and other strategic materials out of the West.

Strains On the Consumer

And on the *consumers'* home front, also, Cold War must aggravate many chronic stresses and strains—as the difficulty of increasing the food supply to keep pace with a rapidly growing population. Then there is the shortage of skilled workers in "the middle layer," and the aggravation of the manpower situation generally through its submersion in food production.

An extended Cold War with its armament economy will further aggravate the civilians' dissatisfactions, already severely straining the economy. These dissatisfactions are easily discernible to a visitor to Russia in such things as *housing*, where there is intense overcrowding (it can even be shown that there is less roomage per person than in 1913); plumbing and heating; shortages of consumers' goods of all kinds; in the day-long queuing-up for everything from groceries to trains; and above all, in the all-pervading bureaucracy — aggravated by exhibitions of favoritism in granting of living privileges to the favored officialdom.

The Russian citizen's over-all *grimness*, as well as specific complaints, all further aggravated with further pinches on consumer goods and the living standard, will surely be intensified during a long drawn-out Cold War.

Externally, too, in her satellite countries the Cold War strain will exert further disaffection—as has already begun with Titoism. How much longer will the Rumanians permit Moscow's theft of their grain?

We Must Nevertheless Take Affirmative Action

The foregoing must not in the slightest degree be considered as implying complacency on our part. Wholly on the contrary, we must take decisive affirmative action—on both the international and domestic fronts.

First, we must realize that indispensable to the United States' standing up to a Cold War is the necessity of maintaining a strong economic structure here as well as strengthening of the nations friendly to our cause. Surely Europe's present economic instability constitutes as great a threat to our own survival as do the aggressive political and military aims of the Soviet.

Economic nationalism plays directly into Soviet hands. Today the *economic* isolationists are the real villains.

Since the end of World War II we have expended nearly $40 billion in foreign aid to the free world; but in return for our Santa Claus-ism, or rather Rich Uncle-ism, we have received in return little but resentment. It is, fortunately, being realized—on both sides of the Atlantic—that large-scale pump-priming cannot continue without encouraging narcotic habits and actual insolvency in the aid-receiving countries — and weakening us for future emergencies.

We must get down to a bedrock of common sense!

Briefly summarized, here is the international trade situation:

The so-called "dollar gap" (the measure of inability to pay for dollar-obligated imports) is growing amidst a steady worsening of the European economy.

Britain, after a £350 million balance of payments deficit last year, this year is barely getting by even without contribution for defense aid. A root cause of the crisis is simply that we export annually $5 billion more goods than we import; with the result that the other nations find themselves unable to pay for the goods which they so crucially need.

The Inescapable Choice in Foreign Economic Policy

Despite our traditional head-burying-in-the-sand in tariff policy ever since we became a creditor nation 35 years ago, we *cannot* any longer avoid choosing between the following alternatives:

(1) Buying more abroad;
(2) Selling less;
or
(3) Continued subsidizing.

We dare not do alternative (2), that is, sell less, for this would undermine the free world's sta-

Continued on page 8

*An address by Mr. May before the Associate Members of the New School for Social Research, New York City, Nov. 9, 1952.

A Line on Canadian Pipes

By IRA U. COBLEIGH

Author of "Expanding Your Income"

An analysis of the flow of oil West and South from Alberta, and of the flow of earning power in the direction of shareholders in two Canadian pipe-transport enterprises.

While much romance, and a few billion dollars of public investment, have characterized the gas pipeline industry in the United States, little opportunity has been afforded the average investor to become a direct partner in oil pipelines. True, by being a shareholder in Standard of New Jersey, Texas Co., Standard of Ohio, Sinclair or Cities Service Co., etc., he acquires automatically an interest in oil lines. Many of these leading oils have, of course, owned and operated hundreds of miles of assorted size pipes for years; from oil field to refinery, tank or transshipment point. But the economies and earnings from these have often been lost to view in the development of overall profits from integrated operation.

Ira U. Cobleigh

In Canada today there are, however, two impressive enterprises devoted exclusively to the transportation of oil. Both were launched under the sponsorship of substantial oil companies, both serve a vital transport need, and both give promise of running at, or near, capacity levels in the foreseeable future. In order of their unfolding, they are Interprovincial Pipe Line Co., and Trans Mountain Oil Pipe Line Co.

Interprovincial Pipe Line

In early 1950, I believe, there was offered quite privately for subscription at par in Canada, an issue of Interprovincial Pipe Line Co. 4% convertible sinking fund debentures due Oct. 1, 1970. This company was dedicated to the building of an oil pipeline from Calgary south to the Great Lakes at Superior, Wis., a distance of some 1127 miles. Imperial Oil Co. Ltd., Canada's number one petroleum property, was heavily interested in the project from the outset; and such an aura of growth and future profitability hung over this new company that people tripped over each other trying to buy its debentures.

Two factors accounted for this. First, all the oil oozing from the ground since that historic strike at Leduc, Alberta, in 1947, was languishing for want of effective low cost transportation to the lush markets of Eastern Canada and the industrial heartland of the Great Lakes country in the United States. Secondly, these debentures were custom tailored with a beautiful conversion built in. Each $1,000 bond carried the chameleon right to change into 20 shares of $50 common stock, under certain conditions set forth in the prospectus. Estimates at the time of flotation ran as high as $15 a share for this stock, assuming, of course, completion and operation of the project as blueprinted. Thus, would-be buyers viewed the whole deal through rose colored glasses, and started bidding for the new bonds (after issuance) at 126. I don't think they ever traded below that, and with the line now pouring torrents of oil to the South, these same convertible 4s now sell at a cozy 385. Some pipe dream!

A Look at the Record

To appraise this security today, and the common stock which animates it, let's look at how this line has lived up to its billing. It was originally planned to provide fluid drive propulsion to 85,000 barrels of crude a day. Well, long before completion, that volume appeared as too minute a target, so this capacity has now been stepped up. A $21 million expansion program, including a 100-mile loop from Regina to Gretna, is now coming along and should make possible daily runs out of Edmonton, of above 150,000 barrels, and what the Army boys call a "through-put" of 100,000 barrels a day to Superior. Assuming completion, and fully efficient use of these expanded facilities, some new earnings estimates have been bandied about. I've heard figures like $17.50 per share for 1953, and as high as $22 for 1954, mentioned. This is 100% unofficial, however; it's a projection which may be error-laden.

10-for-1 Split Voted

Carrying this stock talk a little further, a 10-for-1 split of the common, already voted, is, I believe, awaiting only governmental approval; and the existing shares are today (11-17-52) quoted at around 193. Presumably, when the new stock becomes available at below 20, the lowered market altitude will attract more buyers and some Canadian listing would appear logical.

For the longer future—Interprovincial Pipe Line should probably push on from Superior to Sarnia, where there is big refining capacity. That will require more dough, of course, but the record of this company is so resplendent, that raising capital should be easy. Another thing, while our own Federal Power Commission has been giving certain of the gas transmission lines an argument about 6% overall rates, Interprovincial appears to have arranged its financing and operation on a theory allowing about 7% return on capital base; and no regulatory objection has, to my knowledge, been raised. A 3% depreciation rate is currently employed.

The Case for Trans Mountain

The entrancing fulfillment of original promise, respecting Interprovincial, has caused hundreds of people to seek out the facts, and the future possibilities, of a second West Canada oil conveyance corporation, Trans Mountain Oil Pipe Line Co., which will serve in its own crude (petroleum, that is) way the roaring demands of the Pacific Northwest.

A special Parliamentary Act created, in 1951, this corporation. Largest original stockholders were (and are) Canadian Gulf Oil Co., Imperial Oil Ltd., Shell Oil of Canada, Union Oil of California, Richfield Oil Co., and Standard of British Columbia, who, among them, purchased a total of 670,000 shares. Total common stock outstanding now is reported at 1,500,000 shares, preceded by $65 million of first mortgage bonds due April, 1972. Since issuance, the stock has swung from a low of $10, to a high of $30.75. It's around $26 at the moment.

The actual line, a 24-inch petroleum pushing snake, will run 714 miles from Edmonton west to Burnaby, B. C., in the Vancouver district. It will follow, for the most part, the tracks of Canadian National Railway and, en route, passes through an improbably named town, Kamloops. The whole line is in Canada, and although completion is not scheduled till next August, original capacity of 75,000 barrels a day has been upgraded to around 120,000, by planned installation of three pumping stations (instead of two). The entire deal is to cost about $90 million.

Bright Future Indicated

When the oil begins to arrive in Vancouver, about half of it will be refined locally, and the other half exported to Portland, Seattle and Spokane, areas now supplied by California refineries. Alberta crude, aided by the reduction in U. S. tariff already vouchsafed, should find a ready and expanding market in the Northwest, particularly with the building of new refineries, such as Standard of California now plans for Seattle.

About per share earnings, I suggest reference to the original prospectus which estimated that, with a flow of 100,000 barrels a day, and three pumping stations, net per share profits might equal $1.22. Growth beyond that should, of course, increase the earnings, and some analysts have felt that the original estimates were a little on the conservative side.

For textbook economists, ventures such as these pipelines appear almost classically designed. First, there is the vast and increasing oil production in the Alberta region—supply, that is; then the fast growing Northwest, with a present daily use of over 300,000 barrels of crude (in refined form) builds the demand side of the picture. And bringing together these expanding demand and supply factors are the newest, most efficient types of low cost fluid transportation—the pipe lines. First capital flows, then oil, in a stream of economic development where the position of the investor appears to be given intelligent, and perhaps even beneficent, consideration. This line on Canadian pipes, you may find moderately informative, and even persuasive to your more complete examination of these highly functional, and apparently profitable crude conveyors.

Anderson, Cook Co. Formed in Florida

PALM BEACH, Fla.—Anderson, Cook Company, Inc. has been formed with offices in the First National Bank Building to act as dealers in municipal bonds, succeeding Emerson Cook Company, Inc. Officers of the new firm are Walter T. Anderson, President; Ira C. Ayers, Vice-President; Kenneth Cook, Vice-President and Treasurer; and Amos Jackson, Secretary.

The Election Results And the Business Outlook

By ELLIOTT V. BELL*

Editor and Publisher of "Business Week"

Mr. Bell cites bullish business indicators as well as portents of trouble ahead, concluding that despite "steam in the boiler," new Administration will have to deal with recession—probably before end of next year. Stresses chronic unemployment problem in absence of war stimuli. Appraises Eisenhower's philosophy as embracing strong trend of conservatism in fiscal and monetary matters, but predicts he will quickly shift his course in event of economic bad weather.

Broadly speaking, I have observed there are two basic methods of economic forecasting. One method is to gather carefully all the available statistical data on current business conditions and trends, analyze them and draw the the indicated conclusions, if any. The other method is to get a feeling in your bones that you are either bullish or bearish and then go out and get some statistical data to support your position.

Elliott V. Bell

For this effort I am using both methods. Like a good many people, I have had a feeling in my bones for a long time that this boom cannot go on this way. Therefore I am bearish. But when I look at the data I find that it is going on and gives every evidence of continuing to go on for quite a bit longer. Therefore, I am bullish. The fact is, there is still a tremendous head of steam in the economic boiler. Measured by all the ordinary indices, we are at, or close to, the highest peacetime levels we have ever attained, and the immediate trend is still up.

Putting aside for the moment all political considerations, here is the picture:

Industrial production is the highest since the war and rising.

Farm crops are large and farm income will be good.

Employment is at a record high; unemployment lower than since the war days.

Total personal income has just climbed to a new record above $267 billion.

Consumer spending is on the increase and retail sales are rising. Figures on construction work are about the largest on record.

Government spending for defense, after a temporary dip, is slowly rising and scheduled to continue to increase for another six or eight months.

Business outlays for new plants and equipment are also at record levels; and a preliminary survey just completed by the Economics Department of McGraw-Hill indicates that present plans by American business call for capital investment in 1953 almost as high as in the past few record-breaking years. This survey shows an 8% drop in the capital expansion plans of manufacturing industries which may be largely offset by increased spending planned by the utilities and other businesses.

One could continue almost indefinitely calling the roll of business indicators. The overwhelming preponderance of them is high and pointing higher.

Boom's New Lease on Life

Whatever may be our fears for the more distant future, there is nothing in the situation that indicates an immediate economic recession. On the contrary, there is much that suggests the current boom may be getting a new lease on life.

We have become accustomed in recent years to discount the old-fashioned factor of business sentiment. Business sentiment has been cautious, even pessimistic, all through these boom years. It has been, on the whole, a very sober boom with singularly little speculation. But it may easily be time for a change here too.

The up-surge in business sentiment inspired by General Eisenhower's tremendous victory could give a speculative fillip to the boom that has hitherto been lacking. In that event we would have to be on our guard. A rip-roaring stock market might be the final sign that the boom is nearing its end.

It is already the longest and biggest boom in history. There has been no important business recession since the 1937-38 slump. In the intervening 14 years the level of production has increased two and a half times. The gross national product measured in dollars has quadrupled. Total debt, public and private, has trebled. The money supply has also trebled and the general level of prices has more than doubled.

In the past four years American industry has invested $94 billion in new plant and equipment. Nearly half the manufacturing facilities of this country are less than six years old.

In the past seven years, more than seven million new houses have been started and 30 million new cars have been built and sold.

These are some of the dimensions of the Great American Boom which began when we started to arm ourselves for World War II and has been kept going by Korea and the defense program.

How Much Longer

The great question, of course, is how much longer can it go on? No one can answer that question. But this is certain: whether the present boom lasts another six months, a year, or two years more, the new Republican Administration will probably have to deal with a major business setback before its lease on the White House expires.

For some time there have been increasing signs that we have reached an advanced stage in the business cycle. Consider these signs and portents:

(1) Production, income and employment are all at historic peaks after a prolonged spectacular rise.

(2) Money rates have been tightening for some time.

(3) Profit margins have been narrowing for over a year.

(4) Inventories are high and not likely to be increased.

(5) Houses are being built faster than young people are getting married.

(6) The peak of armament spending is probably not far ahead.

(7) The great capital expansion program of American business has reached the zenith.

(8) New autos, like new homes, no longer sell themselves.

(9) Increasing economic diffi-

Continued on page 32

*Speech of Mr. Bell before The Economic Club of New York, New York City, Nov. 18, 1952.

Outlook for Tax-Exempt Bonds

By HAROLD C. TAYLOR*

Assistant Cashier, Municipal Bond Department, Chase National Bank of the City of New York

Mr. Taylor, in reviewing the present situation with reference to the volume and character of tax-exempt bond issues, finds, on the whole, there will be a larger amount of new offerings in 1953, against a picture of probably some diminishing demand by both individual and institutional buyers. Says this means that it may be necessary to broaden the market, particularly in view of likelihood of Federal tax reductions, and, therefore, higher yields to investors on tax exempts may be in offing.

At the beginning I want to assure you that I am not an authority on money rates nor am I a government bond expert, so I am not going to attempt to flavor my talk at all with any prediction as to what the future policy of the Federal Reserve may be nor the general trend of money rates for the next year or two.

Harold C. Taylor

What I hope to do with you this afternoon, briefly, is to examine the potential supply of tax-exempt bonds in 1953 and the immediate future, and any possible changes in the outlet for them; in other words, any difference in the attitude of the purchasers to whom we have been looking in the past few years.

As you know, the volume of long-term municipals has been increasing rather steadily in recent years. Prior to 1942 there was a period when it ran between $1 billion and $1.5 billion. Then it dropped off during the war.

Since then, for a period of three years, from 1947 to 1949, it was something over $2 billion after which, for a couple of years it was over $3 billion; this year, during the first nine months, it is running at the rate of about $4.7 billion.

For 1953, the figure generally mentioned is an output of tax-exempt bonds totalling over $5 billion, with some estimates even higher.

Let us examine the prospect.

One of the criteria that some people use in judging what the outlook may be is the number of bonds which are voted at the November election. The amount proposed this year, according to the "Bond Buyer," was $1,383,000,000, which is higher than last year and nearly as much as the recent record of $1,607,000,000 in 1949.

This, however, is not really a very good basis on which to go because included in last year's large total was the very large item of $500 million for the New York Thruway, none of which has yet been issued, and there are certain items in this year's list of bonds which may not come for two or three years. For this reason, the number of issues which are being voted on is not too good a guide as to just what may come immediately.

Three Major Types of Financing

In the past few years there have been three major types of financing that have contributed largely to the increase in volume. There have been over $1.5 billion of bonus bonds; over $1 billion of housing authority bonds and almost $1 billion turnpike bonds. In other words, we might call those the big three in so far as purpose is concerned.

First let us take a look at these particular items and see how the prospective volume in 1953 will compare with what we had in 1952.

Starting with the Turnpikes; in 1952 there were $487 million of Turnpike Authority bonds issued, including the Ohio Turnpike issue of $326 million.

In so far as the future outlook is concerned, there is presently planned a rather substantial volume of additional Turnpike issues, the largest being the $500 million New York Thruway financing. This, however, may not come for two or three years. The reason is that at the present time the Thruway is being financed by notes which, it is contemplated, will be issued from 1952 through 1954, with maturities running up to 1956, subject to call. I do not think it has been definitely decided when they will go into long-term financing but the State has the option of doing one funding operation a few years from now or of calling notes from time to time and selling bonds in two or three blocks, possibly beginning in 1953.

There were $285 million New Jersey Garden State Parkway bonds approved yesterday (Nov. 4); that is, the State's credit was placed behind them by the voters. The effect of this will undoubtedly be to speed up their issuance because, backed by the State's credit, the bond probably can be brought out more rapidly than if it were a revenue obligation making it desirable to have the project practically completed before long-term financing is commenced. I would say of these $285 million Garden State Parkways, just as a guess, that it will probably be two years before the entire amount is outstanding.

There are some $175 million of additional New Jersey Turnpike bonds which will probably be coming out in the next two years, and a small issue of $15 million which is in the future.

Some $100 million Indiana Turnpike bonds are rather indefinite; they may or may not come in 1953, and the amount is not decided.

North Carolina is having a study made as to the feasibility of a Turnpike there which can run between $75 million and $100 million. I think that if the study is favorable we may see that next year.

Then there is another issue talked of, a $185 million Wisconsin Toll Road Authority bonds.

Additional financing by the Ohio Turnpike and Pennsylvania Turnpike has also been in the talking stage.

The Kansas Turnpike Authority, which has been created, is awaiting a decision from the State Supreme Court as to its validity before announcing any plans.

This all adds up to something in the neighborhood of $1.5 billion Turnpike financing which can come over the next three or four years.

In other words, that is at the rate of at least $400 million a year, so that I think it is safe to say that the outlook at the moment is that Turnpike financing in 1953 may be approximately the same as it was this year.

Additional projects may, of course, be announced in the meantime, but one thing that has to be borne in mind is that there is a limit to the amount of Turnpike financing which can be done. Not from the standpoint of sale of bonds, but from the standpoint of feasibility of projects because, in order to pay out, a Turnpike has to serve densely populated areas and there are only so many of these in which a Turnpike will actually be a paying proposition.

So much for Turnpikes.

Housing Authority Bonds

Now as to Housing. In 1952 major items included $305 million P. H. A. bonds, $49 million Massachusetts State guaranteed bonds; and New York State brought out $62 million general obligations for housing purposes. This is a total of $416 million.

While there will probably be no more bonds issued this year, the prospect in 1953 is for an increase in the volume of obligations issued under the Federal Housing Program. Provided the market is satisfactory, the Public Housing Administration would like to sell next year something in the neighborhood of $750 million of long-term bonds issued by various Local Housing Authorities, secured by requisition agreements with the P. H. A. The timing and amount of each sale will depend on market conditions at the time, and it is possible that they may end up with something less than that figure. In any event, there is a large amount of these bonds overhanging the market the next year or two.

Massachusetts has $86 million more to go under the present authorization, which will probably come out in two years—this could mean about $40 milllon annually. There is a new authorization of $25 million but it is going to be rather slow; it may not come in 1953.

While it is impossible to set a definite figure on the volume of housing financing next year therefore, it probably will be well over the amount that we had during the present year. One difference between the provision with respect to notes issued under the P. H. A. program and those issued by Massachusetts Housing Authorities, which may have some effect on the respective financing plans and these two programs, is that Temporary Loan Notes issued under the P. H. A. program may only be issued up to 90% of the cost of construction of a project at which point the Authority must resort to public financing secured by annual contributions from the P. H. A. rather than by a commitment on the part of the latter to make a loan, which is the security for the notes. In the case of the Massachusetts Housing program, the notes may be issued for the full cost and can be rolled over indefinitely if market conditions are not propitious.

Bonus Bonds

The third purpose which has contributed largely to the output of tax-exempt bonds in the last few years is bonus financing. In 1952 there were $147 million bonus bonds sold. This year I understand the Oklahoma proposition for $125 million was defeated —it was voted on yesterday.

Eliminating that, the amount of bonus financing could be approximately the same as last year, if we include California's $150 million for veterans' loans just voted. These, however, are not essentially bonus bonds and they may require several years for issuance.

There will shortly be a refunding issue of some $46 million Bonus Bonds by the State of Louisiana, but that is not new money so cannot fairly be considered as affecting the supply.

Just as a rough estimate I would say that Turnpike, Housing and Bonus financing during 1953 might be somewhere between $400-$500 million more than it was in 1952.

In addition to the above three, there are other purposes, some old, some new, which are going to be coming into the market in rather substantial volume.

School Bonds

School building is one. The construction of schools throughout the country is still lagging

Continued on page 23

*Stenographic report of a lecture by Mr. Taylor in a course on "The Economics of the Securities Industry," sponsored by the Investment Association of New York and New York University, New York City, Nov. 5, 1952.

Dealer-Broker Investment Recommendations & Literature

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

Five Stocks in Four Categories—Yielding 8% or more; under 1946 highs; paying dividends since 1920; and selling at less than 10—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

IBM Services for Investment Brokers and Security Dealers—Describing IBM accounting methods as applied to requirements of the brokerage business—International Business Machines Corp., 590 Madison Avenue, New York 22, 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.

Personal Property Tax Free Long Dividend Paying Stocks—List of 152 common stocks tax free in Pennsylvania—Moore, Leonard & Lynch, Union Trust Building, Pittsburgh 19, Pa.

Petroleum Outlook—Analysis in current issue of "Perspective"—Calvin Bullock, 1 Wall Street, New York 5, N. Y.

Republican Party, Sound Money and Gold—Study—Moss, Lawson & Co., 219 Bay Street, Toronto 1, Ont., Canada. Also available is an analysis of **Broulan Reef Mines Ltd.**

Textile Industry—Analysis—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available are memodanda on **Phillips Petroleum Co.** and **Southern Railway Co.**

The Cost of Handling Rights—Bulletin—Earl M. Scanlan & Co., Colorado National Bank Building, Denver 2. Colo.

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

* * *

Affiliated Gas Equipment, Inc.—Bulletin—Gartley & Associates, Inc., 68 William Street, New York 5, N. Y. Also available is a bulletin on **Pfeiffer Brewing Company.**

Arden Farms Co.—Memorandum—Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif.

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

Augusta Chemical Co.—Bulletin—Graham, Ross & Co., Inc., 82 Beaver Street, New York 5, N. Y.

Blockson Chemical Co.—Analysis—Bruns, Nordeman & Co., 60 Beaver Street, New York 4, N. Y.

Chemical Research Corp. — Memorandum — Aetna Securities Corp., 111 Broadway, New York 6, N. Y.

Chicago Rock Island & Pacific—Bulletin—Goodbody & Co., 115 Broadway, New York 5, N. Y.

Collins Radio Company—Analysis—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y.

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

Deep Rock Oil Corp.—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y. Also available is a memorandum on **General Instrument Corp.** and **Robert Gair Co.**

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

Federated Department Stores, Inc.—Analysis—A. G. Becker & Co., 120 South La Salle Street, Chicago 3, Ill.

Federation Bank & Trust Company of New York—Analysis—I. George Weston & Sons, 210 Broadway, Long Branch, N. J.

Franklin Life Insurance Company—Review—Wm. H. Tegtmeyer & Co., 120 South La Salle Street, Chicago 3, Ill.

Fraser Co. Ltd.—Memorandum—G. E. Leslie & Co., 360 St. James Street, West, Montreal, Que., Canada.

Gillette Co.—Memorandum—Sincere & Co., 231 South La Salle Street, Chicago 4, Ill.

Lehigh Portland Cement Co.—Analysis—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

Minnesota Mining & Manufacturing Co.—Analysis in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. In the same issue is a list of 40 companies with small stock capitalization and a suggested **Retirement Portfolio.**

North American Co.—Review—Ira Haupt & Co., 111 Broadway, New York 6, 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 Co.—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Steep Rock Iron Mines—Memorandum—Chas. King & Co., 61 Broadway, New York 6, N. Y.

The Tidelands — Discussion with special reference to **Kerr-McGee Oil Industries, Inc., Phillips Petroleum Co., Pancoastal Oil Corp.,** and **Standard Oil of California.**—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Universal Major Elec. Appliances Inc.—Bulletin—O. B. Motter & Associates, 500 Fifth Avenue, New York 36, N. Y.

Whiting Corporation — Analysis — May & Gannon, Inc., 161 Devonshire Street, Boston 10, Mass.

Wisconsin Public Service Corporation—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Wisconsin Public Service Corporation—Analysis in current issue of "Business and Financial Digest"—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

NSTA Notes

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

On Friday Evening, Nov. 21, the Investment Traders Association of Philadelphia will have its annual "Sports Night." The function will be held in the Lincoln Room of the Union League.

PITTSBURGH SECURITIES TRADERS ASSOCIATION

The Annual Business Meeting and Dinner of the Pittsburgh Securities Traders Association will be held Friday, Dec. 12, 1952, at the French Room of the William Penn Hotel. The business meeting will be from 5:30 to 6:00 p.m. Cocktails will be served free from 6:00 to 7:00 p.m. Dinner will be served at 7:00 p.m. The cost of the dinner will be $6.50 per member and $8.00 for guests. You may bring as many guests as you wish.


Frank M. Ponicall, Jr.


Earl E. Sweitzer


Paul A. Day


Kenneth Moir

Frank T. Sturek, Chairman of the Nominating Committee announces the committee's selection of candidates to hold office for the calendar year 1953, which is as follows:

President: Frank M. Ponicall, Jr., Singer, Deane & Scribner.
Vice-President: Earl E. Sweitzer, E. E. Sweitzer Co., Inc.
Treasurer: Paul A. Day, Glover & MacGregor, Inc.
Secretary: Kenneth Moir, Chaplin & Company.
Director (one-year term expiring Dec. 31, 1953): A. E. Tomasic, Thomas & Company.

Fred W. Young, Jr., Walston, Hoffman & Goodwin, is Chairman of the Committee handling this meeting and he should be contacted for reservations or any further information.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League standing as of Nov. 13, 1952 are as follows:

Team—	Points
Donadio (Capt.), Demaye, Whiting, O'Connor, Rappa, Seijas	37
Hunter (Capt.), Klein, Weissman, Sullivan, Murphy, Searight	35
Murphy (Capt.), Manson, D. Montanye, O'Mara, Pollack Gavin	34
Mewing (Capt.), Bradley, Weseman, Hunt, Gronick, Huff	31
Meyer (Capt.), Kaiser, Swenson, Frankel, Wechsler, Barker	30
Serlen (Capt.), Gersten, Krumholz, Rogers, Gold, Young	29½
Goodman (Capt.), Smith, Valentine, Meyer, Farrell, Brown	29
Leone (Capt.), Greenberg, Tisch, Werkmeister, Leinard, Corby	25
Burian (Capt.), G. Montanye, Voccoli, Siegel, Reid	22
Bean (Capt.), Frankel, Strauss, Nieman, Bass, Krassowich	21
Growney (Capt.), Craig, Fredericks, Bies, McGovern	19½
Krisam (Capt.), Ghegan, Jacobs, Gannon, Cohen	17

200 Point Club
W. Bradley 223
R. Klein 206

5 Point Club
Duke Hunter

Continued from page 5

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

bility as well as its military revival — our major defense vs. communism.

Do not forget that the Kremlin is operating on the expectation that her eventual triumph will come from attrition by the economic crisis and collapse of the capitalistic world.

The third alternative, namely continued subsidization, is ineffective and impracticable from here on.

Hence, there is no other alternative solution but to reduce our trade barriers. Remember that the $5 billion of our export surplus, which we must match in increased imports, constitutes only 1½% of our total national income.

We must renovate our customs procedures—as our absurd *escape clauses*. First we tell the Europeans that they must produce in line with the demands of our markets, and then if they are successful in so conforming their manufacturing, we invoke the tariff escape clause privileges to keep them out.

We must insist that our foreign friends live within their means and cut out collectivist and inflationary policies; and that they make safe our private foreign capital investments.

* * *

Reinforce Our Domestic Front

On the *domestic* front, no less do Cold War pressures necessitate our taking of vigorous wholesouled action.

We truly face many basic problems here!

We might overstrain our economy through too much defense mobilization over too long a time without adequate reduction in civilian demand.

We might thereby find ourselves so heavily over-invested in capital goods industries that a subsequent decline in military requirements might bring with it serious economic dislocation.

Again, should an all-out hot World War be avoided, *this* time there would be no pent-up demand as there was after 1945 to facilitate World War II's post-rearmament transition.

Remember please this fact—that through the dynamics of the *free economy*, the United States—although with only 7% of the world's population, and outranked in territory and natural resources by many other countries; nevertheless produces 50% of the world's total output of manufactured goods.

Let our new Administration strengthen, and stop the undermining of, our invaluable free market.

Let it abstain from demagogic interventionism of all kinds, from bureaucratic meddling (war threat is a reason against, not an excuse for, this); let it manage its expenditures prudently; stop current over-expansion and inflation at the *root* sources; reduce the incentive-killing tax burden on **all** the people; and eliminate corruption and waste in government.

* * *

So my answer to the question our forum is discussing, namely, "Can the U. S. Economy Stand the Cold War?" is:

With such strengthening on the domestic as well as international fronts—as we have outlined—but only then—the U. S. economy can indeed stand the Cold War!—and besides, we can even retain the social, political and economic freedoms which have been lost throughout the lands of the enemy!

Outlook for Chemical Industry

By JOHN F. BOHMFALK, Jr.*

Clark, Dodge & Co., Members New York Stock Exchange

Mr. Bohmfalk describes recent developments in new chemical products which form basis for its designation as a growth industry. Predicts earnings of chemical concerns in 1953 as 10% above current year. Recommends "as best bets for growth" the strong, well-entrenched companies, and calls attention to other industries which may be favorably affected by recent chemical advances.

A well accepted fact in investment circles is the recognition of the growth factor in chemical industry. Growth rates in production for the chemical industry approximate 9% a year, compared with 3% for all industry and 1% for population growth. Manufacturers sales, speaking again of chemicals, amounted to $7.2 billion in 1950, and if growth continues according to schedule, we should expect manufacturers' sales of $25 billion by 1975, and $65 billion by the year 2000, all figures in terms of Truman dollars. These estimates have been derived from Stamford Research Institute forecasts, using the Gompertz equation and projecting on the basis of a declining percentage growth rate.

John F. Bohmfalk

Certainly it is difficult to visualize where all this growth will come from, but a review of the 1952 research accomplishments should give us some clews. Perhaps the most significant accomplishment was the Union Carbide coal hydrogenation process which offers a wholly new approach to the extraction of chemicals from coal. There is good basis for the belief that expansion in aromatic chemicals, which by and large have to be obtained from coal, will follow or exceed the course of petrochemical development. Production of petrochemicals seems to double every five years.

Closely allied to the Union Carbide process is the Hercules Powder process for air oxidation of aromatic chemicals to corresponding hydroperoxides, followed by a cleavage with acid to yield a phenolic material and acetone. This description of Hercules process, originally announced as a process to obtain phenol or p-cresol plus acetone, has deliberately been broadened, for the process is applicable to any aromatic starting material. The process has still other ramifications which are doubtless being investigated, and better yet, the economics for phenol and p-cresol look very good. Here again, a new approach opens up a new field for exploration, one which will definitely make its mark and contribute to the $25 billion in sales by 1975.

The third accomplishment of significance was the announcement by Chemico (American Cyanamid) of a chemical method for the extraction of metals from ores. This process, as well as expanded use of chemical flotation agents, offers the possibility of winning metals from ores at lower cost and with lower capital investment. From this development, it is one short step to the consideration of chemicals which assist in extraction of marginal deposits of basic minerals, for example, use of detergents in obtaining more complete recovery of crude oil from deposits.

Fourthly, the commerical development of processes for the cracking of natural gas fractions to acetylene and its recovery from dilute exit gases ranks as the most important petrochemical advance in some time. The signifiance of this process is that acetylene is a very reactive and versatile raw material, used in synthesis of synthetic fibers, plastics, rubbers, and many organic chemicals; the availability of acetylene supplements and complements the use of ethylene, the workhorse of the petrochemical industry, in a variety of processes. As an offshoot, the commercial development of intermediate chemicals from high pressure reactions of acetylene will constitute in a few years one of the top accomplishments of the industry.

Medical Chemistry

In the field of medicinal chemistry, we have had two important developments in cortical hormones: first, the Upjohn microbiological oxidation of steriods which not only offered a competitive approach to the synthesis of cortisone but also opens the field of oxygenated steroids to provide a variety of products for biological evaluation.

Secondly, Merck's total synthesis was announced shortly after the Upjohn announcement, and may be the long-range solution to the full development of the adrenal hormone market. But the cortisone problem has posed one of the most fantastic problems in logistics the chemist has ever been called upon to solve. In the field of heart drugs, several new drugs were announced and clinical evaluation of another has progressed very satisfactorily. Even though antibiotic markets have a saturated look, there are great possibilities for new drug products. The chick embryo technique for propagating the Lansing strain of polio virus, another accomplishment of vast significance, is just one of the possibilities.

Another area of great potential is animal nutrition, specifically the use of antibiotics and vitamins which accelerate the growth rates of farm animals; and also animal disease, which has an important economic potential because of the rotation of animal population. As a matter of fact, the history of modern drug development since the sulfonamides suggests that there has been a research breakthrough of great proportion.

While there were doubtless other research discoveries of considerable significance, the ones cited may serve to point the way for future progress. Any study of the industry inevitably leads back to an analysis of research as the key to the future progress of specific companies. Research can be analyzed statistically in a number of ways, for example as a percentage of sales; by counting patents; in terms of the calculated increase in sales per dollar of research; and by comparison of the calculated increase in sales versus the actual sales growth rates. Perhaps another approach would be to examine the different types of research conducted by many companies. In following this course, one would be impressed with the waste of a great amount of organic chemical research which is not geared to screening programs for biological responses to these new chemicals. Clearly, it is an advantage, as in the case of American Cyanamid, to have available a screening operation for new chemicals developed not only as medicinal chemicals, but also as textile chemicals, dyes, new polymers, photographic and rubber chemicals, etc. But for lack of time, there does not seem to be much point in developing the research theme beyond this point.

Earnings Outlook

Now we should examine the immediate earnings outlook for chemical industry. There is one over-riding consideration which must be taken into account, and that is income taxes. If excess profits taxes are allowed to expire June 30, 1953, the chemical industry will stand to benefit, but some companies will benefit more than others. A second factor is accelerated depreciation which should begin to bear heavily on earnings in 1953. Under the most optimistic set of circumstances for 1953, a good level of business activity, near capacity operation, favorable markets for chemical products, we might expect sales gains of about 10%-15% for the major chemical companies and very slight gains in pretax margins. Assuming continuation of present tax laws for the entire year, earnings should then stand to gain about 10% over estimated earnings for 1952. The tax buffer is at work here, acting to limit earnings gains because of the EPT factor. But if excess profits taxes are lifted on June 30 next, then we have a substantial benefit for half of 1953 which would elevate earnings by 30%.

It would be much more logical to visualize a slight rise in the normal and surtax rates along with removal of EPT. If this were to occur, we should expect that those companies which had compensated for the EPT penalty by raising new money to enlarge their credit, acquiring a substantial number of certificates of necessity, and which have suffered most severely in the recent recession, are not likely to benefit much if at all from such a change in the tax laws. On the other hand, those companies which did little to compensate for EPT and which have maintained sales positions reasonably well are likely to gain the most from EPT removal. Those companies are Hercules Powder, DuPont, Rohm & Haas, and Hooker Electrochemical. I should repeat that these earnings estimates are based on some rosy assumptions; as chemical inventories have been in balance with sales for about a year now, there does not seem to be any indication of an inventory spurt next year. Thus, the optimistic estimates are based wholly on a continuing high level of business activity.

Conclusion

In concluding, I should like to make two points in brief. First, while it is always nice to be able to ride Heyden from 10 to 20, too many ride it the other way around. The strong, well-entrenched companies are always the best bets for growth, but there are always investment opportunities in the Hookers, Victors and others. Secondly, chemistry infiltrates many industries and alters their outlook materially. The rubber industry is a prime example today of an industry whose investment stature is still growing as a result of special factors, chemical in origin, affecting that industry. But in summing up, there are good investment opportunities in chemical industry, for horizons are ever broadened by application of research.

*A talk by Mr. Bohmfalk before the Chemical Forum of the Association of Customers' Brokers, New York City, Nov. 13, 1952.

Robt. Hamlin Joins Loomis, Sayles Co.

BOSTON, Mass.—Loomis, Sayles Co., 140 Federal Street, announce that Robert T. Hamlin has joined their Boston staff as a member of the counseling department. He was until recently head of the research and statistical department of F. S. Moseley & Co. in their Boston office. Mr. Hamlin has long been active in the investment field, having been associated for a number of years prior to the war with Arthur Perry & Co., which firm later merged with F. S. Moseley & Co. During the war he was a member of the price adjustment board in the Boston Ordnance District of the Army Service Forces, and is still a member of the board of contract review in that organization.

Singer, Bean Phone To Philadelphia

Singer, Bean & Mackie, Inc., 40 Exchange Place, New York City, announce the installation of a private telephone to the Philadelphia office of Reynolds & Co., members of the New York Stock Exchange.

E. L. Olson Opens

DETROIT, Mich. — Elmer L. Olson has opened offices at 9925 Woodside Avenue to engage in the securities business.

Martin J. Quinn

Martin J. Quinn passed away November 17 at the age of 89. Mr. Quinn, who entered the investment business in 1880, was a partner in E. C. Benedict & Co. of New York City.

Are Chemical Stocks Overpriced?

By DWIGHT MOODY*
Chemical Editor, New York "Journal of Commerce"

Holding chemical stocks are not high as related to market as a whole, Mr. Moody foresees possible developments, such as lower earnings, increased foreign competition, and onerous tax burden, which may carry these stocks lower. Points out, however, prospects of high level of industrial activity and increased earnings in 1953 indicate chemical stocks are not overpriced.

To the investor, or potential investor in chemical stocks, an important question is—are the chemicals presently over-priced, in relation to prices of other industrial securities traded on the stock market?

In other words, are present prices of the chemical stocks over-discounting, or under-discounting, the potentialities—the probable future near-term and longer-term trends in industry sales and earnings?

Historically, it might be noted—taking price-times-earnings ratios as a measurement index—chemical stock prices right now are not high, as related to the market as a whole.

Because of the growth characteristic of the chemical industry, particularly since World War I, chemical stocks consistently have sold at a higher price-times-earnings ratio than most other stock groups.

In the period preceding 1939, for instance, it was not uncommon for the chemical stocks of the big integrated producers — such companes as duPont, Union Carbide, Allied Chemical, Monsanto, Dow, American Cyanamid—to sell at 20 times earnings or better. This compared with around 10 times earnings for the general run of industrial stocks.

Then, for a period, because of the impact of Excess Profits Tax burden on chemical company earnings, and because of doubts about a continuing strong growth in the chemicals—doubts that later proved to be mistaken — the spread between chemicals price-time-earnings ratios and those in the market as a whole narrowed.

Right now the most favored of the chemical stocks are selling from 16 to 25 times earnings, while the average P-E ratio for some 34 chemical stocks is around 15, as compared with average P-E for stocks used in compiling the Dow-Jones industrial average at around 11.

Earnings Prospects

Thus, if it can be established that the chemicals in the year ahead—and/or for the longer term —will make a poorer comparative showing in earnings than in past periods, we have a strong case that the chemicals may now be at least temporarily over-priced.

On the other hand, if we can expect sales and earnings to show up better than the industry average—on a comparative basis equal or better than in past periods of the last few decades—then chemical stocks would appear to rate selective retention and purchase.

Looking ahead, it is not too difficult to build up a superficially-persuasive pessimistic picture on prospects for the chemicals, at least for the near-term.

Because the chemical industry is a growth industry, most companies come under the Excess Profits Tax, and are now being forced to pay as much as the maximum 70% rate, in the case of some companies, to the Federal income tax collector.

This doesn't leave much for dividends and for financing the present costly expansion programs—at a time when most companies have used up their "fat" of earlier years (their reserves) and are thus forced to borrow, or sell stock and dilute equity, to provide funds for construction in a period of inflated construction costs.

Further, a considerable part of the present expansion is to provide solely for military and other needs under the national defense program, and would not otherwise have been undertaken at this time.

Also, chemicals are sold as raw materials to other industries, and thus the chemical industry is vulnerable to recessions in other industries—as was demonstrated in declines in sales as well as earnings in the chemical industry in the first six months of this year.

Again, the export sales boom in chemicals and drugs has now passed its peak, and export business will continue to decline, as foreign competition increases.

New Foreign Competition

Already German and other foreign-produced chemicals are cutting into our markets in South America and elsewhere. In fact, the German chemical industry has been recovering so rapidly that it already is back to its 1938 output level and may well get up to its record production of 1944 in another two or three years.

And right here, in our home market, it should be noted, the chemical industry no longer has the tariff protection it had in the past. The tariff protection, built up after World War I in the interests of national security to protect the then budding organic chemical industry from collapse, has now been sharply whittled down as a result of the Torquay conference agreements.

These factors can be made to appear particularly disquieting when it is considered that the chemical industry added $5.5 billion to plant in the postwar period 1946-1951, and the 1951-1955 expansion program now calls for an additional $5 billion expansion.

Before we get too alarmed over the problems and possible headaches, however, it might be well to consider the past record of the industry—what has made it necessary for the chemical industry during the past 25 years to expand at an average rate of 10% a year, compared with 3% for all industry.

The answer obviously isn't solely that all-industry—the customers for chemical—has grown. Another, more important, reason has been the chemical industry's emphasis on research, with resultant development of new products and new uses for older lines.

Research Activities

Right now the chemical industry is spending more on research than ever before. The average chemical company spends on research an amount equivalent to about 3% to 4% of total sales—an even higher percentage in the case of drug companies. In the case of a company that has increased its sales 10 times in the past decade—a not uncommon experience in the chemical industry —this means that expenditures on research also have jumped 10 times.

As a result of such accelerated attention to research, some of the larger chemical companies have been bringing out in recent years new products, in the carload shipment category, at as high a rate as one new bulk-tonnage item every month to six weeks, whereas not very many years ago one carload-shipment chemical a year was considered pretty good progress.

Similarly in the allied drug industry, new major discoveries in drug research are being announced every six months or oftener, whereas 25 years ago one such major discovery in 25 years was considered a good record.

As regards less important new products, hardly a day goes by when one or more new-product announcements, or reports on new applications of already-known products, fail to appear in the *Journal of Commerce*'s daily Chemicals Section.

Emphasis on research has been particularly helpful in getting the industry out of slumps during periods of general industrial recession. Normally the industry has been so busy trying to keep pace in production to meet growing demand for its established lines that only in times when a lull in such sales develops has it been able to provide maximum attention to production and market development for the myriad of new products constantly being made available from its laboratories.

This happened during the recession of the early 1930's when a temporary lull in chemical business was followed by an upsurge in the industry's activity that helped to restore a general business improvement. Again, a few years back when a dip in industrial activity occurred, this gave the chemical industry a chance to develop and promote new products that had previously been held in abeyance, with the result that the subsequent recovery in the chemical industry was much sharper than in the case of all-industry.

Research activities in developing new uses for chemicals have proven equally fruitful. During World War II much of the plant expansion in chemicals was to meet strictly military needs. Yet so rapidly were new uses developed for chemicals in ample supply that after the war the industry had to keep right on expanding to meet demands from new fields—for example, use of styrene in large-scale development of plastics.

In view of the present vast scale of research activities in the chemical industry, there is a good reason to expect that past experiences can be duplicated in the future.

As regards the admittedly onerous tax burden on the chemical industry, it should be noted that present earnings are being shown AFTER the present heavy Federal tax payments. For the future, an offsetting factor, under E. P. T., is that a cushion is provided against effect on earnings from declining sales. In the case of a $100 pretax profit figure, for example, a company paying the maximum tax rate has only $30 left after paying Federal taxes. But in the event of a business recession, and a drop in pretax profits from $100, to let us say, $65, the regular 52% rate plus a smaller excess profit tax bite would leave about $27 net profit after taxes.

On the other hand, if the Excess Profits Tax is allowed to expire, or is drastically modified, on June 30, next, as some expect, the result could be a jump of as much as 60% or more in net profits after taxes — assuming approximately present sales levels and pretax profit margins.

As to foreign business, while a decline from the exceptionally high level of exports of the past few years was to be expected, the American chemical industry and allied drug industry are likely to continue to maintain a relatively strong position in the foreign field, either through wholly or partly owned foreign subsidiaries, or through direct exports. Favoring American companies are their reseach activities, and benefits from mass-production.

Summarizing: Assuming a relatively high level of industrial activity, buoyed by continuing heavy defense expenditures, for at least most of next year, earnings of most chemical companies should show good improvement over 1952, with comparisons better than the all-industry average.

In event of a serious general slump—which is possible but does not at the moment seem probable —earnings of the larger integrated companies should stand up better than the all-industry average.

On this basis, the chemical stocks, in my opinion, do not appear over-priced.

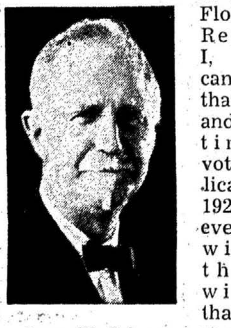
*A talk by Mr. Moody before a meeting of the Association of Customers Brokers, New York City, Nov. 13, 1952.

Elections and the Stock Market

By ROGER W. BABSON

Mr. Babson says, in spite of Republican victory, the Dow-Jones Industrial Average could go off 100 points, and points out forecast of stock prices should not necessarily place too much dependence upon politics, even when conclusions are adjusted to inflation and book values. Says new Republican Administration could make dollar worth more both at home and abroad, and therefore bank deposits may be best investment.

I saw more smiles on November 5th than I have seen for several years. Knowing of my interest in Florida, my friends have been congratulating me that Florida "voted Republican." I, however, cannot forget that the last and only other time Florida voted Republican was in 1928. Although everyone likewise smiled then, yet within less than a year we had the Panic of 1929.



Roger W. Babson

I do not believe that history need now repeat itself; but the Dow-Jones Industrial Average could go off 100 points. I say this after allowing for both inflation and the vast sums which these 30 big corporations, the stocks of which compose this Industrial Average, have plowed back into their businesses since 1929.

Inflation and Book Values

You will naturally ask: "What about inflation since 1932—which should prevent the next 'lows' from reaching the 1932 figures?" This is a fair question. Well, in 1932 the value of our dollar, in terms of wholesale commodity prices, was $1.50. Today this value is 53 cents. This means that we would be justified in multiplying the 1932 "low" of 40 by 2.8. This would be equivalent to a theoretical "low" of 112 for today.

Many corporations since 1932 have put back into their businesses large sums of money without increasing their indebtedness or the number of their outstanding shares. On the average, this amounts to a total estimated figure, after depreciation, of 60% for the 20 years. This could also be added to the 112, to make a figure of 172, which could now be compared to the 1932 "low" of 40. In other words, after considering both inflation and increased book value, the Industrial Average—now at 270—could easily go back to 172, or a decline of about 100 points.

Possible Market Declines

The above adjustments, however are largely theoretical. Stock prices depend more upon emotions than on Statistics. Furthermore, a change in customs or new inventions may raise havoc with mathematics. For instance, the railroads have high book values, making their stocks, theoretically, worth very much more than they are selling for; but this does not make people ride on the railroads! It does not prevent people from using automobiles and trucks. Hence, a forecast of stock prices should not necessarily place too much dependence upon politics, even when conclusions are adjusted to inflation and book values.

In the long run, stock prices are determined by: (1) Earnings of corporations; (2) the amount of funds available for investment; and (3) the confidence of people to buy stocks, which must have increased since Nov. 4. There are three other factors, however, which could determine stock prices during the next two years. These are: (1) The action of labor unions; (2) the growth of foreign imports; and (3) the recklessness of domestic competition and price-cutting. All of these factors now indicate the stock market could decline 100 points, notwithstanding last week's great Republican victory.

What Is Today's Best Buy?

Every reader is justified in asking how he can capitalize on the recent great Republican victory. I have a definite answer—namely, "Buy Dollars." Today dollars can be purchased for 53 cents. I believe they are the best bargains that there are today. Furthermore, whatever else the new Republican Administration is able to accomplish, it should make these dollars worth more money both at home and abroad. For the time being — as long as we avoid World War III—inflation may be at an end.

The simplest way to "Buy Dollars" is to save money or to take a profit and put the proceeds into a good bank. In other words, bank deposits may be the best investment today. Certainly, every wise person will build up his bank account during the next few months. In the meantime, watch the present fifty-three cent dollar and see if I am right or wrong in this advice.

"To Hold, or Not to Hold"

By WALTER MAYNARD*

Partner, Shearson, Hammill & Co., Members N. Y. Stock Exchange, President, Association of Stock Exchange Firms

Mr. Maynard maintains investor owning carefully chosen securities should lean toward continued holding, because of secular growth of our economy, its inflationary bias, and stocks' built-in growth factor through earnings retention. At same time points out dangers accompanying long-term holding, as: (1) over-evaluation of favorable factors, as evidenced by excessively high price-earnings ratios; (2) impaired dividend-paying ability; (3) misplaced confidence in growth quality, and (4) technological changes. Maintains capital gains tax is a "penalty on wisdom" in capital management.

The title assigned to me for this talk has Shakespearian connotations, and it will be recalled that Hamlet's famous soliloquy was not only concerned with psychological matters, but also referred to the "slings and arrows of outrageous fortune."

Walter Maynard

In considering the problem of whether to hold or not to hold securities in preference to money, or whether to hold one group of securities as compared with another, both psychological factors affecting the holder, and possible "slings and arrows" inherent in the prospects for the economy as a whole and for particular companies whose stocks are held, should be taken into account.

I propose in the briefest way to review some of these factors and then give you a few "case histories" illustrating conditions which investors should be on the lookout for as indicating a decision "not to hold."

Dealing with subjective psychological factors first, I think I am safe in saying that investors generally tend to make more mistakes through selling investments prematurely than they do by holding on overly long to securities which are in a downtrend. This is due in part, I think, to the fact that the judgment of many investors is conditioned by experience in the wicked speculative days of 25 years ago. Then active speculation brought quick recognition pricewise of favorable basic trends, whereas in today's investment-type markets such recognition is much slower to develop. Therefore, when the alternatives of holding stocks or money are considered, and I assume that "stocks" means carefully and wisely chosen stocks, in the absence of specific adverse indications benefit of the doubt should probably be given to holding.

Time Factor Favors Holding

There is another reason for favoring a tendency toward a decision to hold. In a growing and dynamic economy such as ours, uptrends tend to be long and slow, whereas downtrends are shorter and sharper. This suggests that the time factor alone favors holding, particularly of securities that have not been bought at market peaks.

From a psychological point of view, therefore, investors should tend to orient themselves in the direction of contemplating each investment, as it is made, as a permanent holding. This assumption of permanence will have the added advantage of tempering investment decisions based on favorable factors affecting particular industries or companies which may be only temporary in their action.

*A talk by Mr. Maynard before Federation of Women Shareholders in American Business, Inc., New York City, Nov. 14, 1952.

Turning away from subjective factors to a consideration of the longer term position of our economy as a whole and of the position of stocks within it, I have already noted what is now widely taken for granted—that our economy is not mature, but is a growing and dynamic one. This growth and dynamism, of course, come from the circumstances of an energetic, inventive and socially disciplined people at work in a geographical area endowed with tremendous natural resources. Over and above these fundamental favorable factors there are, however, two further considerations which should be taken into account. One of these is our new-found position of world dominance in a political and military, as well as in an economic, sense, and another is the special aspects of our long-term tendency toward inflation.

Deflationary Tendencies to Predominate Over Short Term

Addressing ourselves for the moment to the problem of inflation versus deflation, it is, of course, evident that for the intermediate term—possibly the next two or three years—deflationary tendencies will on balance tend to prevail somewhat over inflationary tendencies. However, in the long run, and probably stimulated by a mild measure of deflation, inflationary tendencies should once more assert themselves. These longer-term inflationary tendencies center around two basic conditions, of which the first is that all of us have openly assumed responsibility for the maintenance of a "full-employment" economy. This means that we are prepared to use the full panoply of government economic powers to intervene when deflation proceeds to a point at which unemployment becomes appreciable. This generally agreed upon principle in effect boils down in the last analysis to government-sponsored inflation in all its forms, ranging from direct support of public works financed out of deficits to restarting of the "engine of inflation" possessed by the Reserve Banks, which Mr. Eccles of the Federal Reserve System was so free to denounce during his term as Chairman.

A second inflationary consideration is that there is no evidence that any important segment of public opinion in this country believes that the economic power of organized labor to force wage increases should be curtailed. This being the case, under full-employment conditions, we can expect a continuing upward bias in the largest element in industrial costs, and over an extended period of time this element all by itself must inevitably produce an upward trend in the general price level.

To round out the discussion I must add one more factor that is sometimes lost sight of. This is the obvious fact that corporations almost never pay out all their earnings in dividends. Retained earnings therefore provide a form of a "built-in" growth factor for even the most prosaic of companies.

On Holding Particular Issues

Having considered a few of the important over-all factors which must be evaluated in arriving at sound investment decisions, we now come to the even more difficult and interesting problem of forming correct conclusions concerning the advisability of holding or not holding particular stocks that we own, and it seems to me that the best technique to make certain basic principles clear is the case history. I am going to briefly review the recent history of three groups of stocks for which many investors have had a high regard, yet where investment disappointment has been the rule in recent years. In the case of each of these groups subsequent events showed that a decision not to hold was clearly wise.

The air transport industry furnishes the first example. It will be recalled that during World War II the air transport industry had extraordinarily good results attributable to remarkable load factors, a minimum of competition from other types of travel and good control over costs. As a consequence an index of four leading air transport stocks rose from about 97 in 1942 to about 640 in December of 1945. When the war ended the outlook for the air transport industry seemed brilliant. New, larger and more efficient types of equipment were available, almost unlimited traffic was in sight, and the practicable spanning of the oceans during the war had widened the industry's horizons. Yet in the short space of three years the index dropped to 185, or less than one-third of its previous high. Since the high hopes for the industry of those who bought these stocks at the highs of 1945-1946 have in considerable measure been justified by subsequent developments, it is clear that here we have a case of over-anticipation or over-discounting of the future, and this particular error of unbridled optimism is probably the greatest single cause of loss to investors.

It is hard to lay down a rule that will protect investors from this particular kind of mistake and ensure that a timely decision not to hold is arrived at. However, I think it safe to say that the surest criterion of value on which investors can rely is *yield*, that yield depends upon earnings (plus the other elements of dividend-paying ability), and that therefore, when stocks sell at high multiples, say 20 times, of earnings that have been attained only after a long uptrend, they should be viewed with grave suspicion.

Warning by Tobacco Stocks

This brings us logically to another example, which in this case concerns a group which has cost conservative investors heavily. This example is that of the tobacco stocks, which as a group are now selling lower than in 1936, and since early 1949, despite one of the *greatest* bull markets of history, have actually declined. The unsatisfactory history of the tobaccos is due in the main to impaired dividend-paying ability. Rising leaf costs and rising sales forced the cigarette makers to impound enormous sums of cash in inventories. Rising sales obscured dwindling profit margins, and weakened balance sheets provided the principal evidence of the disease which resulted in American Tobacco paying less in dividends to its stockholders last year than in the dark days of 1932. The rule here is to watch balance sheets; rising debt plus a persistent trend toward smaller profit margins should suggest to the careful investor the wisdom of sales.

Misjudging Growth Company

We now come to my last capsule case history, which concerns one of the most subtle problems dealt with by the security analysts. This case history is chosen to illustrate the disappointment that the aggressive investor may face in mistaking a "mature" company for a "growth" company. For the security analyst the problem is that of discerning the transition from the phase of growth to the phase of maturity.

For purposes of illustration, Woolworth seems to be a good example. It will be recalled that this stock went from a low of 5 in 1917 to about 60 in 1926 without any significant setback. After a drop in mid-1926 to about 35, the advance was resumed and the stock reached an all-time high in 1929 of about 104, at which price it was selling at almost 30 times earnings with a yield of about 2.3%. Interestingly enough, this display of investor confidence was in a considerable measure justified, because in the next two years earnings rose from the $3.66 per share of 1929 to $4.24 in 1931, and the dividend was increased from $2.40 per share in 1929 to $4.40 in 1931.

Nevertheless, Woolworth stock dropped in price, and in 1932, although the $2.40 dividend was almost earned, it sold at 22. From that level a pronounced uptrend set in; in 1936 earnings were $3.36 per share, and the stock sold at 71 to yield only slightly more than 3%. This relationship of price to earnings and yield was only justified on the ground that Woolworth was still a true growth stock, and yet at that time there were signs that above-average growth had ended. Woolworth's pricing policies and striking store fronts had been widely copied and had therefore lost in part their competitive value, and in any event there were grounds for believing that the openly avowed inflationary tendencies of the Federal Government would in time make the "5-and-10" slogan unworkable. This then was the point at which the subtle and discerning analyst should have sold, because even today the stock of this thoroughly sound enterprise is selling in the low 40s.

I think it only fair to say, however, that the problem of making a proper allowance in the case of particular stocks for the transition from growth to maturity is so difficult that for the practical investor the importance of the subject lies in his appreciating that it represents a risk to be guarded against. The best defense against this risk is alertness and comparison—the comparative method will frequently bring to light slowed patterns of growth which will jus-

Continued on page 32

An Appraisal of Election Results

By EDWARD P. RUBIN
President, Selected American Shares, Inc.

Presenting in outline form an appraisal of the economic situation and the economic prospects based on outcome of the Presidential election, Mr. Rubin sees the economy dynamically growing, and trend toward Socialism slowed up, if not halted. Finds inflation still a serious problem, but sees, from a long term standpoint, a better chance to curb it. Lists factors which should be studied in choosing investments.

Our approach will be to examine the long- and short-term background factors and Eisenhower's probable influence upon them. The examination will necessarily be brief, but we hope to make it comprehensive. We shall offer our own conclusions, but we believe that the material presented may be useful to you even if you disagree with our conclusions.

Edward P. Rubin

As to the long-term factors, we believe the dominant long-term factors in the economy, with which Mr. Eisenhower will have to work, are: (a) The long-term dynamic growth of the economy. (b) The inflation of the currency and the price level.

The Economy is Dynamically Growing

Among the evidences of the economy's dynamic growth are these:

The population is growing.

The amount of money spent on research is expanding.

Efficiency of output per man-hour is near its alltime peak.

A greater percentage of the people now work.

Productive capacity is expanding.

Standards of living are improving.

The long-term trend of exports and imports is higher, and Eisenhower, in his campaign, indicated he believed we should try to increase them further.

We have many new industries.

We have more business firms than ever before.

They are not failing.

Actual production is moving along the same lines of growth that were always present before 1929.

The recent Paley Report indicates it is sensible to expect that 25 years from now industrial production will be twice its present level.

Recent Cleveland Trust Co. studies indicate that we are already using almost our present level of capacity.

So if production is to double in the next 25 years, it is obvious we must expand our capacity still further to take care of this dynamically growing country.

How Will Eisenhower's Election Alter this Dynamic Growth?

First of all, Eisenhower's election probably means we should reconstruct our thinking about the American people themselves. Prior to his election we cynically said:

You can't beat Santa Claus.

Don't let them take it away.

2½ million payrollers will swing the election.

People whose pensions were raised in the last month preceding the election would surely vote for the New Deal.

A President today has to be an orator, make a good appearance on TV, sound good on the radio, and be clever in press conferences.

The election proves this cynicism was wrong. That is important, because the character of the people is important in investment security. If you don't believe that, all you have to do is look at what happens to investments in countries where the people do not have high ethical standards.

Eisenhower believes basically in the private enterprise system. Among other things, his election probably means:

The trend toward socialism is at least slowed up, if not halted.

Villification of business will terminate.

The Administration will lend a friendly ear to business.

Probably numerous business leaders will be invited to important posts in his Administration.

Much costly red tape is apt to be removed.

There will be an attempt to restore normal business incentives.

The objection against big business is apt to diminish and more emphasis is apt to be placed on the efficiency and desirability of large - scale, mass production through large corporations which are managed in the mutual interests of the country, the customers, the employees, the management, and the owners of the business.

It may be too much to hope that Eisenhower and the Republicans will return to private ownership such things as synthetic rubber plants and Federally-owned hydro-electric power plants, but it is reasonably certain that the trend in that direction will be halted, if not reversed, and there will be no threats that the government will enter the steel industry in competition with private capital.

There is a good chance that Eisenhower is a true leader who will unify the diverse elements of our economy in a combined effort to use to the fullest the spendid industrial machine which has been developed in this country.

From the standpoint of our continued dynamic growth, the Eisenhower election should make an important positive contribution.

The second primary long-term factor at work in this economy is that of inflation:

A pronounced rise has taken place in commodity prices and the cost of living.

The money supply is at new all-time highs.

In a period of great prosperity we have not reduced the Federal debt.

Great as is our inflation, it is a pigmy compared with others:

Since 1937 Argentine living costs have more than quintupled.

Since 1938 Austrian living costs have risen 10 times.

Since 1937 Belgian living costs have quadrupled.

From 1937 to 1948 French food costs rose 19 times. Then they started the index over again at 100. The new index is now 145.

Italian living costs are today 57 times 1938.

Greek living costs are 453 times 1937.

Before the recent election we were again laying the groundwork for more inflation here. At the peak of a boom we were actually again going heavily into additional government debt.

Many of our basic policies are inflationary, to wit: (a) farm price price supports; (b) strong labor unions; (c) the philosophy of full employment.

Much as we have talked against inflation, we still fear deflation more.

Will Eisenhower Change this Trend Toward Inflation?

There is no question Eisenhower is a sound money man who has openly said he favors stopping the inflation. His initial appointment of banker Dodge is a constructive move along these lines.

It seems certain that Taft would not have supported Eisenhower unless Taft was sure that Eisenhower represented sound fiscal policies. There is thus a good chance that Mr. Eisenhower will make a sincere effort to eliminate Federal deficits and restore sound money conditions.

Can he be successful? Yes, if we don't, for other reasons, get a depression. The burden of the Federal debt has already been materially reduced since 1945 and a few more years of reducing this burden might actually place the country in a comfortable fiscal position.

But there are many problems.

It will be difficult to slow up current spending abruptly.

Excess profits taxes expire next June, and if not renewed will reduce Federal income before Federal expenditures can be reduced.

There is a great deal of short-term Federal debt outstanding and sound fiscal policy would require funding these short-term maturities into longer ones, which would, to some extent, increase the interest charge.

If, by chance, a recession were to develop in business, it is extremely difficult to see how we could avoid further Federal deficits, even under Eisenhower.

Suppose Eisenhower is successful in stopping the inflation permanently. Basically, it would be one of the finest things that could happen to the economy, as:

Inflations are destructive.

The long-term payoff of an inflation is disastrous, both economically and politically.

To eliminate this very long-term economic and political risk could not be interpreted as other than basically constructive for a private enterprise system.

If Eisenhower and the American people do actually beat the American inflation definitely and permanently, it will be because the economy is basically strong and dynamically growing. Thus, the long-term common stock investor has everything to gain from a victory of growth over inflation, and if by chance this victory does not occur, then he is still in relatively the best position if inflation again gains the ascendancy despite all Eisenhower can do.

How About the Next Year?

No matter how much, nor how sincerely we talk about the long-term, we always want to know what is going to happen in the next three months or the next six months or the next 12 months. We always want to know, Is this the right time to buy?

Is this the right time to get in?

Most of the country is pessimistic about the last half of next year. At least I believe this to be the case.

People think the defense program is about to peak out and go down in the second half of next year. They believe plant and equipment expenditures are going to be lower. They don't see any backlogs of civilian business that have not been worked off. They don't see what is going to take the place of declining defense and plant and equipment expenditures. They believe that capacity in many industries is going to be excessive.

They are fearful that private debt is too high. They are worried about rising interest rates and falling bond prices. They are

Continued on page 35

Connecticut Brevities

Associated Spring Corporation acquired as of Oct. 1 Seaboard Coil Spring Corporation of Los Angeles. The West Coast company, which manufactures a variety of precision mechanical springs and wire forms, is now operated as a division of Associated.

* * *

Connecticut General Life Insurance Company will build and own the Westgate Shipping Center which is to be built in Fairview Park, a suburb of Cleveland. The property will be leased to and operated by Westgate Center, Inc. The Center will be constructed at a cost of about $10,000,000 and all stores are expected to be in operation by October, 1953.

* * *

Torrington Manufacturing Company's Canadian subsidiary which was formally Torrington Impellers, Ltd., has changed its name to Torrington Manufacturing Company of Canada, Ltd.

* * *

Stockholders of **Segal Lock & Hardware Company** have approved an increase in the authorized number of common shares from 2,650,000 to 3,250,000. At the same time options were granted to Meade Johnson, President, to buy 50,000 shares of common in blocks of 10,000 shares at $2 prior to Dec. 31, 1953, at $3 during 1954, at $4 during 1955, $5 during 1956 and $6 during 1957.

* * *

A group of residents of the Town of Groton have applied to the Connecticut Banking Department for a charter and a public hearing has been held in an effort to establish a bank in the community. The new bank would have a capital of $100,000 and a paid-in surplus of $100,000.

* * *

In a letter to stockholders of **United States Finishing Company** the management revealed that the company's earnings for the first nine months of 1952 were $1.81 a share compared to $0.03 for the same period in 1951. The company is presently expanding its facilities and making certain improvements in its production, sales and administrative practices. The company's stock was recently admitted to the New York Curb Exchange.

* * *

In accordance with the provisions of a contract between Noma Electric Corporation and Putnam & Co., a new corporation, **The Ansonia Wire & Cable Company,** has been formed to buy substantially all of the assets of The Ansonia Electrical Division of Noma. The new company will continue to the present business which consists of manufacture and sale of custom built electrical cables for use by the telephone, railroad, utility, electronic, and other industries as well as governmental agencies. A public offering of stock of the new company is proposed in the near future.

* * *

The Connecticut Light & Power Company has obtained permission from the Connecticut Public Utilities Commission to issue up to $35,000,000 series M 3¼% First and Refunding Mortgage Bonds, due 1982 through private sale. The proceeds will be used in connection with the company's five-year construction program for 1952 through 1956, at an estimated cost of $109,000,000.

* * *

The Guilford-Chester Water Company has declared its first common stock dividend since public distribution of most of the outstanding stock in August. The dividend of 50 cents, payable Dec. 1 to holders of record Nov. 20, brings to $1.75 the total amount paid in 1952. In the future directors will give consideration to payment of dividends on a regular quarterly basis.

* * *

The Directors of **Aspinook Corporation** have appropriated $5,000,000 to be used for the purchase and retirement of outstanding common stock at a price of not over $19 a share. Accordingly, tenders were invited prior to Nov. 10.

Great Western Petrol. Common Stock Sold

The recent public offering by Steele & Co. of 299,900 shares of Great Western Petroleum Co. common stock at par ($1 per share) has been completed, all of these shares having been sold, according to an announcement made on Nov. 17. The successful distribution of this offering was participated in by dealers in New York, Philadelphia, Baltimore, Washington and Buffalo.

Great Western will use the net proceeds to pay for drilling expenses, to purchase equipment and for working capital. On Nov. 12, the company announced the bringing in of its Glenrock Robbins No. 1 Well in Converse County, Wyoming.

The Great Western Petroleum Co. has leases and interests in 16,451 acres in 15 areas in Montana, Wyoming, Colorado and Kansas. It is expected that the Bailey Dome lease, consisting of 134 acres in Converse County, Wyoming, will be drilled within the next few weeks. Oil has been discovered in the McLaughlin well in close proximity to this lease.

Arrangements have been made with Sun Oil Co. for the drilling of a test well on part of Great Western's South Elk Basin-Sand Coulee acreage.

R. W. Pressprich Has Philadelphia Office

PHILADELPHIA, Pa. — R. W. Pressprich & Co. announce the opening of a Philadelphia office at 123 Broad Street under the management of Richard W. Hole and Gordon L. Keen.

With Marache, Dofflemyre

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Darvin M. Curtis has become associated with Marache, Dofflemyre & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Curtis was previously with J. A. Hogle & Co.

Deflation May Be in Offing

By DOUGLAS H. BELLEMORE, PH. D.*
Chairman, Dept. of Economics
Boston University, College of Business Administration
Economist, American Institute of Finance

Dr. Bellemore, in pointing out stock market and business is continuing to experience momentum of New Deal spending, warns, however, that businessmen and investors may begin to feel the impact of sobering effects if the Republican Administration starts to implement its compaign promises of moving towards a sound dollar. Finds postwar boom was based on Foreign Aid and Capital Goods expansion, and foresees both these forces diminishing. Holds the economy has lifted itself up by its "bootstraps of credit," and deflation may be in offing.

As with long-term stock market trends, so it is with long-term business trends, all we can know with certainty is where we are and where we have been and to some degree why we have been there. In both the stock market and business the odds usually favor the continuation of existing trends, because of the sheer momentum that they generate in the direction in which they are moving. It is, therefore, generally the better part of wisdom, and it is certainly more comfortable at the time, to simply forecast the continuation of existing trends.

D. H. Bellemore

We have recently been treated to a barrage of campaign oratory in which the leaders of both parties solemnly told the American people that prosperity can be continuous, *ad infinitum*. Again we have a "New Era" or no depression philosophy as we had in 1929, although the reasons, as always, are different.

According to the Democrats "You never had it so good," and under democratic rule there would never be another depression. They had planned it that way, but they didn't add with debts and continuous scare psychology, which forced huge capital expansion and huge foreign aid.

According to the Republicans, if a business recession begins when they are in control, they will immediately take positive and successful action to reverse the trend. They are, however, pledged to reverse inflationary influences, and restore integrity in the dollar. That is, reverse democratic action, but at the same time prevent any deflation.

Having waited along with many businessmen and investors for 20 years for a political climate in which political leaders in control were outspokenly favorable to business, it is probably little short of heresy now that the change has come to even question that business volume and business profits shall remain at high levels. As a matter of fact, business in general "never did have it so good" as it did in the last 20 years, and on the surface leaders in the Democratic party must be bitter at the "ungratefulness" of business. However, it was the unhealthy basis for the boom, international conditions and constantly rising debts and creeping socialism that called for the change. Would it not be a near miracle if the false basis for our boom could be changed and a new and sounder basis for prosperity substituted without some painful readjustments. We are hardly in the position of Great Britain but it might be well to at least glance over there to see the problems that have developed in the stock market, the bond market, and in business as that country has attempted to reverse the trends towards inflation, creeping Socialism, and eventually certain bankruptcy.

*A talk by Dr. Bellemore before the Boston Investment Club, Boston, Mass., Nov. 18, 1952.

The stock market and business are naturally continuing to experience the momentum of Fair Deal actions, particularly spending. This together with the enthusiasm generated by the Republican victory should certainly carry business and the stock market along very strongly until Jan. 20, 1953. From then on, however, we should begin to feel the sobering effect as businessmen and investors begin to seriously analyze what may be some of the immediate results if the new Administration starts to implement its campaign promises of moving towards a sound dollar and against inflationary boom based on constantly rising debts.

At least until war broke out in Korea, may businessmen both publicly and privately expressed concern that the postwar boom would soon end, and that the inevitable postwar recession, guaranteed by historical precedent, would be upon us. This concern was very real in 1949, but when the flood gates of credit and *debt* were opened wide their concern was, at least temporarily, relieved. Many businessmen in 1950, however, felt that the recession had merely been temporarily postponed. The outbreak of war in Korea changed the situation dramatically, but when it appeared likely that the war could be localized, many businessmen began to ask "what will happen to business when defense expenditures taper off in 1953, 1954 and 1955?"

This economist is perhaps too prone to oversimplify a problem, but to him the keys to the superboom which have raised business above the normal level in the postwar period have been Capital Goods expansion and Foreign Aid, both made possible by heavy and constantly rising Debts.

Capital Goods Expansion

No real boom in an industrialized nation as opposed to normal business has ever been possible unless it has been characterized by a tremendous and continuous expansion of capital goods. Materials and labor which would otherwise be unemployed are utilized by the capital goods industries, and when the boom ends the surplus of labor and materials, which becomes unemployed, is, of course, mainly the surplus from the capital goods industries. Naturally, the prosperity of all other industries is affected by prosperity in capital goods, but these other industries do not experience the wide swings characteristic of the capital goods industries. The postwar boom has more than proved the theory that booms rest on debt financed capital expansion, except during an all-out war.

Capital Goods Program 1945-1950

Businessmen, as a class, do not expand their plants and equipment unless the current and estimated demand appears too large to be met by existing facilities. The pent-up demand for consumer goods, especially housing, and other consumer durables, in 1945 lent great encouragement to businessmen in their plans for expansion of capital goods and equipment. Business would have been very good in 1946, 1947, 1948 and 1949 without the large capital goods program, but what would have been good business became a super boom when the capital goods program was added. The use of labor and materials to produce capital goods naturally meant that less was available for the production of consumer goods, and relative shortages continued somewhat longer. However, by 1949 and 1950 not only had the most urgent demands been met, *but the capacity to produce had, in the meantime, been very considerably increased.*

Capital Goods Program 1950-1953

The immediate effect of the outbreak of war in Korea was for consumers and businessmen to rush in and secure goods before the hoarders got them, in memory of World War II shortages. The result was to build confidence for more extended borrowing to finance renewed capital goods expansion. However, the real stimulation came from a new edict from Washington. We were to have both guns and butter. We were told that we should increase our capacity to produce so that we could produce all of the consumer goods called for in years of peak demand, plus a continuing peacetime capital goods expansion program, and on top of all this, have the capacity to produce all the armaments necessary short of all-out war.

Washington went even further —business was told bluntly that if it did not see fit to increase its capacity on the scale required by the politicians the Government would build its own plants. It must be realized that most of our productive capacity can be shifted relatively easy from peacetime to wartime uses and vice versa. Since Korea, then, we have been increasing our capacity to produce civilian goods as well as war goods; for example, in steel, aluminum, etc. Most people do not seem to realize that the effect of Korea on business which has given us a new super boom, is the strong stimulation to the capital goods program, not the demand for actual weapons of war. This will always be true, short of all-out war, because one; the weapons and materials are not consumed at even a fraction of their rate now as they are during an all-out war, and two; the military holds back from mass production of items which they do not actually need to fight a war now, and which they believe will be obsolete when they do need them, in the light of weapons actually being tested, as well as those on the drawing boards.

Some time in 1953 we will have all the capital goods needed to meet all the current demand for civilan goods and all the demand for war goods. The postwar boom, true to form, has rested on capital goods expansion. One must foresee a new source of demand for capital goods if the boom is to keep going. Many say we can point to American ingenuity and inventiveness to develop new products, new industries, and all we need to do is sell them. You can have faith in the long run future of the country to use much more capital capacity than we will have in 1953 and still realize that we must have, at times, a capital goods holiday in which we adjust and sell the public our new products and new industries. In the past these periods of adjustments had been both painful and costly to business, particularly profitwise.

Foreign Aid

Foreign aid has teamed up with capital goods expansion to give the United States its super postwar boom. It has provided a large demand for end items and also a demand for capital goods. Many Americans do not seem to realize the change that has come over many of the recipients of American foreign aid. Like the rich uncle patronizingly dishing out money to relatives, we can't imagine that any one would refuse our aid.

Two factors have been affecting a change. For years Washington has been the rich man deferentially taking care of poor and inferior relatives. Gradually a revulsion has been built up as the national pride of various nations has been deeply hurt. Today many foreign countries actually are expressing a strong and sincere desire to be rid of American aid, especially as they grow in strength economically and militarily Anti-American feeling in England, France and Japan is certainly assuming rather serious proportions (no doubt fanned by the Communists).

The fear that the Russians are going to resort to a major war (regardless of its validity) has been declining in Europe, and Europeans are openingly stating that they believe that Americans are acting in a somewhat hysterical manner.

As a result of this factor, plus the growing economic and military strength of our allies, it may be increasingly difficult for us to continue our large foreign aid program, particularly with strings attached. And yet, as a result of the election, and other factors, it appears that we are going to insist on having more strings, rather than less, attached to our foreign aid program.

If we are not going to be able to give our goods away will we be able to sell them? As one foreigner reported, the recent decline in world commodity prices and related factors has greatly reduced the foreigners' ability to purchase capital goods from the United States. The world trend towards conservatism and sound financial methods has resulted and strenuous efforts, world wide, to reduce imports, especially from the United States, and to increase exports.

Debts

We have stated that the demand for capital goods and for foreign aid have been the major factors on which the postwar super boom has rested. We have indicated that the desire for capital goods, and until recently for foreign aid, has been historically high, but what about the funds that converted these desires into effective demand and, therefore, really made the super boom possible? Without the backing of purchasing power these desires would have been impotent. All booms must be supported by constantly expanding credit and that means expanding debt. In the past, the extension of credit and debt has always been overdone, and many of these debts had to be forcibly liquidated in a recession or depression. This postwar boom has been greater than any in the past because debts have been expanded more than ever before. To this extent, the economy lifts itself up by its bootstraps of credit (debt),

Continued on page 33

Debt Repudiation by Russia And Red-Dominated Countries

By MAX WINKLER
Partner, Bernard, Winkler & Co.
Members New York Stock Exchange

Dr. Winkler lists par value of repudiated Communist dollar loans, amounting to over $322 million.

Although much has been, and is being said about Soviet Russia's expansionist policies, her territorial aggrandizement, and the subjugation of vast areas and tens of millions of people, little is being said about Moscow's perfidy in the field of economics and the victimization of countless investors who were naive enough to rely upon the Kremlin's promises and solemn pledges.

Dr. Max Winkler

There is **not** today **one single** Communist or Communist-dominated or controlled country which is meeting in whole or in part the service on legitimately contracted dollar obligations: The latest victims of Communist aggression in the field of finance are American holders of Czechoslovak loans on which Prague, or, to put it more accurately, Moscow, ordered suspension of payment on Oct. 1, 1952. Thus Czechoslovakia joins the ranks of all other Communist defaulters: Russia, Bulgaria, Hungary, Poland, Rumania and Yugoslavia.

The par value of repudiated Communist dollar loans amounts, exclusive of interest in arrears, to more than $322 million, distributed as follows:

Country	Amount
Bulgaria	$16,845,500
Czechoslovakia	*2,800,000
Hungary	*86,215,500
Poland	*87,963,500
Rumania	10,000,000
Russia	75,000,000
Yugloslavia	*43,400,000
Total	$322,224,500

*Includes political subdivisions and corporations.

The above total does not include a relatively small issue of Estonian bonds issued under the auspices of the League of Nations on behalf of the Republic of Estonia, an early victim of Soviet Territorial aggression.

A number of European countries where Russia or Moscow-dominated nations have defaulted in respect of or repudiated contractual commitments, have caused payments to be made out of balances deposited for the account of the repudiating countries. Is there any reason why the United States should not do likewise? Perhaps the new Administration will be less hesitant about offending the Kremlin.

Foresees No Tax Decrease in 1953

Dr. Jules Backman, Professor of Economics of New York University, also predicts decline in business some time next year, and continuing into 1954.

According to Dr. Jules Backman, Professor of Economics, New York University, "No tax decrease should take place in 1953." Speaking before the Thread Institute in New York City on Nov. 13, he stated that "Although the tax burden is very high, it is unavoidable in light of the high level of government expenditures. Tax reductions must await major reductions in government spending. On the basis of latest projections, the Federal budget will be some $10 billion in the red in the current fiscal year. The first problem is to bring the Federal budget back into balance. Only then can we consider cutting taxes. If it should prove possible to reduce government spending by $7 to $10 billion, this would only eliminate the present deficit and would leave no leeway for tax cuts. It has been estimated that the scheduled elimination of the 1951 tax increases would reduce Federal revenues by $8.5 billion. To maintain a balanced budged if these taxes were allowed to lapse, it would be necessary to cut government spending by $15 to $20 billion in the next two years."

Dr. Jules Backman

"There are several other factors which also are important in this connection," Dr. Backman remarked. "It seems highly probable that the level of business activity in the fiscal year ending June 30, 1954, will be lower than in the current fiscal year. If this development materializes, it would have a significant adverse impact upon revenues obtained from the current tax structure. Should such a recession in business activity take place, it is clear that even a $10 billion cut in the present government spending program would not give us a balanced budget. Under these circumstances, the cancellation of the 1951 increases in income, corporation and excise taxes will make it necessary for the government to find other sources of revenue, if an inflationary Federal deficit is to be corrected."

Dr. Backman forecast that "A decline in business would start some time in 1953 and continue into 1954. Declining expenditures for plant and equipment, the end of the expanding phase of the armament program, poorer export markets, declining profits, and a reduction in inflationary pressures, will contribute to this decline. However, there is no reason to view with alarm a decline from today's overstimulated levels of economic activity. In October the total number of unemployed was only 1.3 million, while the average for the past year has been less than 1.8 million. With more than 61 million people working, the amount of frictional unemployment due to seasonal factors, shifts in jobs, and unemployables, would be expected to average more than 2.5 million persons. In addition, the length of the work week is averaging about two hours in excess of the 40-hour week due largely to overtime in armament industries. These are evidences of an economy that is moving along at boom-boom levels. A reduction in business activity of some 5% to 7% would restore the 40-hour week and would involve a volume of unemployment characteristic of a highly prosperous economy. However, I anticipate a somewhat larger decline to take place.

"The tremendous increase in private debt since the end of World War II, presents another major threat to economic stability," according to Professor Backman. "Since the end of 1945, the total volume of private debt has about doubled. The total has increased from $141 billion to $277 billion, and further large increases have taken place in 1952. This borrowing has contributed to the high level of economic activity during this period. About one-quarter of consumer expenditures for new homes and durable goods has been financed by debt creation. Business spending also has been financed in part by borrowings. Clearly, we cannot continue long to add to our debt at a rate which doubles the total in six years. It must be recognized that a smaller volume of new debt or a cessation of debt creation will pull out one of the props which has been supporting high level business activity. While there seems to be no question of our ability to carry the present volume of debt at current levels of incomes, further increases in private debt would be unhealthy."

Dr. Backman pointed out that "The economy has been dominated by two broad conflicting trends during most of 1951 and 1952, namely, an expanding armament economy and a declining civilian economy. Since last spring, some recovery has been experienced in civilian lines. While further recovery is probable, I doubt whether we will see an early return to the peak levels prevailing for civilian lines at the beginning of 1951. The textile industry has usually been characterized by a two-year cycle in the past. The low point for the present cycle was reached last spring. Further expansion in this industry seems probable in the early part of 1953."

"The combination of seasonal factors, the aftermath of the steel strike, a large backlog of orders, and the final phase of the defense build-up indicate a continuation of high level activity for the months immediately ahead. While considerable attention is given to armament spending by many persons, it must be emphasized that the major expansionary influence of this spending is over. There can be little further stimulus from this source within the framework of the present program. Although expenditures are scheduled to be maintained at peak levels for a number of months, the next major change will be downward. There are a number of other disturbing factors which are beginning to emerge and which suggest that, even though the exact timing of their impact is difficult to determine, caution rather than unrestrained optimism would be the sounder policy in business."

Missouri Brevities

Stern Bros. & Co., Kansas City, and associates yesterday (Nov. 19) publicly offered 40,000 shs. of 5½% cumulative pfd. stock of **Thurston Chemical Co.**, Joplin, Mo., at par ($25 per share) and accrued dividends. The net proceeds from the sale of these securities will be used to pay for plant additions and any remainder used for working capital. The same bankers also offered publicly 84,130 shares of common stock (par $5) of **Thurston** at $11 per share, the net proceeds of which will go to certain selling stockholders.

Anheuser-Bush, Inc., St. Louis, has announced that earnings for the first three quarters of 1952 were $10,391,651 ($2.32 per share) as against $10,499,092 ($2.34 per share) for the same period last year. Pretax earnings were $25,-905,312 in the 1952 period as compared with $23,331,316 in the 1951 period. Net sales amounted to $160,026,710, as against $138,823,-498. At Sept. 30, 1952, current assets were $51,605,473 and current liabilities $15,256,661.

The consolidated income account of **Union Electric Co. of St. Louis** and its subsidiaries for the year ended Sept 30, 1952, showed operating revenues of $88,977,826, against $83,227,663 for the preceding 12 months' period. Balance available for common dividends and surplus was $12,980,767, against $11,278,421 for the year ended Sept. 30, 1951. For the quarter ended Sept. 30, 1952 net income after preferred dividends totaled $3,165,297, compared with $2,676,495 for the corresponding period of last year.

Hussman Refrigerator Co., St. Louis, reports consolidated net earnings for the quarter ended Sept. 30, 1952 of $232,693, equivalent, after deduction of preferred dividend requirements, to 53 cents per share on the common stock. Third quarter earnings in 1951 were $307,057, or 71 cents per share. Sales for the period were $5,231,947, against $4,393,517 in 1951.

Consolidated net earnings for the nine months ended Sept. 30, 1952 were $821,609, as against $1,152,505. Equivalent common stock earnings for the periods were $1.89, against $2.74. Sales for the first nine months of this year were $14,780,108, compared with $15,801,432 for the similar period of 1951.

W. B. McMillan, President of **Hussman Refrigerator Co.**, on Oct. 22 announced that both sales and profits for the fourth quarter are expected to be materially larger than in the fourth quarter of 1951. In addition, there will be a number of year-end adjustments which appear at this time to be more favorable than normal.

Gaylord Container Corp., St. Louis, reported consolidated net income after all charges of $5,544,-228, equal to $2.06 per share (on 2,695,519 shs. presently outstanding), for the nine months ended Sept. 30, 1952. This compares with a net of $6,245,512, or $2.32 per share, for the corresponding period in 1951. For the third quarter of 1952, net after all charges amounted to $1,941,754, equal to 72 cents per share. Net shipments to customers for the first nine months of this year totaled $62,-528,116, as compared with $61,378,-027 for the like period last year.

The directors of **Kansas City Southern Ry.** on Nov. 13 voted to reduce the par value of the present preferred stock from $100 to $50 per share and to exchange two shares for each of the 210,000 shares now outstanding. The 510,-000 shares of common stock (no par value) would also be increased to 1,020,000 shares (no par value), two shares to be issued in exchange for each present share held. A special meeting of stockholders will be called within the next five weeks to take action on the matter.

The trustees of **Mutual Trust**, Kansas City, on Nov. 13 declared a dividend of 12 cents per share derived from regular dividend income and 68 cents per share from realized capital gains, payable on Nov. 26 to stock of record Nov. 17, 1952. This makes a total for 1952 of 48 cents per share from regular dividend income and 71 cents per share from realized capital gains. In 1951 **Mutual Trust** paid 56 cents per share from regular dividend income and 63 cents per share from realized capital gains.

For the eight months ended Aug. 31, 1952, **Griesedieck Western Brewery Co.** reports that net profit after income taxes were $1,-021,291, equal to $1.51 per common share, as compared with $1,187,466, or $1.80 per common share for the corresponding period of last year. Current assets at Aug. 31, 1952 amounted to $7,528,959, against current liabilities of $752,890. At Dec. 31, 1951 current assets totaled $6,965,058, and current liabilities were $791,121.

Sales of **Western Auto Supply Co. (Mo.)** during October totaled $15,972,000, compared with $14,-663,000 in the corresponding month of 1951, or an increase of 8.9%. Sales for the first ten months of this year aggregated $139,066,000, against $131,224,000 in the like period last year, or an increase of 6%.

In October of 1952, the company operated 274 retail units, compared with 267 units a year ago, and wholesale accounts serviced totaled 2,715, against 2,603.

For the nine months ended Sept. 30, 1952, **Peoples Drug Stores, Inc.** reported consolidated net sales of $39,118,942, compared with $36,-493,174 for the corresponding period in 1951. Net income after taxes amounted to $638,653, equal to $1.49 per common share, which compared with $854,553, or $1.99 per share, for the first nine months of 1951. Current assets at Sept. 30, 1952 totaled $12,657,286, while current liabilities amounted to $5,026,118.

Missouri Natural Gas Co. has been granted authority by the Missouri P. S. Commission to issue and sell $250,000 of 4½% debentures and $182,000 of 5% convertible subordinated notes, the proceeds to be used to extend services in 11 cities. The notes, which are offered to stockholders, are convertible into common stock at any time until 1977 at the rate of $8 per share.

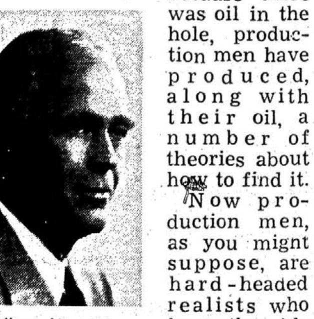
Missouri Public Service Co. on Oct. 21 was authorized by the Missouri P. S. Commission to issue and sell $1,500,000 of 3¾% debs. and use the proceeds for construction purposes. At the same time, the company was authorized to refinance $900,000 of 3½% debentures due 1970.

The Search for Oil —A Risky Business

By JNO. G. PEW*
Vice-President in Charge of Production
Sun Oil Company

After describing methods used in early oil discoveries, Mr. Pew points out, even under most modern scientific methods, exploration and discovery of petroleum deposits is not a cut-and-dried affair and is a risky and expensive undertaking. Claims, having in view depreciation and depletion allowances, the oil producing industry has earned smaller profits than manufacturers engaged in less hazardous businesses. Discusses Tidelands question, and attacks Federal restrictions on private enterprise.

Ever since that fateful day in August of 1859 when Uncle Billy Smith told his boy Samuel to run like hell and fetch Colonel Drake because there was oil in the hole, production men have produced, along with their oil, a number of theories about how to find it.



Now production men, as you might suppose, are hard-headed realists who know the odds against drawing to an inside straight and who, for many years, derisively called anyone with a college education a "long-hair." Their theories on finding oil, you might think, would be down-to-earth, coldly logical, and perhaps somewhat unimaginative. But the record shows otherwise.

Take the theory of the first big-time wildcatter, Jonathan Watson, in his day one of the wealthiest men in Titusville. Back in 1871 an oil journal called him the "Champion Oil Operator," because in those days his success in finding oil was fabulous.

What was his secret? Well, his wife was a medium, and she consulted the spirits. The spirits told her where to drill, she told him, and that's where he drilled. Later he hired some other spiritualists so as not to put too much strain on his wife. One of these was a fellow named James. The record books tell of James' first venture into this business. He was driving along a road in a buggy, when he felt the spirits tugging at him. As he told it, the spirits lifted him out of the buggy, over a fence, across a field, and threw him to the earth on a spot which he marked by burying a penny. Watson went out later, found the penny, drilled on the spot, and brought in a well that made over a hundred barrels a day.

As you can imagine, the services of this spiritualist James were very much in demand. He complied by letting the spirits throw him all over Elk, Warren and Forest Counties in Western Pennsylvania. The points at which he buried his pennies were soon marked, quite appropriately, by a long series of dry holes.

Not all production men were so foolish as to put their faith in spiritualists. Some put their faith in dreams and also in doodlebugs. A doodlebug is a hazel stick shaped like a "Y." The two prongs of the "Y" were grasped in the two hands, palms down, and the stem was pointed upwards. Carrying the doodlebug in this fashion, the operator walked across the countryside until some unseen force pulled the stem of the stick down. That meant oil underfoot.

Some Modern Findings

Fantastic, wasn't it? Well, Ace Gutowsky, the man who discovered the famous West Edmond field in Oklahoma, claimed that the field had been found by a doodlebug. And that wasn't back in the days before scientific exploration. That was in 1942.

Yes, even in recent times, theories—or more properly, superstitions—have had a strong grip on the oil production business. Some guy drills a test where he is told not to—and finds oil. That is the story of the greatest oil field of them all in this country—the East Texas field discovered in 1930 by a shoestring operator named Dad Joiner.

The experts said the field Dad Joiner discovered could not be there. They had been over the territory with their scientific instruments and they said flatly that the area did not lend itself to the accumulation of oil. But Dad Joiner set up his rig anyway and hit the greatest pool of oil in the United States.

Before that, the Big Lake field in West Texas was found in a curious manner. Muleskinners were hauling a drilling rig to a designated location picked by experts, and en route the equipment got bogged down in a big mud hole. The teamsters and truckers ignored previous instructions, unloaded the material in that spot, set the rig up then and there, and the test was drilled into a fabulously productive reservoir. The original location, as proved later, turned out to be a "duster."

Now perhaps from what I have said you have come to the conclusion that finding oil is easy. You marry a psychic woman as did Jonathan Watson, or make yourself a doodlebug as Ace Gutowsky reportedly did, or you get a team of mules stuck in the mud, or you hire geologists and geophysicists and get scientific advice as is the common practice, or as Dad Joiner did, you scorn all the experts and drill where you damn please.

Thousands Lost Everything

But for every man who has struck it rich, thousands have gone broke. Today the search for oil is highly scientific—and it is correspondingly expensive. There are seismograph crews, at a cost of $20,000 to $50,000 per month per crew (our company alone is presently using 28 crews); gravity meter crews at $8,000 to $12,000 per month (we work five of these). Then there are the magnetometer, airborne magnetometer, electrical exploration, radio-active processes, sonar devices, as well as surface geology, subsurface geology, paleontology, chemistry, physics, and other technical approaches. Remember, none of these find oil. They are the means used to try to find structures that may contain oil.

Yet with all these tools at the beck and call of the oil explorer, directly or indirectly, no matter what method or methods he uses to locate his well site, the cold odds against his striking oil with a wildcat test are 8 to 1. These odds are not uniform with everyone by any means. I have known several prudent, capable and industrious operators who have drilled as many as 100 dry holes in succession without finding a barrel of oil. The great Imperial Oil Company is reported to have spent over a period of years tens of millions of dollars in Canada before discovering commercial production. The highly respected and outstanding producing company, the Amerada, drilled 31 wells in a localized area, at a cost of around $50,000 each, in the Province of Alberta in 1950 and all were dry. All of these were drilled in likely looking territory—that is, where the prospects of success were considered good.

To some, particularly to those who do not live this business every day, even the odds of 8 to 1 do not seem so great, but one must remember that even though you strike oil you are not necessarily in the money. Industry figures show that on the average a reservoir must be capable of producing a million barrels to cover the costs of finding, drilling and producing it. The chances of finding a reservoir that big are 1 in 43. The odds against your finding an oil pool of over 50 million barrels—which, admittedly, would put you in high cotton—are nearly 1,000 to 1.

Modern science, as you can see, has not made the discovery of oil a cut-and-dried affair. Geologists and geophysicists can help greatly in the location of certain types of potential oil bearing formations, and they have found many pools. But other types of formations can be located only by drilling on a pure by-guess and by-gosh basis. Such guesses cost on the average about $90,000 apiece, according to industry figures.

Searching for oil will probably always be a needle-in-the-haystack proposition. All the oil fields in Pennsylvania cover less than 1% of this State's total area. More than half the production in Wyoming—though widely scattered—if assembled in one area would be no more than six square miles in size. The famous Spindletop pool in Texas covers no more than 200 acres—about the size of two golf courses.

Of course, there are some large fields such as East Texas, Scurry and the Spraberry trend, but they are exceptions. Most of the fields, including some of the most productive, are so small as to be but pinpoints on a good-size county map. That is one reason finding oil is still a painstaking and hazardous business.

I should be happy to spend my time tonight just talking about the physical job of finding and producing oil, for that is a subject I never tire of. Unfortunately, however, an oil producer has a great many other things to contend with. I have little use for the advocates of a planned economy in which everything is planned except economy. And I find myself very impatient with those opportunists who, under cover of a national emergency, can think up a dozen sacrifices a day that it wouldn't hurt some **other** fellow to make under their direction.

Some of these geniuses at planning sacrifices for others have been arguing against oil's percentage depletion allowance, calling it a windfall and a tax loophole.

Defends Depletion Allowance

Percentage depletion is simply a lawful deduction granted oil (and certain other natural resource industries) in the computation of tax on income from producing properties. Its purpose is to encourage investors to risk money in the hazardous business of finding and producing oil. Remember that the oil operator spends his money drilling holes in the ground. Contrast his situation with the manufacturer, who does not have to build numerous factories before he finds one that will make his product, or with the merchant wo does not have to build numerous stores before he builds one from which he can sell his merchandise. Neither the manufacturer nor the merchant has to make expenditures comparable with those of the explorer for oil or gas in order to locate his business establishment. And both, when they invest their money, have something tangible to show for it. But the oil operator has a hole in the ground, which, unless it contains gas or oil, is not worth two cents to anyone. I've already told you that the odds against any single wildcat well containing enough gas and oil to pay the cost of it are 43 to 1.

Illustrates Risk

Let me explain the risk this way. Suppose you were asked to invest in a string of 43 service stations at an average cost of $90,000 each. The chances were, you would be told that 37 of these would be total losses from which you'd not recover a penny. Of the others, five would probably bring some return, but not enough to cover costs. And only one would be likely to earn enough over the years to be considered profitable.

You'd say that no matter how profitable the successful station was, the tax laws wouldn't permit you to retain enough money to make up the losses incurred by the other 42.

The oil producer would face a similar situation if it weren't for the depletion allowance. But with this authorized deduction he has a chance, providing he drills some successful wells, to recapture the capital he loses in dry holes. It was to give the oil producer this chance and so keep him in a position to continue searching for oil that in 1926 Congress first passed the percentage depletion law in its present form. At every session since, percentage depletion has come up for reconsideration by Congress, and in each instance Congress has voted overwhelmingly to continue this allowance to venturesome oil operators.

Not a Windfall

That this allowance has not been a windfall is shown by the fact that during the past 25 years the oil producing industry has earned a much smaller profit than has been earned by manufacturing industries which are not engaged in the hazardous business of exploration. And proof that percentage depletion has been doing the job it is intended to do—encouraging investment in oil wells—is furnished by the fact that oil operators in the United States are drilling upwards of 45,000 wells during the current year. Twenty-five years ago the number of wells drilled annually was about 20,000 less.

Many people who are not familiar with oil fields seem to have the idea that a typical oil well gushes forth with hundreds if not thousands of barrels of liquid gold every day. That idea was fostered by early day oil stock promoters, who would open up their wells so they could take pictures which might induce the unwary to invest in their stocks. Wells that were opened up like that usually were short lived, and much oil was wasted. Today we hold back our wells to the point that the average oil well in the United States produces but 12 barrels of oil daily. 70% of all producing oil wells are stripper wells whose average yield is only two-and-a-half barrels a day. These stripper wells are often expensive to operate and in many cases would have to be shut down, with permanent loss of the oil in them, if it weren't for the fact that percentage depletion gives the oil produced an added value to the operator. The depletion allowance for an oil operator, for your information, is a tax deduction of 27½% of the gross income from each producing property, providing that this deduction does not amount to more than 50% of the net income from each property. You can readily see how this provision would encourage the operation of otherwise uneconomical wells and thus contribute importantly to the conservation of our petroleum resources.

So legally, historically, ethically, and practically, percentage depletion is justified and sustained. To put an end to it, as some ill-advised people have urged, would spell the end of the wildcatter, and, in a short time, of the entire domestic production business under private operators.

The "Tidelands" Question

Another subject having political ramifications concerns the question, who is legal landlord of the tidelands? Both the Federal Government and individual coastal States have claimed these areas lying between the coastlines and the Continental shelf. In the Gulf of Mexico and off the coast of California the tidelands are thought to contain billions of barrels of oil and trillions of cubic feet of gas.

It was just three years ago that the Federal Government first seriously asserted its claim to the tidelands, which the States involved, even since their entry into the Union, had had every reason to believe were owned by them. But two years ago the Supreme Court upheld the Government's case. Since then all operations by oil companies in the Gulf have been practically at a standstill, chiefly

Continued on page 33

*An address by Mr. Pew before the Pennsylvania Petroleum Association, Mt. Pocono, Pa., Oct. 28, 1952.

Next Four Years in Government

By WESLEY S. IZZARD*
Editor and Publisher
The Amarillo "Daily News," Amarillo, Tex.

Picturing the Eisenhower victory as giving nation "four years of grace," in which to stem the tide of socialism and statism, Texas editor advocates as means to this end: (1) alertment to what goes on in Washington; and (2) a crusade that will carry us back to the Constitution. Concludes there are no grounds for complacency on outcome of election.

I have been assigned the topic, "The Next Four Years." This pleased me no end, because being a procrastinator, it gave me some excuse for not preparing this paper until after the election. After all, who could talk about the next four years until he knew the political complexion the country would assume?

I suspect that most of you—at least 55.4% of you, assuming that you represent a cross-section of the voting public—are pleased with the outcome of the election. Although I shall curb the tendency natural to every newspaper columnist and radio commentator to analyze exhaustively the election results, I should like to say just this:

Nothing could have happened that would have provided so broad an opportunity for unity as the very thing that did happen. It was a landslide for the man, Eisenhower; but only slim victory for the Republican party. This is good. The landslide for the man, Eisenhower, indicates that the American people were voting for morality and common sense, rather than party. This surge toward morality and common sense broke down barriers never before breached. The tendency of Americans to divide themselves into blocs and groups was stemmed, for the people voted not as blocs or pressure groups, but as individuals—as Americans . . .

The Republican Party lagged far behind the man, Eisenhower; and this, too, is significant. It is wholesome because the party, itself, cannot claim it has a mandate from the people to carry out its traditional policies. It was the man Eisenhower, who got the mandate; and the party must now submit to Eisenhower's efforts to unify it. The party, for example, cannot claim to have cracked the Solid South. Eisenhower did that. The party did not break down ethnic and religious barriers, Eisenhower did that. Indeed, much of the success of the party, itself, can be attributed to the momentum produced by the man, Eisenhower. We will never know how many Republican Congressmen, Senators and Governors rode in on Ike's flying coattails.

The Role of the Individual

But I promised no exhaustive analysis of the election. I want to talk, instead, about one word—one idea—that I think is the most important word, or idea, to emerge from this political upheaval. The word is "individual." The idea is the role of the individual in the American scheme of things.

Americans last week voted for an individual. They voted as individuals. They did not vote for a Republican, or as Republicans. You Texans know that better than anybody. And the old pro politicians, steeped in politics; confirmed in the sanctity of party; their vision pinched and narrow, are still dazed and bewildered.

This was the year of the political amateur. The young people, the women, the white collar worker — millions of Americans aroused for the first time, politically — trooped first to their neighborhood conventions, then to the polls, to protest or to endorse as individuals.

This stress on the individual is the most wholesome thing that has happend to us in 20 years. Because America was founded on the individual. It means that Americans are instinctively returning to the faith of their fathers, having grown weary, or frightened, of the alien philosophies that had been sold them.

You see, this idea of the individual is what is back of the dream of the American Revolution. It began a century and a half before the Revolution, when the Pilgrims came to the wilderness of New England, bringing a new concept of Christianity. This concept was based on the individual. It was the realization of the command, "Work out your own salvation." . . . The whole New Testament is based on the individual. Nowhere in it, so far as we know, is there any reference to a man-made political structure to which we must bow—except, of course, for Jesus' wise counsel, "Render under Caesar the things that are Caesar's, and unto God the things that are God's."

This Christian idea of the supremacy of the individual was translated into politics by the American Revolution. It was not done deliberately, by a committee, or a convention of men. It sprang from the hearts of men—of individual Americans.

The great fact in American history is this—and it should be remembered by every citizen at every election: "The American Revolution had no leader." The individual—the "little man," for want of a better term—sparked this great movement for freedom.

We have run across a paper-backed book titled "Mainspring" that expresses this idea supremely well. This book, subtitled "The story of human progress and how *not* to prevent it," was written by a businessman who identifies himself only by the initials H. G. W. It is published by the Foundation for Economic Education in New York.

Here's the way the author begins his chapter on "The Unknown Individual": "The war for American independence was begun by the individual. He was asleep in his bed when someone pounded on his door and shouted out in the night, 'The troops are coming.'

"But what could he do? He was only one man against the armed might of Britain. If he had been a King, a Czar, a Potentate—then he could have solved vast problems and done great things; he could have brought the powers of Europe together in harmony, and made an everlasting peace and prosperity around the world.

"But he was not a King, not a Royal Governor, not a rich man, not an important man. He was just one little man—unknown to anyone outside his own neighborhood. So what could he do?

"Why should he take the initiative? Such things usually cleared up—they always had. So why not let nature take its course? This was no time to be foolhardy. One should keep calm, use his head, and consider the practical aspects. And he had his family to think of. What would become of them?

"Most men felt that way. They knew they could do nothing and they had better sense than to try. That night in Lexington many of them stayed in bed.

"But the unknown individual chose in his own mind between submission that looked like safety, and rebellion that seemed utterly hopeless. Many respected citizens were against him. His teachers, the writers of books, were against him. Men in high places, many widely known men, stood staunchly with the King.

"But the unknown individual had the courage of his convictions. He got up. He put on his clothes. He took his gun and went out to meet the British troops. Not acting under orders, not led, not wanting to be the leader, he stood on his own feet, a responsible, self-controlling person, and fired the shot heard 'round the world.

"The sound of that shot said that man is a free agent—that government is the servant rather than the master."

So writes H. G. W., the businessman, in his fine little book, "Mainspring."

There were other individuals, well known to the school boy studying American history, who helped build the dream. There was a fellow who lived in Boston and ran a shop in which he made articles of silver. He also was an experienced copper engraver, and made cuts for newspapers. He didn't have a great deal of schooling, but he did have ideas about freedom and tyranny. Back in 1774 he was one of a panel of grand jurors who refused to serve because the British Parliament had made the judges independent of the people for their salaries. A few months later he helped gather a band of patriots who disguised themselves as Indians and boarded a British ship in Boston harbor. They threw the cargo of tea overboard, because the British King had slapped a tax on the goods without giving the colonists representation in the government . . . and a few months later, he was the man who mounted his horse to ride from Charleston to Lexington in the dead of the night to give warning of the approach of British troops from Boston.

His name, of course, was Paul Revere. He was not a government official. He was not a general of the army. He was not rich or well educated or important. He was a craftsman; a skilled worker, we would call him today.

The rebellion that was started spontaneously by Paul Revere and men like him is still going on. It has been called "the continuing Revolution." This revolution is dedicated to an idea that some of us are losing sight of. It is the proposition that every man has the right—yes, the responsibility—to climb on his horse and ride through the streets, warning that the British are coming. This is still the land of the individual, and the revolution against too much government is still going on.

In politics, we Americans have a tendency to let down just when we should begin to fight. A lot of us are so relieved over the outcome of the election that we have already begun to settle back complacently for a spell of four years of uninterrpted money-making and relaxation. But if ever there was a time when a crusade should be launched, it is now.

The forces that call themselves liberal, but which in reality are

Continued on page 37

*An address by Mr. Izzard at the 21st Mid-Continent Trust Conference of the American Bankers Association, Dallas, Tex., Nov. 13, 1952.

From Washington Ahead of the News

By CARLISLE BARGERON

One of the better known Leftist columnists has described vividly how the Washington lobbyists are smacking their chops in anticipation of the happy days ahead under the Republicans. The facts are, instead, that this gentry, constituting, incidentally, our best residents, after their initial rejoicing, have gone in for more sober analysis of the events to come and are wondering why they didn't vote secretly for Stevenson.

Carlisle Bargeron

The brutal truth is that under the Republicans, Washington will not be anything like the happy hunting grounds it has been for the past 20 years. You don't need firemen unless there are fires and the Republicans don't start fires.

When the Republicans captured the 80th Congress, the National Association of Manufacturers promptly let go half of its Washington publicity-news staff. One of our more recent profitable industries was the Tidelands oil lobby. A friend of mine was getting $40,000 a year out of it and was one of the best spenders at our country club. Eisenhower announced he favored State ownership of this oil which means that when Congress again passes a bill providing for that he will sign it. The Tidelands people manifestly don't need my friend any more.

I don't know of any greater joy to run through the Washington legal fraternity than when the Department of Justice instituted the so-called international oil cartel case. There seemed to be ample livelihoods here for members of the legal profession for years to come. I predict this widely criticized case will be dropped shortly after the new Administration comes in, and the disappointment this will create among my lawyer friends is more than you can realize.

The anti-trust branch of the Department of Justice will be de-emphasized, you can rest assured. The New Dealers or Fair Dealers, many of them just out of college, used to sit up nights thinking up activity against business. It was not unusual for them, after creating enough business for their lawyer friends, to step out of the Department and join up with them in their firms.

Similarly, the Federal Trade Commission has been a full feed trough for our barristers. Unquestionably its penchant for harassing business will be sharply curtailed. In time, there will be less heat against legitimate business from all of the regulatory agencies. With less heat from them, business will need fewer Washington representatives on the scene. To the degree that Eisenhower suceeds in taking the emphasis off of Washington, to the extent he succeeds in returning to the States their powers and responsibilities, to that extent, business will need fewer representatives here whether they be lawyers, publicity men or just lobbyists. So the only ones who are happy about the prospects are those who have not given the situation a cold analysis.

Fortunes have been made in Washington in the past 20 years out of one's know-how, and in many instances know-whom in the government. And I certainly do not mean to say this will all come to a sudden end. But I am convinced that it will be a long time before Washington is what it has been. There will be work for those who make a profession of dealing with Congress and the bureaus, of course. For one thing, it should take a generation to get undone many of the things the New Deal has done. But I am afraid the cream has largely been taken off the trade. Twenty years ago had I known what was coming, I am sure I would have trained my son to be a lobbyist or a politico lawyer. I wouldn't today. Why, sometimes I get the impression from the fellows out at my country club that Washington is liable to become a distress area. You may say it is a mighty fine thing for the country for this to be so. But it is not mighty fine for Washington and instead of rejoicing around here in some of our most substantial families, there is genuine grief.

Consider the labor leaders who here in Washington break bread at our most fashionable dining places. You can already see the lessening of the strut in those boys. It isn't, as I see it, that any punitive legislation against them is to be enacted. But they won't be permitted to take over the place. Most important, insofar as our local merchants are concerned, they won't be encouraged to come to Washington with all of their grievances. They will be forced to settle more of them on the local level.

And if the Republicans really effect a substantial reduction in government spending and in military spending, it is hard to visualize what it will do to Washington. Now that I think of the excitement, the confusion, the contention of the past 20 years, I realize that I shall miss it. I have become keyed to it. Frankly, I feel sort of a let-down like the end of a war.

Stone With L. B. Gage

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—A. Carlisle Stone has become associated with L. B. Gage, 1387 Main Street. Mr. Stone was previously with Joseph F. Jordan & Co., Walston, Hoffman & Goodwin, and was Springfield representative for F. L. Putnam & Co. Inc.

Kramer, Makris & Co. Formed in Houston

HOUSTON, Tex. — Thomas A. Kramer and M. A. S. Makris have formed Kramer, Makris & Company with offices in the San Jacinto Building. Mr. Kramer was formerly proprietor of Kramer & Company. Mr. Makris was with Harris, Upham & Co.

Defense Spending Stretch-Out— A Stabilizing Economic Force

By HARRY A. BULLIS
Chairman of the Board, General Mills, Inc.

Prominent industrialist, commenting on policy of extending defense spending over longer period than originally planned, says this will reduce or curtail inflationary trend, and thus lead to stabilization of the economy. Foresees increase of 3%-4% in national production in 1953, and concludes "further inflation is not in prospect," since new forms of economic activity can prevent a deflationary trend. Maintains taxes can be reduced.

The phrase "stretching out the stretch-out" has been used to describe what is happening in the economy as related to defense spending. At one time, plans for defense envisioned a level of $85 billion to be reached at the end of three years. A year ago, the new defense budget showed a considerable reduction in anticipated maximum. When President Truman presented his annual budget last January, the estimates were still further reduced, and he informed the country that we would "stretch out" our rate of defense spending to do in four years what had earlier been planned for three years. Today it appears that the rate of defense spending has been slowed down even more.

Harry A. Bullis

Effect of "Stretch-out" Defense Spending

As a result of the "stretch-out," defense expenditures will not rise as steeply as we had at first expected. Nor will they subside as rapidly later on as we had thought. Therefore, they will continue to be a stabilizing force in the economy.

In the coming 12 months, the increase in outlays for defense will probably be around $6 billion. This amount is not large compared with the $15 billion increases in each of the first two years after Korea. We are apparently almost nine-tenths of the way to maximum defense expenditures. The remaining distance to the top is not great.

While we have not yet reached the peak of defense spending, we have already had the economic impact. This came in the first year after Korea, when defense outlays increased $15 billion and industry spent another $15 billion for inventories and equipment getting ready to do its part in defense production. Then at the same time, consumers increased their purchases by almost $20 billion because they believed there might be shortages of consumer goods. Thus the impact of spending on the economy was $50 billion in the aggregate.

In the second year after Korea defense spending rose by another $15 billion, but all other increases in spending amounted to only $3 billion compared with $35 billion the year before. Production increased by practically the full amount of added output that was wanted and inflationary pressures were greatly reduced.

The first year's impact of large increased spending was accompanied by inflation which resulted in a 9% rise in the cost of living. During the past year and a half, the cost of living has moved upward but at a very much slower rate. In September 1952, the consumer price index was 190.8 as compared with 188.1 in January 1952. This is an increase of 9/10 of 1% in the first nine months of the year. Wholesale prices are about 5% under the 1951 peak. Prices of farm products are lower, especially meats, fats, and oils.

The effect of the "stretch-out" in defense spending has been to bring about a better relationship with the production which can be devoted to defense without disrupting the rest of the economy.

The Year Ahead

Looking ahead to 1953, we know that defense spending is scheduled to increase another $6 billion. Business expenditures have been remarkably steady for the past year and a half. The decline in inventory accumulation has probably come to an end, but there is nothing to indicate that inventories will start to increase again. House construction will probably be no higher next year. Net investment abroad is neither large nor changing appreciably. So the field for other increases in spending is narrowed down to the consumer.

Consumers are prosperous. Personal incomes are at the highest level in history and are still increasing. These high incomes support consumer spending at a high level which reached the rate of $216 billion for the third quarter of 1952. This was $10 billion higher than a year earlier. Now that credit controls have been ended, it is not likely that consumer spending will increase another $6 to $8 billion next year.

Thus is 1953 we shall probably see total outlays in the economy rising by from $12 to $14 billion. I believe that rising production will just about be sufficient to supply this added demand. The increase in the labor force, together with increasing productivity, should easily boost national production by from 3% to 4%.

As a result, there should be no further inflation in the year ahead. There will be plenty of complaints and problems and issues, such as continually confront the American people, but in 1953 we should enjoy a year of reasonable stability such as we had in 1952. I do not look for any great swing in the economy during the coming year.

Looking Further Ahead

If it appears that further inflation is not in prospect, what about deflation? A dynamic economy such as ours cannot maintain a position of static balance. We have seen two and one-half years of intense productive activity. We will soon reach a peak in defense requirements and we should be thankful when defense spending levels out and begins to decline, even though it means some economic readjustments.

By this time next year, we will probably be faced with the prospect of some decline in defense outlays and also some decrease in expenditures by industry for plant and equipment. Such declines, taken together, may amount to $10 or $12 billion, or even more in 1954. A decline of $15 billion would be less than a 5% recession of production.

Knowing that such a decline is in prospect when defense spending declines, how can we prepare for it? I believe the best way is to find new forms of economic activity to take up the slack. Some of these new forms of economic activity or buoyant forces are:

One, American consumers will still have high incomes and their expenditures will very likely continue to increase, not only for the necessities of life but for new refrigerators, rugs, and other equipment. We have not caught up with the need for housing, and construction of new houses can show a considerable gain.

Two, we need at least 500 television stations in sections of the country as yet unequipped and there will be a market for perhaps 20 million television receivers. This new business could exceed a billion dollars a year for several years.

Three, demands and outlays for super-highways are growing by leaps and bounds. New Jersey, Pennsylvania, New York, Ohio, and West Virginia are building such roads, and North Carolina and Wisconsin have some in the planning stage. We know how to finance them without help from Washington and they pay their own way.

Four, we are on the verge of expansion in the form of huge, well - planned and integrated shopping centers in suburban areas. In my own city of Minneapolis three such centers, each costing $10 million, have been announced during the past few months. Many more such projects will be needed in other localities. Those planned in Minnesota will probably be in the building stage by 1954, just about the time when they will have a beneficial effect upon the private economy.

Five, high wage rates make labor-raising equipment more and more important, and expenditures for machinery to increase productivity promise to pay off in added profits. Therefore, it is quite possible that capital expenditures of business will be sustained on a fairly high level.

Six, our banks are in good liquid condition and can be counted on to help finance sound projects. While our personal and mortgage debts are large, they are generally financed on a sound amortization basis.

Seven, population growth is the largest in history. The increase in population during the past 10 years was almost three times the growth in the 1930's. We have 55% more children under five years of age than 10 years ago and we have more older people. The working force, however, is growing slowly. Thus labor will be scarce for another 10 or 15 years, wages will be relatively high and there will be great need for new and improved machinery.

Taxation

One of our most important problems is taxation. Taxes are so high and take such a large part of personal and corporate incomes that incentive is diminished. I believe that taxes can be reduced soon if the government will put forth real effort to eliminate all unnecessary spending for non-defense purposes and do its utmost to get more for every defense dollar that is spent.

For the past three years, we have paid for more than 90% of our military spending by taxation. This compares with 32% of World War I and 46% in World War II. As a result, we should be able to reduce taxes dollar for dollar as defense spending declines.

The Excess Profits Tax and one or two other taxes should be allowed to expire June 30, 1953. The Excess Profits Tax especially should expire. By and large, the tax collector now says that income over five-sixths of what a company earned before Korea is "excess" profits, and the Government takes 82% of that. There is little sense in a tax, even in a period of building up our defenses, that curtails expansion; that limits the amount of growth capital for small companies; and that penalizes the stockholders — the risk takers. The excess profits tax should be repealed.

Tax reduction will give the economy a tremendous lift. It will restore the hope of workers that they may be able to balance their personal budgets and it will stimulate business when management can increase dividends and plow back more earnings for growth.

Conclusion

I believe our economy is essentially sound. Production and spending for all purposes are substantially in balance, and I do not look for additional inflation. Neither do I believe that we will have deflation. When defense spending reaches its peak and levels off, there will probably be a small decline in total national production, but I believe that increasing consumer and business expenditures will tend to offset the decline, particularly if taxes are reduced and the general psychology such that people and business are willing to spend.

Reveals New Trends in Cigarettes

Robert M. Ganger, President of P. Lorillard Company, reports within less than decade, as much as 50% of cigarettes will be the new king-size and filter types.

Robert M. Ganger, President of P. Lorillard Company, in an address before the New York Society of Security Analysts on Nov. 13, predicted that by 1960 as much as 50% of cigarette sales may be accounted for by king-size and filter types.

Mr. Ganger pointed out that the changes now going on in cigarette business may be almost as drastic in certain respects as the change from Turkish cigarettes to domestic blends during World War I.

In Switzerland, he said, "the one country most aware of health factors," the filter cigarette has come from nowhere to over 50% of total cigarette sales in a few short years. Other countries, he added are also reporting sharply increased consumption of filter types.

Here in this country such brands are showing important gains, too, he continued, adding that this year "U. S. sales of filter cigarettes have risen about 50% in volume over the same period a year ago." About 2% of all cigarettes sold in this country, Mr. Ganger stated, are of a filtered type, equivalent to the same position of the king-size 12 years ago. Today the king-size cigarette accounts for about 17% of total tax-paid unit sales.

Mr. Ganger also stressed the dramatic change that has occurred in the distribution of cigarettes, pointing out that today more than one-half of smokers usually buy their cigarettes at supermarkets and other food stores. He coupled this with shelf position as being of primary importance in the merchandising of cigarettes.

With Walston, Hoffman

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Walter T. Pinska and John T. Price have become affiliated with Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

D. J. Frees Opens

SCARSDALE, N. Y.—Daniel J. Frees is engaging in a securities business from offices in the Harwood Building.

Agriculture and Big Government

By EARL L. BUTZ*
Head, Department of Agricultural Economics
Purdue University

Asserting root of evil in Federal agricultural programs is broad system of direct subsidy payments, Dr. Butz charges Agricultural Department's Production and Marketing Administration has become a political tool and an administrative bureaucracy. Says Federal agricultural programs have lost their bipartisan character and American agriculture faces a political challenge in days ahead. Holds price ceilings and price supports go together, but farmers don't want price ceilings. Advocates no restraint be placed on individual farmer.

The advent of a Republican National Administration probably will not restore our Federal agricultural programs to a bipartisan basis, or save the Department of Agriculture itself from further prostitution for political ends, unless we can shortly correct the root of the evil and discontinue the broad system of direct subsidy payments from the United States Treasury to some three million individual farmers. This would make possible a substantial curtailment of the sprawling, quasi-political Production and Marketing Administration set up to administer such payments.

Earl L. Butz

In order to administer the governmental subsidy program to individual farmers, there has developed over the last 20 years an administrative bureaucracy in the Department of Agriculture that reaches into every agricultural county and township in America. This is the Production and Marketing Administration, which has state, county, and township committees. At the present time, there are some 9,000 county committeemen and some 85,000 township and community committeemen, the latter serving mostly on a part-time basis. Although personnel of these committees are elected by farmers themselves, in practice the line of authority in the whole P.M.A. field organization goes from Washington, through the states, to the counties.

The P.M.A., acting for the Secretary of Agriculture, administers the distribution of agricultural conservation payments to individual farmers, and the crop loan and storage features of the farm price support programs. In the current fiscal year, for example, it has some $250 million for distribution to farmers as conservation payments. On top of this, it administers a sizable crop loan and storage program. It should be noted that authorization for these programs had considerable Republican as well as Democratic support in the last Congress. It was probably inevitable that such a system as the P.M.A. should itself become a quasi-political agency. This situation will be unchanged in a new Administration.

The Department of Agriculture Policy

The United States Department of Agriculture was formed in 1862. It attained Cabinet status in 1889. It was formed initially in order to encourage the production of food and fibre as another means of promoting the public welfare. The early Secretaries of Agriculture conceived their job to be to manage the U.S.D.A. in such fashion as to promote the public welfare. There is some evidence that Henry A. Wallace, Secretary of Agriculture from 1933 to 1941, conceived his function to be to promote the welfare of agriculture first, and the public welfare second. In any event, emphasis in agricultural programs shifted in that direction. The present Secretary of Agriculture, Charles Brannan, appears to have gone a step further. There is considerable evidence that he conceives one of his functions to be to run the Department of Agriculture so as to promote the welfare of the party and to perpetuate the Administration in power.

The practice of using the P.M.A. as a quasi-political organization cannot be corrected merely by changing administrations and by changing Secretaries of Agriculture. With some 3 million farmers receiving checks directly from the United States Treasury for doing or not doing something, and with an organization to administer such a program that provides a direct line of contact between the political hierarchy in Washington and the individual farmer at the grass roots of America, the temptation to use such a system for political ends is almost irresistible. Given time, a new Secretary of Agriculture under a Republican Administration would find himself subject to the same temptations and to the same pressures to use the system for political ends. In the long run, this condition can be corrected only by removing the "temptation," consisting of a general system of direct payments to individual farmers.

Governmental aid to American agriculture has been more and more taking the form of direct aid to the individual farmer, which is extended in return for his compliance with some particular action program promoted by the U.S.D.A. This philosophy of aid to farmers has been developed, in the main, since the advent of the first Roosevelt Administration in 1933, when Henry A. Wallace was Secretary of Agriculture.

From the time of the creation of the U.S.D.A. in 1862 until 1933, the emphasis of the Department of Agriculture was almost entirely on indirect assistance to individual farmers through aid and encouragement to the agricultural industry generally. Such aids took the form of research, education through the Land Grant College system, including the Agricultural Extension system, and the regulatory functions of the Department of Agriculture with respect to both production and marketing functions.

Under this system of governmental aid to the industry rather than to the individual, individual farmers were relatively free to make production and marketing decisions on their own farm in accordance with what they conceived to be sound management and husbandry principles. There was no "action program" prescribed by a central governmental agency with which they were urged (or forced) to comply.

With the advent of direct payments from the Treasury to individual farmers, following 1933, for doing or not doing something, there developed a new relationship between agriculture and government. In order to qualify for soil conservation payments, price support loans on crops and livestock, and other forms of direct government aid, individual farmers have found it necessary to follow prescribed production and marketing practices, curtail the production of certain commodities, and expand the production of others, or do various other prescribed things. Important managerial decisions have been transferred from the individual farmer to the central planning agency. In some cases this has been voluntary on the part of the individual farmer, and in others compulsory.

Another development of considerable consequence in recent years is the effort of action agencies in the Department of Agriculture to assume the role of "spokesman" for American farmers on matters pertaining to agricultural policy. This reached a climax in the summer of 1951, with the "Family Farm Policy Review" conducted by the United States Department of Agriculture in all agricultural counties in the nation. This was ostensibly an attempt of the Secretary of Agriculture to get bona fide farmer reaction and suggestions to the various action programs of the Department. However, the whole procedure was vigorously attacked by a number of agencies, among which the American Farm Bureau Federation was foremost, as an attempt on the part of the Secretary's office to develop pressure from the country to support in Congress both existing and contemplated action programs of the Department of Agriculture.

The controversy centering around the family farm policy review last year focused attention clearly on the question of "Who should represent American farmers before the Congress?" Should it be farmer organizations themselves, or should it be employees of the U.S.D.A., itself a branch of the executive division of government? This question has not yet been resolved.

Early Programs Were Bipartisan

In earlier years, agricultural programs at the Federal level were largely bipartisan. Congress may have divided geographically on issues involving agricultural subsidy, but it seldom divided politically. This was also true during most of the Roosevelt administration. However, with the development of a strong pressure group in agriculture composed largely of personnel employed by the agricultural action agencies in government itself, it was inevitable that agricultural programs and policies should be thrown into partisan politics. For the long time good of American agriculture, farm programs must again become bipartisan in character.

Long Time Farm Program

American agriculture faces a real political challenge in the days ahead. Now is an opportune time for us to reexamine the basic principles that we want to undergird our farm program. The heavy demand we have for agricultural products at the present time should alleviate, temporarily at least, the pressure for price support programs which are unworkable in a peacetime economy, from the longer time point of view. The next year will afford a much needed opportunity for the agricultural community to study its price support problems in an environment free from the pressure of low farm prices. We must examine critically such issues as the level of price supports we desire; whether we want to live under a philosophy of restricted agricultural output or full output; whether we want to have a two-price system or a one-price system for agricultural products; whether we want to espouse the philosophy of cheap subsidized food for American consumers; whether we want to impose limitations on the size of production units on American farms; whether we want to ration "production rights" among farmers; and whether we want to control the individual farmer or exercise over-all control of the agricultural industry, leaving the individual farmer relatively free.

We have pretty well decided in agriculture that we don't want price ceilings. But we're far from agreed about high-level price supports. Many of our farm people don't realize that in the long run they can't have high-level supports without also taking price ceilings. The two go together. If we insist on a free market on the high side, we must learn to live with a relatively free market on the low side also. If we insist on market and price controls on the low side, we must also be prepared to accept them on the high side of the market.

We should convince ourselves and those whose thinking we influence that we must strive for a farm program free from restraints on the individual farmer; one that promotes the general welfare of agriculture; one that encourages full production; one that somehow lets the individual farmer manage his farm according to the principles of good farm management, and lets him be efficient; one that doesn't place restraints upon his output; one that somehow doesn't come along with a 20% cutback in production of this or that crop. We need a long-time program that doesn't lead us blindly into a policy of curtailed output, because never can any sector of our economy be prosperous unless it produces fully. The essence of wealth, and of well-being — the essence of prosperity in America—is a full level of production. We must pursue a program that somehow encourages that. We must pull for a flexible program. But above all, we must keep producing.

*From an address by Dr. Butz before the National Agricultural Credit Conference, American Bankers Association, Louisville, Ky., Nov. 13, 1952.

Upward Wage Pressures Will Lessen, Says Mrs. Wickens

Labor Department official discloses employment is at peacetime high, with 600,000 fewer unemployed than even during 1947-48 prosperity. Believes upward pressure on wages will flatten out in 1953.

Employment is currently at peacetime highs and employment is some 600,000 less than the level which prevailed in the highly prosperous 1947-48 period, it was pointed out by Mrs. Aryness Joy Wickens, Deputy Commissioner of the U. S. Department of Labor's Bureau of Labor Statistics, and President of The American Statistical Association. Mrs. Wickens spoke at a forum under the auspices of the New York Area chapter of the American Statistical Association at Remington Rand Hall, New York City, on "A Post-election Preview of 1953." The other speakers were A. W. Zelomek, Economic Counselor, International Statistical Bureau; and A. Wilfred May, Executive Editor of the "Commercial and Financial Chronicle."* Dr. Ralph J. Watkins, Director of Research, Dun and Bradstreet, was Chairman.

Aryness Joy Wickens

The demand for labor currently is so strong, Mrs. Wickens said, that there are a number of persons now at work who would not normally be expected to participate in the labor force.

Economic analysts who are now studying the outlook for 1953 were advised by Mrs. Wickens to recall from the experience of postwar years that employment and unemployment do not always move up and down in direct proportion to each other or to changes in production. Employment often lags behind, on a turn in economic conditions, she said, partly because of the tendency for changes in the work week to absorb changes in production schedules.

Unemployment is now so low, Mrs. Wickens pointed out, that very little reduction is believed possible even under optimistic conditions, simply because much of the current unemployment is due to the normal flow of persons into the labor force and between jobs. Although the work force increases by about 600,000 workers a year as the result of population growth, this figure can be greatly altered by changes in the demand for labor and because of changes in the business situation. She cited the tendency of housewives, older men and teen age youth to enter or drop out of the labor market in response to changing employment conditions.

Wage Pressures to Flatten Out

In discussing wage trends during 1953, Mrs. Wickens cited the judgment of most economists that upward pressures on wages will not be stronger than in the past year when gross hourly earnings of factory workers rose roughly 5%. Mrs. Wickens pointed out that more than 3 million workers are covered by agreements which provide for automatic wage changes as the Consumers' Price Index changes, and there are also a number of workers who will benefit from provisions for automatic "improvement factor" increases. Many major wage agreements, however, expire or can be reopened with respect to wages in 1953, she said.

Developments in wages since 1939 had two major features, Mrs. Wickens said. First, money weekly earnings have nearly tripled and real wages have risen more than 50%. Second, there has been a sharp growth in benefits that supplement money wages and a resulting increase in the complexity of the wage package.

*Mr. Zelomek's address is published in full in this issue, page 4. That by Mr. May in the "Chronicle" of Nov. 13.

Shearson, Hammill Opens Houston Branch

HOUSTON, Texas — Shearson, Hammill & Co., members of the New York Stock Exchange and other principal Stock and Commodity Exchanges, announce the opening of offices in the Gulf Building. Robert D. French and William H. Stern will be co-managers of the new offices.

Registered representatives associated with the Houston offices will be the following: Tom Ellsberry, Robert F. Allen, William K. Craig, Cyrus T. Johnston, Jr., Robert S. Anderson, Jack Finkelstein and James D. Murphy.

Shearson, Hammill & Co. maintains regular offices in New York, Chicago, Montreal, Los Angeles, Pasadena, Beverly Hills, Hartford, Dallas, Memphis, Macon and Basle, Switzerland.

A Longer Term Forecast

By DAVID R. PORTER*
Vice-President, David L. Babson & Co., Inc., Boston, Mass.

Investment analyst warns against basing investments on prevailing outlook, and gives data for analyzing and predicting long-term trends. Calls attention to favorable developments in heavy goods manufacturing, and asserts bull markets do not come to a conclusion because of the fear of war or fear of depression. Concludes there are many opportunities in securities today, just as there always were, but outlook should not be limited to next twelve months.

One of our men recently talked with an investor in Maine who was born and brought up on a farm in Midland, Mich. I think his story is interesting to you in connection with the subject of the meeting tonight: "The Next Twelve Months—Which Way Now?"

About 1905 this man's grandmother had taken some of the family's milk money and put it into a company which had only recently been organized in Midland. The man who had organized this company was considered something of a "nut" because he was pumping something up out of the ground and trying to sell it. His name was Herbert Dow.

About 10 years later the family had a little extra money and the question was whether to put it again into this company run by Dow or to buy an automobile. The family finally decided to buy the automobile since it didn't feel too sure of Mr. Dow. At the moment the family is worth well over a million dollars because of the original investment in Dow Chemical. The automobile has long since been a piece of junk. The family figures the car cost it $1,500,000.

When I consider other stories comparable to that, I often wonder why security analysts or investors worry a great deal about what happens in the next 12 months. I doubt if investment decisions ever should be made on the basis of what may or may not happen in the next 12 months.

I realize we have to make every effort to appraise and evaluate stocks to try to make sure we don't sell too low or buy too high. I realize also there are many economic questions facing the country today, some of which are very perplexing. Probably the greatest centers around the tremendous increase in manufacturing capacity in recent years. Is capacity generally outbuilt now? It looks that way in the steel industry but one cannot be too sure because certain things could happen to change the picture.

Deceptions in Prevailing Outlook

More mistakes have been made in the field of investment because of decisions based on the prevailing outlook than for any other reason. We should spend more time on thinking about the nature of individual corporations and industries and what they are doing to improve themselves and their earning power. What are they doing in research and development? What are they doing to make themselves more efficient? What are they doing to improve our standards of living here and the world over?

We know that certain companies in chemicals, petroleum, petro-chemicals, natural gas, synthetic fibers, ethical drugs, metallurgy, paper, and electronics, for example, have plans for expanding their operations and their earning power. We know that most of these companies have excellent records, are well managed and strongly financed. Underlying consumption trends in these industries are very favorable. The indications are that over a period of time they will be able to sell profitably just about everything that they can find the capacity to make. Perhaps increasing business and earnings will not come in the next 12 months. Perhaps it will. Looking further ahead there is every reason to feel that it very definitely will.

I should like to refer you to the stock market data and other data I have circulated. Probably the most important column is that pertaining to the trend of the U. S. population. As I understand it, the demographers are now projecting the U. S. population at 175 million by 1960 and close to 200 million by the year 1975. Time goes awfully fast these days and it will be 1960 almost before you realize it. It doesn't seem that over seven years have passed since V-J Day.

We know that the per capita consumption of paper today is around 400 pounds per year. If there are going to be 18 million more people in the United States in eight years, and if the per capita consumption of paper just holds at the present rate, that means the industry will have to produce 360,000 more tons. That will call for some increase in capacity. Perhaps the per capita consumption figures will continue to rise. I know in my own home the per capita consumption of this material seems to rise every day.

Thinking about figures like this, it is hard for me to become very pessimistic about companies like Kimberly-Clark, Scott Paper, and Marathon, to mention just three of the leaders in the paper field.

Strategic Trends in Heavy Goods Manufacturing

The same thought can be applied to just about every industry. In some you will see a static trend, especially in heavy goods manufacturing. On top of the per capita consumption figures and the indicated increase in population, we have the possibility of many new products being developed by some of the industries I have mentioned, especially chemicals, ethical drugs, and others who invest in research on a large scale. These companies do not spend millions each year on research and development in new product fields without good reason. I think such companies as Merck, Pfizer, Abbott Laboratories, duPont, Dow, Minnesota Mining, Corning Glass Works, and American Cyanamid can look forward to increasing general business. Whether or not it will come in the next 12 months I do not know.

Forgetting that aspect of the outlook, I should like to refer you to the other data, specifically the price-to-earnings ratio on the Dow-Jones Industrial Average. You will note it is under the prewar level. Only at the July 1940 low when the Nazis were sweeping across Europe were stocks appraised more cheaply in the long period of years prior to Pearl Harbor than they are now. It is true, however, that the appraisal now is considerably above that prevailing in most of the postwar period.

I cannot think of a very valid reason why earnings should be appraised less today than prewar. I do not think it is probable that the general price level will go back to prewar. You will note the index of wholesale prices is about double the prewar level. Does anybody in the room expect that to return to near the prewar level? I do not.

The production index will probably decline in the next couple of years although it should not decline materially in the next 12 months. It is not likely, in my judgment, to decline anywhere near to the prewar level. Looking ahead to the increase in population and the difference in world conditions today as compared with prewar, I think a substantially higher level of the production index must be expected.

Basis of Earnings Appraisals

Probably the major reasons for the lower appraisal of earnings postwar as compared with prewar are:

(1) Fear of war.
(2) Fear of depression.

I think we must reconcile ourselves to living with these fears indefinitely. However, bull markets do not come to a conclusion in a period of such fears. At no time in the financial history of the United States has a bull market ended without an atmosphere of optimism accompanied by a higher appraisal of existing earnings than we have now. That was true in 1929, 1937, and 1946.

The ratio between the yield on stocks and the yield on bonds today is not an indication that stock prices generally are out of line. You will note that at previous cyclical peaks such as 1929, 1937 and 1946 the yield on bonds has been closer to the yield on stocks than it is at present.

The major reason for expecting a decline in the production index in, say, two years, is the overstimulation of capital goods since the start of the Korean war. However, public works programs and the necessity of maintaining existing plant and equipment will form a cushion under capital goods production in the period ahead. Many other fields, especially soft goods, have had a difficult time since early 1951 and there is not much reason now for expecting lower activity here in the next year at least. On the contrary, the figures in soft goods for 1953 should make good comparisons with 1952.

Personal income levels in the next 12 months promise to compare reasonably well with those of 1952. Consumers have been spending an abnormally small part of their earnings and savings in the past 18 months. In the second half of 1951, consumer expenditures were 91.2% of disposable income as compared with an average of 96% for the previous four complete years. This ratio has increased only slightly so far in 1952. In prewar years it was 95% consistently. This sort of thing does not last forever. In theory at least, people who have more savings should make better spenders. They tend to increase their standard of living. The savings figures today are impressive.

A Forecast of Industries

In the chemical industry many companies will be bringing in additional capacity in 1953. Whether or not this will add to earnings in the next 12 months I do not know. Perhaps the stock market will anticipate increased earnings from such companies, however. Dow, Hooker Electrochemical and Spencer Chemical are especially interesting in this connection. These companies also should be beneficiaries of the end of excess profits taxes if that occurs next June 30, as seems likely.

The big units in the chemical industry have projects in the works which promise to add to earnings quite materially sooner or later.

The natural gas producers should be receiving the benefits of increased volume and increased prices over the next 12 months. I am thinking especially of such companies as Southern Production and Western Natural Gas. The oil companies which have a strong position in gas should benefit from the growth in demand, particularly Phillips, Shamrock, and Pure. The latter will do more drilling in the tidelands if the question of ownership of this area is settled between the Federal Government and the States. The great network of gas transmission lines is a huge consumer of gas. It didn't exist ten years ago.

Perhaps other producing companies will be organized by Panhandle Eastern Pipe Line and Northern Natural Gas and distributed to their stockholders so that the owners will be able to benefit from the growth in the demand for this product and the large reserves owned by these two companies.

The electronics industry is extremely interesting and I have no doubt it will be a great field for growth over the years. Whether or not growth continues in the next 12 months will depend largely on the number of new TV stations opened up throughout the country. I cannot help but feel, however, that Radio Corporation, Philco, Sylvania, and DuMont offer good value in terms of their potential earnings over a period of time if the 40 million TV receivers expected are distributed throughout the country.

The electronics industry estimates the number of vacuum tube sockets in use at present is one billion. The number is increasing quite rapidly not only because of the growing TV market but also because of industrial applications of electronics instruments, especially in business machines. Replacement demand for tubes alone is around 25% of annual production of 350-400 million tubes — almost as large as the combined original and replacement demand ten years ago.

These are just some of the ideas on my mind looking ahead to the next 12 months and longer. There are certainly many opportunities in securities today just as there always are. I would look for them in the oustanding growth industries where progress over a longer period is likely to be the greatest. I would not limit my look to just the next 12 months.

*An address by Mr. Porter before the Boston Investment Club, Boston, Mass., Nov. 18, 1952.

Stock Market Data

	Dow Average	An'l Earnings Rate	Price to Earns. ‡Ratio	Year's Actual Earnings	Dividends	Dividends as % of Earnings	Yield
1929 High	381.17	$21.80	17.5	$19.94	$12.75	64.0%	3.35%
1932 Low	41.22	0.44	93.7	†0.51	4.62	----	11.20
1937 High	194.40	11.70	16.6	11.49	8.78	76.5	4.52
1938 Low	98.95	4.96	19.9	6.01	4.98	83.0	5.04
1938 High	158.41	8.08	19.6	6.01	4.98	83.0	3.15
1939 Low	121.44	7.72	15.8	9.11	6.11	67.0	5:05
1939 High	155.92	9.08	17.2	9.11	6.11	67.0	3.94
1940 Low	111.84	10.68	10.5	10.92	7.06	64.2	6.30
1941 High	133.59	11.48	11.7	11.64	7.59	65.2	5.70
1942 Low	92.92	7.48	12.4	9.22	6.40	69.5	6.90
1946 High	212.50	12.60	16.8	13.63	7.50	55.0	3.54
1949 Low	161.60	21.52	7.5	23.54	12.79	54.4	7.93
1951 Year-End	269.23	28.56	9.5	26.59	16.34	61.5	6.08
Current	270.00	23.20	11.6	*23.30	*16.00	68.6	5.93

*Estimated 1952. †Deficit. ‡Column 1 related to Column 2.

Other Data

	Federal Reserve Board Index of Production (1935-39=100)	Bureau of Labor Index of Wholesale Prices (1947-49=100)	U. S. Population (Millions)	Bond Yields
1929	110	61.9	121.8	5.94%
1932	58	42.1	124.8	4.90
1935	87	52.0	127.2	3.57
1936	103	52.5	128.1	3.15
1937	113	56.1	128.8	3.18
1938	89	51.1	129.8	2.93
1939	109	50.1	130.9	2.92
1940	125	51.1	132.0	2.70
1946	170	78.7	141.3	2.53
1947	187	96.4	144.0	2.81
1948	192	104.4	146.6	2.93
1949	176	99.2	149.2	2.78
1950	200	103.1	151.5	2.72
1951	220	114.8	154.4	2.95
1952	*218	*110.0	*157.0	3.07

*Estimated.

F. W. Pritchard With Baker, Simonds & Co.

DETROIT, Mich. — Ralph W. Simonds, President of Baker, Simonds & Co., Buhl Building, members of the Detroit Stock Exchange, announces that Frederick W. Pritchard, well-known in Michigan financial circles for the past 25 years has become an associate of the firm. Mr. Pritchard's local past connections include the Securities Units of Guardian Detroit Group, J. S. Bache & Co., and financial vice-presidencies of several prominent companies.

Commercial Bank Investment Of Savings Deposits

By ROBERT W. STORER*

Vice-President, Manufacturers National Bank of Detroit

Asserting solving of investment problems cannot be done by "any pat formula," Detroit banker lays down principles of asset allocation and investment requirements for savings funds. Advises separation of balance sheet of savings deposits from those of demand deposits and capital funds. Stresses importance of external and national considerations entering into the investment problem, along with local and internal factors, and forecasts higher interest rates and lower bond prices.

I
Introduction

In dealing with my assigned topic I will emphasize the savings aspect as much as possible, but I can't entirely take this problem out of its context of investing for the entire bank.

Robert W. Storer

Experience has taught me that people agree better when they understand the basic assumptions which underlie each person's views. So at the risk of seeming trite, I will review a few basic assumptions which underlie my own thinking on this topic.

(1) The objectives of bank investing are:

First, to meet all our deposit withdrawals promptly and without incurring serious losses in liquidating assets to do this and, second only to the above, to earn as much as possible for our stockholders. Or as my former chief, Brian Reuter, puts it "banking is still a business."

(2) We pursue these objectives (a) By having sufficient liquidity in cash and in short or maturing loans and investments. (b) By having sound assets. (c) By having a maturity runoff in loans, mortgages and securities and (d) by extending bond maturities at higher rates of interest where that is consistent with our other objectives and is within our limitations.

(3) What are the risks against which we should guard in our investing? (a) A major loss of deposits not matched by paydowns on loans or runoff of investments. (b) A drastic market decline in bond quotations to a point where marking the bond account down to market values would use up our free capital (by free capital I mean the amount of capital funds other than capital stock and surplus). (c) Inability to sell investments without incurring excessive losses, considered net after tax credits.

II
Problems in Formulating a Bank Investment Control System

(1) In attempting to define a system which will enable each individual bank to solve the above problems for itself we have a paradox, that is, something which is true but doesn't seem so. If it were possible to make up a formula which would permit us to throw into a calculating machine our various figures and ratios and come up with a quick and easy answer in terms of what investments we ought to hold to meet best our investment requirements, it would be a very bad thing for us and for banking. The paradox is that, if such a thing were possible, any junior clerk would be doing our investing job for us and we would to that extent be out of a job. It would be bad for banking because it would down-grade our profession and render at least the investing part of it a routine stereotyped activity.

Hence it is fortunate that, in fact, it isn't possible to solve bank investment problems by any pat formula. The number, the complexity and the changing interdependence of the variables involved prohibit such an approach. This is especially true in a system of independent unit banks where traditionally our emphasis has been upon local, personal knowledge of conditions, upon individual ingenuity and initiative.

(2) It follows that there shouldn't be any high degree of uniformity and orthodoxy in bank investing. And in practice we find there isn't. My own experience indicates a rather surprisingly wide range of policies. For example, a few years ago I made a study of the 50 largest banks in the country in an effort to find a relationship between the average life of each bank's treasury portfolio and the factors which might be expected to influence that average life. It appeared to me that three things ought to permit a bank to invest relatively "long": (a) a high ratio of capital to deposits; (b) a high ratio of savings deposits to total deposits, and (c) a low ratio of loans and discounts (including mortgages) to deposits.

I compared for these 50 banks their individual figures of the above three independent variables versus their Treasury average life as the dependent variable. What I found was a complete absence of relationship between them. There was a completely random scatter between the factors which ought to control the investing policy and the actual investing policy as measured by the average life of Treasury holdings. Examination of many other individual bank statements and portfolios before and since has confirmed this finding that bank investing policies differ widely from one bank to another.

(3) Now given the above situation, we have an important problem which cannot be solved by a formula. I think the following points can be made; first, each banker has to find his own answer in terms of his particular and unique internal and local situation; second, I believe that a philosophy and an analytical approach can be developed which will aid each of us in his analysis of the problem and, finally, each bank's solution has to be revised as internal conditions, local conditions and the national situation in its various aspects, change from time to time.

In the section to follow, I will attempt to develop such an approach or analytical framework which I think can help each of us in breaking down our problem into its elements and in building up a rational and quantitative over-all solution in the form of an actual bond account. Such an approach, with variations, is fairly well-known by the name of Asset Allocation.

III
Principles of the Asset Allocation Analysis

(1) In investing our deposits we know that there are variations in types of deposits and changes in them over periods of time. We wish to invest in such a manner as to minimize the amounts of investments which must be sold to meet deposit withdrawals, and at the same time avail ourselves of the differential in yields on intermediate and long-term paper over short paper. Hence, our initial problem is to match the length of our investments against the probable life expectancy of the various parts of our deposit structure. For this purpose I will use an analogy. Imagine, if you will, the surface of one of the Great Lakes. Most of the time you have ripples and small waves that don't disturb the layers of water two or three feet down. During an average storm, you have larger waves which disturb the layers of water somewhat deeper down. When you get the worst storm in the memory of the oldest citizen, the water gets stirred many feet down.

I think that the analogy with your bank's deposit structure is sufficiently obvious. You have the day-to-day ripples affecting the top few percent of your demand deposits. You have the deeper waves in business and credit demand which affect your demand deposits more heavily and your savings deposits a little. And finally, once in a business lifetime you may get a combination of hurricanes, earthquakes and volcanoes, such as characterized the period of 1929-33.

Where there is an appreciable advantage to be obtained in yields on intermediate and long bonds and in the absence of such a controlling factor as an imminent likelihood of a drastic rise in yields and drop in bond prices, it would seem appropriate to invest the more stable portions of your deposit structure in bonds which will probably not have to be sold unless a more or less severe economic storm occurs and which in the meantime will pay you a higher return.

(2) The translation of this concept into a practical program is as follows: Instead of investing for one bank as a unit we are in effect investing for three banks; a general bank of demand deposits, a savings bank and a capital funds bank. As we go from each of these to the next we may expect the funds involved to be more and more stable and therefore the average life of the bonds and other assets allocated to each of the three banks will be longer. Furthermore, we buy for each "bank" a **strip** of maturities in keeping with the wave analogy mentioned above. These strips of various maturities will overlap in the three banks because you don't lose all your demand deposits before you start losing some savings deposits. Having a strip of various maturities in each bank provides you with funds from maturity runoff and provides you with a ready means of altering the balance and the composition of your over-all portfolio without having to sell too many investments to rearrange it. You don't have all your shortest bonds allocated to demand deposits, nor all the longest ones to capital funds.

(3) Now in speaking of "three banks" I mean just that. Three separate balance sheets with offsetting assets and liabilities. Just as the strip of investments in each bank should be matched against the expected stability of deposits in that bank, just so should the other assets allocated to each bank be functionally related to their matching liabilities. Let me illustrate: Among your general bank liabilities, in addition to demand deposits, there should be included any other quick liabilities such as reserves for the payment of income taxes. On the asset side, there should be placed your required reserves and other amounts of cash and due from banks which together with short treasury paper will suffice to care for your liquidity needs. Also in your general bank there should be your commercial loans and discounts but not real estate mortgages, possibly long-term loans should be excluded.

In the savings bank allocated to time and savings deposits there should be a strip of investment of longer average life and higher average yield than those placed in the general bank. You would have your 6% required reserves or, if you're a state bank, whatever the necessary percentage is, plus whatever savings till money you've found in practice to be desirable, perhaps 2 or 3 or 4%. Real estate mortgages are functionally related to savings and they appropriately belong in this bank. Possibly your longest term loans belong here also.

In the capital funds bank there will be the longest, highest yielding and least marketable bonds and other investments such as Federal Reserve Bank stock. In this bank also there will be placed the fixed assets such as bank building, furniture and fixtures.

(4) From what I've said and from the sample asset allocation for the Fictitious National Bank you have the framework or skeleton of the asset allocation approach. Now we'll start to sharpen the detail and define the picture a little more clearly. For one thing there is the question of how to allow in asset allocations of successive dates, from time to time, for the changes due to variations in loans or in mortgages. Changes in these assets do not arise entirely on your own initiative but rather on the initiative of your customers. How do you take up the slack in your allocation of investments when there are changes in the amounts of loans and discounts allocated to the general bank and in the amount of mortgages allocated to your savings bank. It won't do to change your cash and short Treasuries in the general bank, except briefly, because your cash and short Treasuries are your liquidity and that is dominated by your short swings in deposits and in available cash. Any banker can come to his own conclusions on this score, but I personally feel that the take-up point in your general bank bonds should be in the Treasuries 1 to 5 year bracket. Under present market conditions with most of these issues selling at a discount I am assuming Treasuries taken to final maturity date rather than to first call date.

Similarly in the case of changes in the amount of mortgages held in your savings bank, I feel that an appropriate take-up point would be either in the treasuries 5 to 10 years or the 10 to 15 year bracket.

For the purpose of practical control I consider it quite desirable to break down the investments by types and by maturity brackets much as you see done for the Fictitious National, in terms of percentages and cumulative percentages within each bank. In this way, from one month to another, you get a comparable series of percentages which eliminates the effect of changes in your total dollar footings.

In order to balance each of your three banks in dollars, you will find it necessary to split your allocations of some one or more asset classifications. You may wish to balance to some extent with cash, or you may wish to prorate, say, the longest treasuries held in the general bank partly to that bank and partly to the savings bank and, similarly, as between the savings bank and the capital funds bank.

I have found it helpful to formulate what I call a "par for the course" set of percentage figures for each individual bank, which will be a valid ideal or target for a given set of assumptions as to loan developments, business prospects, general credit conditions and bond market outlook. In setting this up you will bracket together an independently varying item such as loans with the asset classification in which you take up variations in loans and assign a combined percentage quota

Continued on page 30

THE FICTITIOUS NATIONAL BANK

Condensed Balance Sheet

June 30, 1952

ASSETS		LIABILITIES	
Cash & Due from Banks	$925,000	Demand Deposits (G.B.)	$2,500,000
U. S. Treas. Obligations	2,550,000	Svgs. & Time Dep. (S.B.)	2,500,000
Other Bonds	200,000	Capital Stock (C.F.)	125,000
Loans & Discounts (net)	700,000	Surplus (C.F.)	230,000
Real Estate Mortgages	1,073,750	Undivided Profits (C.F.)	45,000
Federal Res. Bank Stock	10,650	Unallocated Res. for Bond Losses (C.F.)	100,000
Bank Bldg., Furn. & Fix.	40,600		
	$5,500,000		$5,500,000

ASSET ALLOCATION

		Book Value	%	% Cumul.
General Bank—Demand Deposits $2,500,000				
Cash and Due from Banks		$650,000	26	26
U. S. Treasury due or callable	0- 1 yr.	250,000	10	36
U. S. Treasury due or callable	1- 5 yrs.	500,000	20	56
Other Bonds due or callable	0- 5 yrs.	50,000	2	58
U. S. Treasury due or callable	5-10 yrs.	250,000	10	68
U. S. Treasury due or callable	10-15 yrs.	100,000	4	72
Loans and Discounts		700,000	28	100
		$2,500,000	100.00	
Savings Bank—Savings and Time Deposits $2,500,000				
Cash and Due from Banks		$275,000	11	11
U. S. Treasury due or callable	0- 1 yr.	100,000	4	15
U. S. Treasury due or callable	1- 5 yrs.	300,000	12	27
U. S. Treasury due or callable	5-10 yrs.	500,000	20	47
U. S. Treasury due or callable	10-15 yrs.	201,250	8.05	55.05
Other Bonds due or callable	10-15 yrs.	50,000	2	57.05
Real Estate Mortgages		1,073,750	42.95	100
		$2,500,000	100.00	
Capital Funds $500,000				
U. S. Treasury due or callable	5-10 yrs.	$150,000	30	30
U. S. Treasury due or callable	10-15 yrs.	198,750	39.75	69.75
Other Bonds due or callable	10-15 yrs.	50,000	10	79.75
Other Bonds due or callable	15-20 yrs.	50,000	10	89.75
Federal Reserve Bank Stock		10,650	2.13	91.88
Bank Building, Furn. & Fixt.		40,600	8.12	100
		$500,000	100.00	

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

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Francis J. Rue has resigned as a Vice-President of **Bankers Trust Company of New York** to become a Vice-President and director of Cooke & Bieler, Inc., investment counsellors, of Philadelphia. In addition, with John F. Donoho, Jay Cooke and Louis H. Bieler, Mr. Rue is forming a separate corporation, under the title of **Rue & Donoho, Inc.**, to act as financial advisors to business. The company will have offices in Philadelphia and New York.

S. Sloan Colt, President of **Bankers Trust Company,** announces that at a meeting of the company's Board of Directors on Nov. 18, it was voted to increase the regular quarterly dividend from 50 cents a share to 55 cents a share. The first dividend at the new rate will be paid on Jan. 15, to stockholders of record Dec. 22.

* * *

The 134-year old banking firm of **Brown Brothers Harriman & Co. of New York** this week honored two retiring executives whose length of service to the institution totals 90 years. Howard P. Maeder, Manager, with the bank since 1903 and George E. Paul, Treasurer, who joined the bank in 1913 were presented with inscribed silver bowls. Retirements of these officers will become effective at the year end. Thatcher M. Brown, senior partner, made the presentations in the presence of other partners of the firm.

* * *

Announcement is made that Floyd D. Frost has been elected Trust Officer of the **First National Bank of the City of New York.** A graduate of Harvard College and the Harvard Law School, he was engaged in private law practice until 1946, when he became Vice-President in charge of the Trust Department of the **Lawyers Trust Company.** On it merger with Bankers Trust Company in 1950, he became a Trust Officer of that institution. He assumed his duties with the First National Bank on Nov. 17.

* * *

At the regular meeting of the Board of Directors of **The National City Bank of New York** held on Nov. 18, Thomas C. Houts and Claire O. Weidman, formerly Assistant Cashiers, were appointed Assistant Vice-Presidents. Both are associated with the bank's Personal Credit Department headquarters at the 42nd Street Branch.

* * *

Approval was given on Nov, 12 by the New York State Banking Department to a certificate of increase of the capital stock of the **Modern Industrial Bank,** at 116 Fifth Avenue, **New York,** from $1,015,625, par value of shares, $25 each, to $1,250,000 likewise in shares of $25 each. Last month, on Oct. 30 the Banking Department indicated its approval of plans to increase the capital from $581,250 to $812,500, and from $812,500 to $1,015,625. On Oct. 31 the Department made known that an application by the Modern Industrial Bank for permission to use the title **"Commercial State Bank and Trust Company of New York"** in connection with the proposed conversion into a state bank, had been filed.

* * *

Horace C. Flanigan, President of **Manufacturers Trust Company, of New York** announces that William M. Horner has been appointed an Assistant Vice-President of the Company. Mr. Horner joined the bank in 1936 and has worked in various departments, and branch offices. He is assigned to the Out - of - Town Business Department and his territory embraces the States of New Jersey, Maryland and Delaware. In 1949 he was appointed an Assistant Treasurer.

* * *

Harry C. Kilpatrick, Senior Vice-President and a Director of **Manufacturers Trust Company of New York,** died on Nov. 1, at his home in New York City. He was 45 years years of age. Mr. Kilpatrick, who was born in Philadelphia, attended Lehigh University; in 1933 he went with the Real Estate Department of Manufacturers Trust; he became Assistant Vice-President in January 1937, and in July 1938 became Vice-President in charge of Real Estate and Mortgage Department. In 1942 he obtained a leave of absence from the trust company and entered the Army with the grade of Captain, was promoted to Major on June 7, 1943, and to the rank of Lieutenant Colonel on April 17, 1945. He was relieved from active duty on Oct. 29, 1945. For the period from Jan. 17, 1944, to Oct. 29, 1945, he served as Executive Officer to Lieutenant General E. Reybold, Chief of Engineers, U. S. Army. In October 1945, he received the Legion of Merit. He resumed his duties as an Administrative Vice-President of Manufacturers Trust Co. in September, 1945; became Vice-President and Assistant to the President of the Company in May 1947, Executive Vice-President and Director on Sept. 18, 1950, and Senior Vice-President in August 1951. He was a member of the New York State Chamber of Commerce, the Association of Reserve City Bankers, the Wall Street Club, etc.

* * *

Manufacturers Trust Company announced on Nov. 12 that it is offering "Registered Checks," a new streamlined type of personal money order, at all its 108 offices in New York City, thus it is stated, bringing the new service to the New York City public for the first time.

* * *

Marking the 35th anniversary of his service with **The Dime Savings Bank of Brooklyn, N. Y.,** George C. Johnson, President, was tendered a luncheon at the bank on Nov. 14 by the Trustees of "The Dime" who presented him with a chest of silver, along with an engraved silver tray, to commemorate the occasion. The presentation was made by Walter Hammitt, Senior Trustee and First Vice-President, after he recounted various anecdotes covering Mr. Johnson's career with the bank. Mr. Johnson joined the bank's staff in November, 1917, as a real estate appraiser, following several years of operating his own real estate business in Brooklyn. At that time, "The Dime" had 109,000 despositors and total assets of $55,000,000. Today, the bank maintains four offices, has 298,000 depositors and total assets are over 665,000,000. Mr. Johnson was elected Secretary of "The Dime" in July, 1929, and served in that capacity until January, 1932, when he was eleced Treasurer. In June, 1946, he was made Executive Vice-President, and on Oct. 25, 1946, he was elected President of the bank to succeed the late Philip A. Benson.

George C. Johnson

* * *

It is announced that rights to subscribe to 33,700 shares of capital stock issued to stockholders of the **Franklin National Bank of Franklin Square, Long Island, N. Y.,** expired at the close of business Nov. 7 with a heavy oversubscription by the stockholders and by a group of underwriters headed by Blair, Rollins & Co. Inc. There were no allotments on oversubscriptions, it is stated. Stock subscribed for by the underwriters has been sold. A reference to the increase in the capital from $3,370,000 to $3,413,000 appeared in these columns Nov. 13, page 1835.

* * *

Under the charter and title of the **Meadow Brook National Bank of Freeport, Long Island, N. Y.,** that bank and the **Peoples National Bank of Lynbrook, Long Island** were consolidated as of Oct. 31. The Meadow Brook National had common stock of $1,010,000, and the Peoples National common stock of $420,000. The enlarged Meadow Brook National will have a capital stock of $1,770,000 in shares of 88,500 common stock, par $20, surplus of $1,770,000 and undivided profits of not less than $460,000. Offices of the Peoples National are now operated as branches by the Meadow Brook National; they are located at Lynbrook, Merrick, Hempstead and Wantagh, in Nassau County.

* * *

The Savings Investment & Trust Co. of East Orange, N. J. and the **National Newark & Essex Banking Co. of Newark** plan to consolidate before the end of the year, it was announced on Nov. 12 it is learned from the Newark "Evening News" of that date, which added that directors of both banks have approved a proposal to be submitted to the stockholders on Dec. 12.

* * *

The capital of the **First National Bank of Oradell, N. J.** has been enlarged from $150,000 to $200,000; part of the increase resulted from a stock dividend of $25,000, the further $25,000 increase having been brought about by the sale of new stock to that amount. The enlarged capital became effective Nov. 6.

* * *

As of Oct. 31 plans for the merger of the **South Philadelphia National Bank** into the **Central-Penn National Bank,** both of **Philadelphia** became effective under the charter and title of the Central-Penn National. Details of the plans of the merger approved by the stockholders of both banks on Sept. 18 were given in these columns Sept. 25, page 1124. As the effective date of the merger the enlarged Central-Penn National had a capital of $3,758,750 (par value of shares $10 each); surplus of $11,500,000 and individed profits of not less than $2,541,250. The quarters of the South Philadelphia Bank and its branch are now operated as branches of the Central-Penn National.

* * *

Completion of arrangements for the erection of a modern bank building at 54th Street and City Line was announced on Nov. 10 by **The Pennsylvania Company for Banking and Trusts of Philadelphia.** When opened for business, this will be the 24th office of the bank in the Philadelphia area. The project has been approved by banking authorities and construction will be started immediately. It is expected that the structure will be completed early next year. The building will be one-story high, with a 30-foot frontage on 54th Street. It will be built of brick and glass in modern architectural style, and will be equipped with safe deposit vaults. William L. Day is President of the bank.

* * *

H. L. Walters was elected a Vice - President of the **Fidelity-Philadelphia Trust Co. of Philadelphia** by the Board of Directors effective Nov. 1, it was announced by Howard C. Petersen, President, according to the Philadelphia "Inquirer" of Oct. 27, which also said in part: "Walters was formerly a Vice-President of the **Girard Trust Co.** which he joined in 1943."

* * *

Consolidation was effected on Oct. 31 of the **First National Bank** and tne **North Side Bank,** both of **Lebanon, Pa.** under the charter and title of the First National Bank. The consolidated bank will have a capital stock of $333,325 in shares of 13,333 of common stock, par $25 each; surplus of $1,166,675, and undivided profits of not less than $200,000. The offices of the North Side Bank will be operated as a branch of the First National.

* * *

The Second National Bank of Towson, Md. has increased its capital from $175,000 to $250,000 by the sale of $75,000 of new stock; the enlarged capital became effective Oct. 30.

* * *

Through a stock dividend of $225,000 the capital of the **First National Bank of Pana, Ill.** has been increased from $75,000 to $300,000, the latter amount having become effective Nov. 7.

* * *

Announcement was made on Nov. 13 that Alfred Epstein, President of Pfeiffer Brewing Company, purchased a substantial block of the outstanding stock of **Detroit Trust Company of Detroit, Mich.** Mr. Epstein's purchase, r is stated, made him the second largest stockholder in the Trust Company. He also has substantial holdings in City Bank, Detroit. Detroit Trust, one of the largest in the State of Michigan, does not engage in the banking business; it confines its activities entirely to trust operations.

* * *

The Commercial National Bank in Shreveport, La. reports as of Nov. 5 a capital of $2,000,000, increased from $1,000,000 by a stock dividend of $1,000,000.

* * *

Henry L. Buccello has been appointed Advertising Manager of **Bank of America National Trust & Savings Association of San Francisco** and will occupy a position left vacant by the retirement of Lou E. Townsend, Vice-President and long-time head of the bank's advertising department, it was announced by President Carl F. Wente. Mr. Buccello is a graduate of the University of Iowa and a former member of the editorial staff of the Des Moines "Register and Tribune." He holds membership in the S. F. Advertising Club, the San Francisco Press and Union League Club, etc. During World War II he served as a naval officer in the South Pacific theatre of operations.

Lloyd Mazzera, Vice-President of **Bank of America,** recently completed 35 years of service with the bank, it was announced from Head Office. He is in charge of the bank's statewide Timeplan Loan operations. Beginning his career in the Lodi branch, Mr. Mazzera subsequently served in Stockton, in Oakland Main Office, and in San Francisco headquarters.

Frederick Williams Opens Own Investment Co.

JACKSONVILLE, Fla. — Frederick Williams has formed the Williams Investment Co. with offices in the Barnett Building to engage in the securities business. Mr. Williams was formerly manager of Allen C. Ewing & Co.

Tobin to Discuss N. Y. Port Authority Financing Program

Austin J. Tobin, Executive Director of the Port of New York Authority, will address a special meeting of the Municipal Forum of New York at 3:30 p.m. today (Nov. 20) in the Oak Room, 38th floor, Bankers Club of America, 120 Broadway, New York. Mr. Tobin will discuss the future financing plans of the Authority, with particular reference to the forthcoming sale on Dec. 10 of $35,000,000 Consolidated Bonds, first series, to mature in 1982. Proceeds of this issue will provide funds for the initial phase of the construction of the Third Tube of the Lincoln Tunnel and to meet other capital expenditures.

Austin J. Tobin

The Dec. 10 issue constitutes the initial offering of Consolidated Bonds and is being made pursuant to a resolution adopted by the Port Authority on Oct. 9. This new type of bond will be employed by the Authority on all future financing and eventually all of the Authority's presently outstanding bonds will be unified in one group. The resolution provides that tne Authority will not issue any more bonds of the General and Refunding, Air Terminal and Marine Terminal series.

The Consolidated Bonds will be secured by a lien upon the net revenues of all existing Port Authority facilities, subject to existing liens in favor of outstanding bonds. They will also be secured by net revenues of facilities financed by subsequent obligations of that designation. Ultimately, all of the Authority's outstanding indebtedness will be composed of Consolidated Bonds, constituting a first lien on revenues of all of the bi-State agency's facilities.

Lee Higginson Group Offers Household Fin. 4.40% Preferred Stk.

A group of underwriters headed by Lee Higginson Corp., Kidder, Peabody & Co. and William Blair & Co. yesterday (Nov. 19) offered publicly a new issue of 100,000 shares of Household Finance Corp. 4.40% preferred stock, $100 par value, at $100 a share plus accrued dividends from Nov. 24, 1952. The preferred stock is subject to annual retirement through a sinking fund beginning in 1953 sufficient to retire the whole issue in approximately 50 years.

Proceeds from sale of the new issue will be used to increase the company's working capital.

Household Finance Corp. with its subsidiaries is one of the largest organizations engaged in the consumer finance (small loan) business. On Sept. 30, 1952, outstanding customer notes receivable amounted to $310,333,734, representing 1,293,157 loans. The company operates 576 branch offices in 388 cities of 29 states and 10 Canadian provinces. Headquarters are located in Chicago.

With Thomson, McKinnon

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, Fla. — Ralph J. Cohn is now affiliated with Thomson & McKinnon, 319 Clematis Street.

Measuring Finances of Insurance Companies

By ALFRED M. BEST*
President, Alfred M. Best Company, Inc.

Insurance expert reveals new developments in insurance business, and describes methods of rating their financial structure and financial standing. Warns concentration of investments in common stocks, real estate, or other investments subject to wide price fluctuations in market value may be source of weakness.

I am aware of and have watched with satisfaction the growing interest which buyers of insurance are exhibiting in insurance matters, especially in financial responsibility of the many hundreds of insurance companies which seek their patronage and in the methods of operation pursued by the respective concerns. Fortunately for all concerned, the record of insurance companies for stability is outstanding; but there have been failures, with loss to policyholders.

Alfred M. Best

To mention only two factors which have an important bearing on the analysis of the financial position of insurance companies, we have fewer and fewer companies which write fire and allied lines only, or others which write casualty and surety lines only. The trend is more and more toward "multiple line" underwriting, and this development has made it desirable for my company to combine into one volume annual reports on all classes of insurance companies, other than life. The change has also necessitated a careful review of our method of rating these "multiple line" companies. A second change of importance is the entrance of many life insurance companies—including some very large ones—into the accident and health insurance field, where they write many different types of such coverage.

Life Companies

The record of stability of the life insurance business, through epidemics, wars and depressions, is outstanding. Even during the worst of the depression years the business made an astonishingly fine record of stability. As the life insurance business is now conducted, the well established companies are just about impregnable. The fact that assets in the entire life insurance industry exceed liabilities by only about 6% need cause you no concern, because in their day-by-day operations there is an adequate margin of safety.

History shows that life insurance companies rarely get into difficulties on account of underwriting errors which result in losses, but, where any trouble has occurred, almost invariably it has been due to wrong investment policy. In nearly all states, however, life insurance companies are so restricted as to the type of investments which they may make that this hazard is minimized. I think that one of the most dangerous pitfalls to be avoided by life insurance companies is having too large a percentage of their assets in any single investment, or in a series of investments subject to one type of investment hazard. One company failed because it put a very large part of all of its assets into one hotel building, and another because it had far too large an investment in the stock of one bank.

*From an address by Mr. Best before the Insurance Conference of the American Management Association, Chicago, Ill., Nov. 14, 1952.

Property and Surety Insurance

Fire-marine and casualty-surety companies may be greatly weakened or put out of business only by underwriting losses or by asset depreciation. They can be seriously embarrased by too rapid increase in the volume of business written; this is due to the legal requirements for setting up reserves for unearned premiums; and, in the case of casualty operations, to similar legal requirements respecting reserves for unsettled claims. But embarrassment from rapidly increasing unearned premium liability may be only temporary, for in a pinch such companies can usually ease the situation by reinsuring part of the business in force.

Let us look first at the underwriting loss possibilities, which differ as between fire and casualty operations. The conflagration hazard is, I think, far less serious than it was years ago, because of improvements in construction, water supplies and fire fighting facilities in general, which have greatly reduced, although not eliminated, this hazard. In addition, fire insurance companies are better protected now by reinsurance arrangements.

At the same time, it is necessary to remember that with the enormous increase in replacement costs since the early 1900's, and particularly during the current period of inflation, a conflagration today, destroying as large an area as was burned in San Francisco in 1906, would mean a property loss of probably four times as much as the $225,000,000 loss suffered there. Policyholders may be comforted, however, by the fact that the fire insurance industry could absorb a loss of a billion dollars today and still remain in sound condition — and it is extremely unlikely that any such loss would ever occur.

The Extended Coverage

There is, however, one catastrophe hazard to which fire insurance companies are exposed which I have not mentioned, and that is due to the relatively recent development of the extended coverage form of insurance. That is, to my mind, definitely a catastrophe line. This was quite forcibly stressed by the wind storm which struck the eastern part of the country in 1950, with approximately $150,000,000 in claims paid. Again, however, the really immense increase in the premium volume and in the financial resources of the fire companies made this large loss comparatively unimportant in the total operating figures for the year. To be sure, numerous companies whose figures showed comfortable underwriting profits up to the time the storm struck wound up the year with no underwriting profit, or a loss, but so far as policyholders were concerned, their protection was not materially weakened. Stock fire and casualty companies now have more than $4,500,000,000 of capital and surplus with which to meet unusual losses.

In the casualty field reinsurance covers are so extensively used that such companies are not subject to the possibility of a loss arising from a single occurrence comparable to what might strike companies in the fire field. In both fields it is axiomatic that the wider the spread of underwriting liability assumed the safer is the operation. This means not only geographical spread, but also spread through the writing of many different classes of business not all subject to the same hazards.

Fire companies also have been writing for several years a number of different classes of business, and now, with the "multiple line" underwriting mentioned previously, individual companies have a still greater spread of liability, as measured by the types of business written. This change to "multiple line" writing has made more complex our analyses of the financial position of the companies involved, but it is definitely in the interests of policyholders because of this greater spread of liability.

Analyzing the Statements

From long experience we have found that the vital items to consider in our analyses are:

(1) Surplus Position: Measuring the ability to absorb shocks, studied in relation to liabilities assumed.

(2) Underwriting Results: Is the company progressing, standing still or slipping?

(3) Asset Position: Quality and diversification of assets, and their convertibility.

(4) Spread of Liability.

Surplus

Surplus to policyholders, as shown in any company's statement, which is always prepared in accordance with legal requirements, does not reflect certain factors which add materially to the safety of policyholders. The first of these has to do with the unearned premium liability.

In our analyses we allow credit for an assumed equity in unearned premiums, based upon the average loss experience of the company during the preceding five years. In the case of casualty business the percentage of equity so allowed varies on the different classes of business written, some of which ordinarily carry a low and others a high loss ratio—as, for instance, surety on the one hand and workmen's compensation on the other. Our practice is to add the equity in the unearned premiums to the reported capital and surplus, plus any equity or minus any shortage which appears to exist in the claim reserves. Our procedure, in effect, establishes what we think is substantially the net worth of the company.

The next step is to determine with what this net worth figure is to be compared. Surplus in an insurance company is needed for the protection of policyholders against the effect either of underwriting or asset loss, or underestimation of liabilities. From study and experience we believe that a loading of 25% of the claim reserves and the deduction of that loading from the net worth of the company is a sufficient test for judging the adequacy of surplus. All that remains of the net worth is then, under our system, applicable for the protection of the underwriting operations. This amount is compared with the probably run-off claim cost of the business in force, in the light of the recent past experience of the company.

In determining the net liabilities (that is, the statement liabilities less equities) we recognize that certain types of liabilities require no surplus protection, because they are not subject to increase. It is only necessary that the company have sufficient assets to cover them.

Underwriting Results

We use the ratio of losses incurred to premiums earned, but expenses incurred are ratioed to premiums written, because most of the expenses are incurred at the time the policy is issued. This procedure differs from the statutory formula set up by the insurance departments, which compares both losses and expenses with earned premiums. When writings are increasing, and unearned premiums also, earned premiums will be less than written premiums. This means that our combined loss and expense ratio will almost always, nowadays, be less than the statutory figures shown, and also we will show a larger percentage of underwriting profit or a smaller percentage of underwriting loss than the statutory formula produces.

Asset Position

We break down the assets into three groups: first, cash and bonds—the items which are least "jittery"; second, stocks, which are subject to wider fluctuations, market-wise; and third, all other assets. We work out the ratio of each of the first two groups of assets to the net liabilities, and use a carefully prepared schedule of debits.

In all of these calculations we do not set up our own opinion as to what the conditions should be. Instead we work out the averages of the businesss on each and every one of the items which we consider, and the number of debits or credits is based upon whether on each one of these items a company is average, below average or above average.

Spread of Liability

The importance of this item is often overlooked. In our system of ratings we have a definite credit for spread of liability, which we measure by the premiums written, corrected for the underwriting results—good, bad, or indifferent. You will see readily that three companies might show the same capital and surplus, the same premium writings, the same amount of liabilities, and yet there might be a wide variance in the reliability of these three. The first might be habitually making a substantial underwriting profit, and it is stronger than the second company, which is just breaking even on underwriting. Both are much stronger than the third company, which is year after year showing an underwriting loss, and therefore becoming weaker and weaker. In working out this particular part of our rating schedule we recognize that a company which is making a very satisfactory underwriting profit can safely write a larger volume of business in proportion to its capital and surplus than another company showing poorer underwriting results.

The most important danger signal to watch for in buying insurance is continuous underwriting loss. Such a condition not only constantly weakens a company, but those which steadily suffer underwriting losses may be tempted to try to skimp on loss settlements.

Consideration of this all-important matter leads directly into the question of whether reserves for pending claims are adequate or not. If the claim reserves are skimped, a fictitious appearance of underwriting profit may be created. This comment refers especially to companies writing casualty and surety lines. Unfortunately, there is little that a businessman can do himself to test the adequacy of claim reserves. It is not sound to compare such reserves with the volume of premiums, for the amount required to settle a claim for a particular injury may vary considerably between different geographical locations; and, also, by reason of the general policy of an individual company with respect to promptness in disposing of claims.

Some companies, especially if they are having a difficult time, may contest an unreasonably large part of all claims made. For your protection, insurance departments, in making examinations of insurance companies, make every effort to see that reserves for pending claims are sufficient to liquidate them, with some margin for unforeseen adverse developments. We and other analysts likewise study this problem with care and endeavor to give ample advance warning of unsatisfactory conditions.

As to adequacy of surplus, I suggest that if premium volume or liabilities appear large in proportion to net resources further inquiry should be made. The situation may or may not be unfavorable, depending upon the margin or profit achieved by individual companies.

For your information, at the end of 1951 the stockfire and casualty business reported 65 cents policyholders' surplus for each dollar of statement liabilities and 79 cents of such surplus for each dollar of net premiums written.

As to investments, the buyer of insurance should note any unduly large concentration of investments in common stocks, or in any other securities subject to wide fluctuations in market value; and also too large an investment in real estate, all in proportion to net resources.

In our publications we try to given information concerning the situation with respect to each major line of business, pointing out what lines, if any, are resulting in underwriting loss. Buyers should know whether the business of a particular company is or is not concentrated in such types of business.

Blyth Group Offers L. I. Lighting Bonds

A syndicate headed by Blyth & Co., Inc. and The First Boston Corp. yesterday (Nov. 19) offered for public sale a new issue of $20,000,000 Long Island Lighting Co. first mortgage bonds, series E 3⅝% due 1982. The bonds are priced at 101% plus accrued interest to yield 3.32% to maturity. The issue was awarded to the group at competitive sale on Monday.

The utility company will use the proceeds of the sale to pay off bank loans incurred for construction of utility plant and the balance for construction of new facilities. It is estimated that construction requirements for the period Aug. 1, 1952—Dec. 31, 1954 will require expenditures of $103,000,000 for electric property, $16,000,000 for gas property and $11,000,000 for other purposes. These estimates have been revised upward, because of increased costs and acceleration of the construction program because of increased load growth resulting from development of the company's territory.

The new bonds are redeemable at prices commencing at 104% for the first year, thereafter declining annually.

The company's operating territory covers Nassau and Suffolk Counties on Long Island and the contiguous Rockaway peninsula in New York City. Population of the territory is estimated at 1,200,000. Approximately 70% of total operating revenues are derived from electric operations.

Operating revenues have increased from $31,148,000 in the calendar year 1947 to $56,019,000 for the 12 months ended July 31, 1952. In the same period net income has increased from $1,870,000 to $5,981,000.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

Mr. Robert S. Burns of A. M. Kidder & Co., 1 Wall Street, New York, recently issued an article covering the operations of 11 large and important American stock insurance groups.

The 11 groups used in the report write all important types of insurance except life and comprise 56 different companies including 11 Casualty-surety organizations. The groups used in the article are as follows: Aetna Fire, American of New Jersey, America Fore, Fireman's Fund, Firemen's Insurance, Great American, Hartford Fire, Home Insurance, Insurance Company of North America, National Fire, and Phoenix Insurance.

Most of the report is devoted to the aggregates and averages of the 11 groups for the past five years. Only limited comments are made on the individual companies or groups although the performance of the different stocks since 1946 is reviewed on a comparative basis.

Thus the article is particularly interesting in that it shows the over-all picture of what has been happening in the industry in the past few years with respect to underwriting, investments and dividends.

Concerning the premium volume the A. M. Kidder study points out that the 11 groups in 1951 had total writings of $1,639,000,000 or approximately 29% of the aggregate of the entire industry of $5,720,000,000. Further, the volume of last year for the 11 groups was approximately 13% above 1950 and 77½ higher than in 1946.

Another interesting point brought out in the report concerns investment income and dividends. As stated in the review, the 11 groups . . . "are currently paying on their shares cash dividends at the rate of about $48,300,000 per annum against an average over the past five years of $38,000,000 annually. This current total compares with $27,582,000 total cash dividends paid in calendar 1946. In other words, in the past five years (plus) their dividend payout has increased by only 75%. During this same period of time (five years and 10 months) the market value aggregate for the stocks of these companies has shown an increment of 93% or from $774,400,000 at the close of 1946 to $1,495,300,000 at the present time. The total of shares outstanding is now 24,000,000 as against 16,400,000 at the beginning of the period under review."

Historically dividend policies of insurance companies have been based upon investment income with approximately 60% to 65% of such income distributed to stockholders. In 1951 the net investment income of the companies reviewed totaled $93,200,000. Cash dividends, however, totaled $47,240,000 or only 50.7% of the investment income. At the same time investment earnings between 1946 and 1951 increased from $47,318,000 or approximately 97%. In the same period dividends have been increased by only 75%.

Because of these considerations the A. M. Kidder study states that—"It is believed that some, if not all, of these companies will liberalize their dividend policies either by the declaration of year-end extras or increasing the regular annual rates of payment of cash dividends."

Concerning underwriting operations the report explains that statutory results fluctuate greatly from year to year. Part of this is due to increases or decreases in the volume of business which are reflected in changes in the unearned premium reserve. In order that a better picture of underwriting can be obtained, Mr. Burns explains the method of adjusting statutory earnings and points out that even though the statutory underwriting loss of the 11 groups last year was $13,239,000, the gain in equity in the unearned premium reserve was $50,882,000, indicating adjusted underwriting profits of $37,643,000.

As a final point the report shows the experience of a hypothetical investor who purchased 100 shares of each stock at the end of 1946 and held them through 1951.

"Originally, the 1,200 shares of stock would have cost this investor $67,900; he would have put up an additional $4,700 during the period to subscribe to new shares offered him, and he would have 'ended up' owning 1,857 shares of the various stocks, with an aggregate market value of $109,288, for a net gain in market value of $36,688 or better than 50%, based on a total cost of $72,600."

With Eldredge, Tallman

CHICAGO, Ill. — Chauncey M. Boggs has become connected with Eldredge, Tallman & Co., 231 South La Salle Street. He was previously with American Securities Corporation and Olson, Donnerberg & Co.

Reynolds Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Robert E. Palmquist has become associated with Reynolds & Co., 39 South La Salle Street.

Gold Dollar Price and Sterling Convertibility

By PAUL EINZIG

Asserting British opinion holds any attempt to restore sterling convertibility is doomed to failure unless it is linked to an increase in price of gold and reduction of the American tariff, Dr. Einzig contends American opinion should decide whether it is worthwhile for U. S. to swallow bitter pill of higher gold price and lower tariffs for sake of world currency convertibility.

LONDON, Eng.—There is reason to believe that, with the Presidential election out of the way, the British Government will make an effort to support the South African Government's demand for an all-round increase in the price of gold in terms of the currencies of the countries belonging to the International Monetary Fund. In practice the decision rests entirely with the United States. Pending the Presidential election the British Government refrained from pressing the matter for fear that in response to any publicity on the subject on this side of the Atlantic the Presidential candidates might feel impelled to commit themselves in public against an increase of the dollar price of gold. Now that the election is over the matter is likely to be raised on this side. There are indications that the question of the gold price may be linked with the question of sterling convertibility. That subject is bound to figure very prominently on the Agenda of the impending London meeting of Commonwealth Prime Ministers.

Dr. Paul Einzig

With the slight improvement of the sterling position interest in convertibility as a practical problem is on the increase. Until recently the popular view was that, given a sufficiently large dollar loan from the United States or the International Monetary Fund, there should be no difficulty in resuming convertibility. This is not the view taken by Chancellor Butler. Indeed it would conflict with his declared maxim of "trade not aid." Many of his advisers fear that even a very large dollar aid would soon be exhausted if foreign holders of sterling were to be given a free hand to help themselves to the dollars.

Some quarters base their hopes on the possibility of large-scale American investment in the backward countries of the Sterling Area. Those familiar with the difficulties that would have to be overcome before the American investor could be induced to commit himself on a substantial scale consider the hopes that the flow of American capital would solve the problem of the dollar gap unduly optimistic. Taking a very long view that factor may well facilitate the maintenance of convertibility of sterling once it is established safely. It seems probable, however, that the initial rush would result in a breakdown of convertibility long before the flow of dollars to backward countries would have a chance to gather momentum.

There is a growing conviction that the way to secure solid foundations for convertibility lies in two directions. In order to ensure a narrowing of the dollar gap it is essential that the Dollar Area should import British and Sterling Area goods on a much larger scale. It is equally important that the dollar price of gold should be adjusted so as to bring it in accordance with the general rise in prices that has taken place since 1939. It is felt that on the basis of the pre-war dollar price of gold the volume of gold available for settling international balances is not nearly sufficient to meet post-war requirements increased by the all-round rise in prices. An increase in the official American buying price of gold, in conjunction with an all-round increase to be arranged by the International Monetary Fund under Article IV, Section 7, would greatly facilitate the financing of import surpluses from the Dollar Area.

It is fully realized in London that the idea of changing the dollar price of gold is highly unpopular in the United States. The only support that could reasonably be expected would be from the States concerned with gold mining, and their influence is not nearly sufficient to ensure the adoption of the proposal. On the other hand it is also realized that political opinion and business opinion in the United States is very strongly in favor of making sterling convertible. There seems to be, therefore, a fair scope for a bargain. The conviction held on this side that any attempt at convertibility is doomed to failure unless it is linked to an increase in the price of gold and the reduction of the American tariff wall is growing increasingly firm. The British Government may find it difficult to decide in favor of convertibility unless such safeguards are secured.

It is for American opinion to decide whether it is worth while for the United States to swallow the bitter pills of a higher dollar price of gold and a lower tariff, for the sake of the materialization of the dream of returning to international convertibility of currencies. After all, if the United States are so keen on convertibility it is to their interest to create conditions in which convertibility could function. The alternative would be to repeat the experience of 1946-47 when a dollar loan of unprecedented size was granted to Britain and the only result derived from it was a return to convertibility for a few weeks. It is more than probable that in 1953 the proceeds of a dollar loan of equal size would melt away with equal rapidity as in 1947. Convertibility which does not rest on sufficiently solid fundamental conditions but is merely bolstered up by means of dollar aid would mean the repetition of the crisis of 1947. It would mean instability in the international economic situation which could benefit neither Britain nor the United States.

Quite conceivably the American view is that the advantages of a convertible sterling would not compensate the United States for the disadvantages of tampering with the gold parity of the dollar and of lowering the American tariff wall. In that case there would be no choice but patiently to await developments which might fill the dollar gap in the course of time. Conceivably American investment in under-developed countries may assume substantial proportions within a few years. Or Britain may be able to build up gradually a sufficiently large gold reserve to return to convertibility without undue risk. Such developments are bound to take time, however. There could be no short cut to convertibility otherwise than through reducing the dollar gap by means of a higher gold price and a lower American tariff wall.

Smith-Douglass Shs. Publicly Offered by F. Eberstadt Group

F. Eberstadt & Co. Inc. headed an underwriting syndicate which publicly offered on Nov. 18 a total of 370,000 shares of Smith-Douglass Co., Inc., common stock at a price of $18 per share. Of these shares, 100,000 are being sold for company account and 270,000 shares by certain stockholders, including mainly the heirs and trustees of the estate of Oscar F. Smith, former President of the company. This is the first public offering of Smith-Douglass stock which, heretofore, has been closely held.

Smith-Douglass is an important producer and distributor of chemical fertilizer materials and mixed fertilizers in the tobacco, cotton, peanut and truck growing areas of the South and the corn and wheat belt of the Middle West. The company's products are marketed in Virginia, North and South Carolina, Delaware, West Virginia and Tennessee in the South and in Minnesota, Illinois, Wisconsin, Indiana, Iowa and the Dakotas in the Middle West.

The company will use its share of the proceeds for plant expansion and for additional working capital required by increasing sales of the company and its recent acquisition, Coronet Phosphate Co., a major phosphate producer for fertilizer purposes. Smith-Douglass plans to install phosphoric acid facilities at its Streator (Ill.) plant and to make certain improvements at Coronet's Tenoroc (Fla.) plant.

Smith-Douglass had net sales of $30,211,177 and net income of $1,467,423 for the year ended July 31, 1952. On a pro forma basis, including seven months operations of Coronet and 12 of Smith-Douglass, combined net sales for both companies were $33,165,834 and net income was $1,742,782.

The directors intend to declare an initial quarterly dividend on the common stock of 30 cents per share, payable during the month of January, 1953.

The company has agreed, upon request of the representative of the underwriters, to apply for listing of its common stock on the New York Stock Exchange.

N. W. Investors Service

BILLINGS, Mont. — Northwest Investors Service, Inc. has been formed with offices at 2916½ First Avenue to engage in the securities business. Officers are Perry J. McKay, President, Rex H. Lloyd, Vice-President, and Norwell A. Besinque, Secretary and Treasurer. Mr. McKay was formerly connected with Hamilton Management Corporation.

D. L. Culver With J. C. Bradford & Co.

J. C. Bradford & Co., members of the New York Stock Exchange announce that D. Le Roy Culver has become associated with the firm as a registered representative in its New York office, 44 Wall Street.

Continued from first page

Funds' Deflationary Policies Reaffirmed by Elections

currently? Within the next several months? Any change anticipated in oil holdings?"

Public Utility Purchases

Even before the election many managements had shifted into defensive issues, reducing the necessity for post-election changes. Thus buying during the three months under review were concentrated in the public utility stocks (which has been the favorite group for over four years, anyway) as well as the rails, electrical equipment, merchandise, and food issues. Natural gas, chemical, drug and tobacco equities were also liked and marked interest was shown in bank and insurance shares. Selling was heaviest in the oils, but there was some substitution of new issues in portfolios, while transactions were mixed and not very heavy in the non-ferrous metal division. Although total over-all purchase transactions exceeded sales, only one-third of the *balanced open-end funds* added to their equity investments in contrast with two-thirds during the second quarter of the year. Liquidity was increased measurably, half of the open-end funds and almost all of the closed-end companies surveyed adding to holdings of cash and governments.

Illustrative of the opinion in many investment company quarters which influenced a relatively more conservative outlook before the election, necessitating a minimum of portfolio change during the present time, we quote from a talk delivered just preceding Nov. 4th before the Annual Fall Conference of the Society for Advancement of Management by Dr. Henry Bund, Executive Editor of the Research Institute of America. Before taking residence in this country, Dr. Bund had been one of the foremost investment company authorities on the European continent:

"America faces an economic recession, starting some 10 to 18 months from now. The threat is far more serious today that it has been any time since before World War II. If and when it comes, this period of readjustment will be both longer lasting and more deeply disturbing than any of the difficulties we have had to confront in 15 years, and possibly longer.

"Though this prediction is made a short *four days before the national election* (our italics) it is not based on any anticipation of the outcome of that contest. Regardless of whether it is Stevenson or Eisenhower, the victor of next Tuesday will be taking the rap for a good deal of economic sin and inevitable development which has occurred over the past 12 years at least. The day of reckoning which I personally believe is inexorably coming, cannot and will not be avoided by the next President, no matter who he is, though its impact and severity may well be influenced by the next occupant of the White House."

The anticipation of such a reversal in economic activity is specifically alluded to in the statement of **Kenneth C. Leonard, Treasurer and Director of the Mutual Fund of Boston,** managed by Russell, Berg and Co., thus necessitating little change in the portfolio of this trust since the election: "Since we have believed for some time that we were approaching the top of the business cycle and we have therefore adjusted our cash position and individual security and industry group investments accordingly, we anticipate no change in our position at the present time. Looking ahead several months, it is probable that certain shifts in stock and group holdings will be warranted to correspond with possible effects from changes in corporation tax laws and the return of a competitive economy. Concerning changes in stock and industry groups, our objective will be to avoid situations where cyclical influences predominate and where present built-up capacities appear excessive in relation to normal demand. Less attention will be given to situations where earnings have been increased principally due to inflationary forces. We do not anticipate any major change in our investment in oils (6.6% net assets, Sept. 30).

Other representative statements in answer to our inquiry follow:

John H. G. Pell, President of the Wall Street Investing Corp.

"As we had considered a Republican victory probable, our portfolio is already aligned for such a development. During the past year holdings of oil stocks (14.0% net assets, Sept. 30) have been reduced and holdings of utility stocks have been increased. We expect less Government spending, lower taxes, tighter bank credit control higher interest rates, an expiration of price and wage ceilings on April 30, 1953, expiration of the present excess profits tax on June 30, 1953, and expiration of the recent excise tax increases on liquor, gasoline, and related items on March 31, 1954. Industries which will benefit from the election are those whose earning power is being impeded by the excess profits tax (Caterpillar Tractor), those which are being hurt by excise taxes (Distillers Corp. Seagrams), those which are being hurt by price ceilings (American Tobacco). Many oil companies have been sheltered taxwise during the past several years of very high corporate taxes and this favorable feature has attracted the attention of many investors. With the prospects favoring a more equitable policy of corporate taxation, the oils lose this special advantage. We are satisfied with the cutback in oils which has already been completed in our portfolio and with the generally conservative distribution of reserves and security holdings."

Herbert R. Anderson, President of Distributors Group

"The atmosphere has changed, the climate for business is unquestionably improved, but it is not possible for such factors as the high break-even points of industry generally to be radically changed in the near future. For some time our analysis of business and stock market conditions has pointed out the desirability of selecting stocks of the companies which possessed a high combination of these three factors:

"(1) An ability to increase or at least maintain **unit** output.

"(2) An ability to increase or maintain **price** of the company's product.

"(3) To be in a position to benefit from the reduction or elimination of E.P.T.

"For some months past, therefore, we have substantially increased our holdings of selected stocks in such industries as the tobaccos, utilities, food chains, dairy product, auto parts, and electrical equipment-electronics because they appear to have a high combination of these desirable factors. Conversely, because we felt that by and large the oils, metals and rubbers, for example, did not have a high combination of these desirable investment selection factors, we substantially reduced our holdings in these industries. To us, Mr. Eisenhower's election gives added confirmation to keeping these three investment selection factors as a guide to investment policy over the immediate future. Thus, we contemplate no significant changes in our investment policies at this time."

Walter L. Morgan, President of Wellington Fund

"In expectation of a more conservative Administration in Washington, regardless of the outcome of the election, the Fund restored its **common stock** ratio during the weak markets **preceding the election** from about 60% at the low market point of 262.3 on the Dow-Jones Industrials to about 63% of resources where it was last June 30, representing over $4 million of purchases. At present, the fund has 65% of its resources in **common stocks and other appreciation** type securities, 26% in investment bonds and preferred stocks and about 9% in government bonds and cash reserves. The fund does not expect to make any further substantial change in investment position over the near term as a result of the election. The new Administration should increase confidence in business and investments. Stocks of growth companies and those subject to maximum tax rates, which have not yet discounted the probable expiration of the excess profits tax law should do comparatively well. Some depressed stocks, including food and tobacco stocks, which have been squeezed between high costs and price ceilings, should also act better. We believe the outlook has improved for some stocks in regulated industries retarded because of restrictive rates and high labor costs. Some natural resource stocks considered as inflation hedges, which have advanced to record levels in recent years, may not do so well under a more stable economy."

Jack J. Dreyfus, Jr., President of The Dreyfus Fund

"The swing in the sentiment of the American people to the support of General Eisenhower and the Republican Party carried an implication of a preference for faith and confidence in a realistic central government to a psychology of inflation and deficit financing. The fulfillment of this change in psychology could be the basis of a sound and lasting rise in the general level of security prices. Included in that advance should be many wholesome and undervalued industrial stocks which have been neglected for the oils, other natural resource stocks and growth stocks which are popular during a period of inflationary psychology. Therefore, in making its recent purchases the Dreyfus Fund has included the public utility, tobacco, airline, aircraft manufacturing, mercantile, building material, food, rail and other groups."

Edward C. Johnson 2d, President of Fidelity Fund

"We do not plan any shifts as a direct result of a change in Administration. Our cash position (3.8% net assets Sept. 30) will remain pretty much the same since we are fairly fully invested anyway. Somewhat increased weight may be given to companies where the elimination of the excess profits tax law may help earnings, but in general the approach to the selection of securities will be much the same as before the election."

Another important fund in Boston, but of the balanced type, stated that they felt that utilities in many sections of the country and natural gas companies will be relieved of administrative interference and policies that appeared at many times to be opposed to interests of stockholders. "We feel," an executive of this trust stated, "that many oil companies will be benefited by the settlement of the Tidelands issue. We feel more confident of an ending of unfair profits taxes. We do not contemplate at this time any major shifts in portfolio emphasis which has been directed toward strong companies offering both prospects for growth as well as companies that are favorably situated in the event of business recession. We are holding substantial amounts of insurance stocks; banks; public utilities, including natural gas companies; oils; chemicals; and electrical equipment."

Edward P. Rubin, President of Selected American Shares

"We plan no important change in our cash position (9.7% net assets Sept. 30) as the result of the election. We do feel a little more strongly that there is a good chance of eliminating excess profits taxes on June 30, 1953. Consequently, currently and within the next several months, we will favor a little more strongly those groups where volume is likely to be well sustained, and where elimination of excess profits taxes would materially increase net income. Our short-term views have been reasonably optimistic and are unchanged by the election. We feel our oil position (12.8% net assets Sept. 30) is not out of line, and while we might reduce it a little, there is no great urgency to do so, In fact, we are inclined to view those oil companies interested in natural gas and in the tidelands as being in a more constructive position than formerly. . . . And for the long-term, I think we would say that we expect the new Administration to give the investment markets good reason for a higher appraisal of earnings in the future than has been true for a long time in the past."

D. Moreau Barringer, Chairman of the Board and Secretary, Delaware Fund

"The results of the election will not make any profound changes in our policy. Prior to November 1,

Continued on page 27

Balance Between Cash and Investments of 61 Investment Companies

End of Quarterly Periods June and September, 1952.

	Net Cash & Gov'ts Thous. of Dollars —End of— June	Sept	Net Cash & Gov'ts Per Cent —End of— June	Sept.	Invest. Bonds & Preferred Stocks Per Cent * —End of— June	Sept.	Com. Stks. Plus Lower Grade Bonds & Pfds. Per Cent —End of— June	Sept.
Open-End Balanced Funds:								
American Business Shares	8,729	8,772	22.5	22.9	29.0	29.2	48.5	47.9
Axe-Houghton Fund "A"	4,722	5,720	18.8	21.5	20.2	25.1	61.0	53.4
Axe-Houghton "B"	936	1,182	3.8	4.6	26.6	26.7	69.6	68.7
Boston Fund	1,084	331	1.3	0.4	43.5	43.1	55.2	56.5
Commonwealth Investment	3,473	3,313	6.7	6.1	22.3	24.3	71.0	69.6
Diversified Investment Fund—Diversified Funds, Inc.	581	526	2.1	1.8	20.6	21.1	77.3	77.1
‡Dreyfus Fund	447	453	40.7	37.3	4.6	7.6	54.7	55.1
Eaton & Howard Balanced	6,384	8,161	7.4	9.2	31.9	30.3	60.7	60.5
Fully Administered Fund—Group Secs.	3,409	3,594	51.1	54.1	9.0	9.0	39.9	36.9
General Investors Trust	237	287	9.9	12.4	10.9	11.1	79.2	76.5
Investors Mutual	10,128	12,339	2.7	3.1	32.5	31.8	64.8	65.1
Johnston Mutual Fund	276	313	16.1	18.1	18.5	19.2	65.4	62.7
§Mutual Fund of Boston	62	25	2.9	1.2	36.5	38.5	60.6	60.3
National Securities—Income	629	624	2.5	2.4	19.1	16.9	78.4	80.7
Nation Wide Securities	3,087	2,813	15.8	14.6	26.8	29.3	57.4	56.1
George Putnam Fund	2,533	4,858	4.3	8.4	22.8	21.7	72.9	69.9
¶Scudder, Stevens & Clark	6,160	5,499	16.0	14.1	30.9	32.5	53.1	53.4
Shareholders Trust of Boston	396	388	5.0	4.9	21.9	23.4	73.1	71.7
Wellington Fund	25,937	27,216	11.8	12.0	24.6	27.1	63.6	60.9
Whitehall Fund	56	39	2.3	1.5	45.9	47.1	51.8	51.4
Wisconsin Investment Co.	613	837	12.4	17.0	7.0	7.0	80.6	76.0
Open-End Stock Funds:								
Affiliated Fund	4,163	6,391	2.0	2.9	0.1	0.1	97.9	97.0
Bowling Green Fund	82	140	10.3	18.2	30.6	26.7	59.1	55.1
Blue Ridge Mutual Fund	1,385	1,235	6.4	5.9	None	None	93.6	94.1
Broad Street Investing	1,194	1,127	4.3	4.0	4.5	5.3	91.2	90.7
Bullock Fund	2,151	2,040	15.1	14.4	None	0.9	84.9	84.7
Delaware Fund	979	422	7.2	3.0	1.9	3.0	90.9	94.0
Dividend Shares	13,363	14,821	12.1	13.4	None	0.2	87.9	86.4
Eaton & Howard Stock	1,138	881	7.8	6.5	4.0	2.0	88.2	91.5
Fidelity Fund	4,511	2,887	6.0	3.8	0.7	3.7	93.3	92.5
Fundamental Investors	4,335	2,789	3.2	2.0	None	None	96.8	98.0
General Capital Corp.	2,617	2,727	19.3	20.3	None	None	80.7	79.7
Group Securities—Common Stock Fund	304	358	7.8	8.2	None	None	92.2	91.8
Incorporated Investors	9,306	8,725	7.3	7.0	None	None	92.7	93.0
Institutional Shs.—Stk. & Bd. Gr.	438	384	21.0	17.7	7.4	9.5	71.6	72.8
Investment Co. of America	3,161	3,382	16.6	17.0	None	None	83.4	82.5
Investors Management Fund	353	275	2.5	2.0	None	None	97.5	98.0
Knickerbocker Fund	11,828	11,572	72.1	70.9	3.4	3.9	24.5	25.2
Loomis-Sayles Mutual Fund	6,691	8,148	25.4	29.6	19.6	20.4	55.0	50.0
Mass. Investors Trust	9,686	12,215	2.0	2.6	None	None	98.0	97.4
Mass. Investors Growth Stk. Fd.	2,678	NA	7.1	NA	None	NA	92.9	NA
Mutual Investment Fund	170	325	8.9	15.5	36.7	32.3	54.4	52.2
National Investors	580	680	2.0	2.4	None	None	98.0	97.6
National Securities—Stock	1,387	1,404	3.1	2.9	None	None	96.9	97.1
New England Fund	1,245	1,431	22.1	24.3	9.8	8.8	68.1	66.9
Republic Investors	482	646	7.8	10.9	26.1	27.6	66.1	61.5
Selected American Shares	1,927	2,361	8.0	9.7	None	None	92.0	90.3
Sovereign Investors	10	7	1.7	1.1	5.6	5.6	92.7	93.3
State St. Investment Corp.	24,007	25,686	21.2	23.1	None	0.5	78.8	76.4
Wall St. Investing Corp.	668	749	19.2	21.3	None	None	80.8	78.7
Closed-End Companies:								
Adams Express	2,785	3,827	5.0	7.1	0.6	0.5	94.4	92.4
American European Securities	965	997	6.8	7.4	12.8	13.7	80.4	78.9
American International	1,085	1,458	4.1	5.9	0.8	0.8	95.1	93.3
Capital Administration	373	399	3.4	3.8	14.4	14.6	82.2	81.6
General American Investors	8,938	8,680	16.1	16.0	None	None	83.9	84.0
General Public Service	1,115	1,228	8.1	9.2	None	None	91.9	90.8
Lehman Corporation	15,913	17,442	10.6	12.0	None	None	89.4	88.0
National Shares Corp.	1,429	1,861	10.7	14.2	8.2	7.5	81.1	78.3
Tri-Continental Corp.	2,795	3,518	1.7	2.2	13.6	14.1	84.7	83.7
†U. S. & Foreign Securities	2,785	2,978	4.3	4.8	None	None	95.7	95.2
U. S. & International Secur.	5,277	5,551	7.8	8.5	0.1	0.1	92.1	91.4

* Investment bonds and preferred stocks: Moody's Aaa through Ba for bonds; Fitch's AAA through BB and approximate equivalents for preferreds. † Portfolio exclusive of securities in subsidiary or associated companies. ‡ Name changed from Nesbett Fund. § Name changed from Russell Berg Fund. ¶June figures corrected. NA Not available.

SUMMARY

Change in Cash Positions of 60 Investment Companies

(Period—Third Quarter — 1952)

Open-End Companies:	Plus	Minus	Unchanged	Totals
Balanced Funds	10	6	5	21
Stock Funds	15	11	2	28
Closed-End Companies	9	0	2	11
Totals—All Companies	34	17	9	60

Joins Jas. E. Bennett

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Hilbert C. Nickel has joined the staff of James E. Bennett & Co., 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges.

Changes in Common Stock Holdings of 44 Investment Management Groups

(June 30-Sept. 30, 1952)

Transactions in which buyers exceed sellers—or sellers exceed buyers—by two or more management groups. Issues which more managements sold than bought are in italics. Numerals in parentheses indicate number of managements making entirely new purchases or completely eliminating the stock from their portfolios.

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Agricultural Equipment:		
7	42,500	Deere and Co.[1]	19,800	4
4(1)	56,700	International Harvester	100	1
		Auto and Auto Parts:		
4	7,600	Bendix Aviation	500	1
3	5,600	Borg Warner	None	None
5(1)	21,500	Chrysler	3,200	2
4	8,900	Doehler-Jarvis Corp.	None	None
3(2)	18,500	General Motors	None	None
2	1,500	Libbey-Owens-Ford Glass	None	None
None	*None*	*Thompson Products*	*16,400*	*3(1)*
		Aviation:		
2(1)	8,000	American Airlines	None	None
6(3)	79,600	United Aircraft	39,300	3(1)
2(2)	*16,000*	*Douglas Aircraft*	*5,400*	*4(1)*
		Beverages:		
4(1)	7,500	Coca Cola	None	None
1	*400*	*National Distillers*	*18,700*	*3(2)*
None	*None*	*Hiram Walker*	*6,500*	*2(1)*
		Building Construction and Equipment:		
2	2,270	American Seating	None	None
2	2,500	Flintkote	None	None
2	5,300	Johns-Manville	None	None
3(2)	14,500	Yale and Towne	8,000	1(1)
None	*None*	*American Radiator*	*38,900*	*2(1)*
		Chemicals:		
4	18,900	Air Reduction	None	None
3	7,600	Allied Chemical and Dye	2,100	1
2	15,000	Commercial Solvents	None	None
3	12,000	duPont	None	None
2(1)	1,100	Hercules Powder	None	None
2(1)	5,300	Inter. Minerals & Chemical	None	None
2(1)	7,600	Tennessee Corp.	None	None
None	*None*	*American Cyanamid*[1]	*8,000*	*2*
None	*None*	*Dow Chemical*[2] (new)	*8,295*	*4*
1	*300*	*Monsanto Chemical*	*10,200*	*4*
		Containers and Glass:		
5(1)	3,500	Continental Can	14,100	3(1)
2	6,000	Hazel Atlas Glass	None	None
3(2)	14,000	Owens-Corning Fiberglas	1,500	1
2	*30,000*	*American Can*	*16,100*	*4*
		Drug Products:		
2	11,800	Colgate-Palmolive-Peet	None	None
2	4,500	Gillette Co.	None	None
4(1)	10,200	McKesson & Robbins	None	None
4(2)	5,100	Merck & Company	3,600	2
4(2)	11,800	Parke, Davis & Company	8,000	1(1)
2	12,000	Sterling Drug	None	None
		Electrical Equipment:		
2	1,200	General Time Corporation	None	None
11	13,040 new	Motorola[3]	None	None
6(2)	16,400	Philco Corp.	1,000	1
4	6,900	Radio Corp. of America	1,000	1(1)
7	31,200	Westinghouse Electric	2,000	1
3(1)	1,800	Zenith Radio	None	None
		Financial, Banking and Insurance:		
3(1)	1,300	Aetna Life Insurance Co.	None	None
3(2)	20,875	American Investment Co. (Ill.)	2,500	1(1)
2	5,100	Bank of Manhattan	None	None
2	1,100	Cont. Ill. National Bank & Trust	None	None
2(1)	300	Fidelity Phenix Fire Insurance	None	None
2(1)	6,400	First National Bank of Boston	None	None
2	3,000	General Reinsurance Corp.	None	None
3(2)	1,570	Guaranty Trust Co. of N. Y.	None	None
2	4,200	Household Finance Corp.	None	None
4	7,600	Marine Midland	None	None
2(1)	500	Seaboard Finance Co.	None	None
2(2)	2,600	Security-First Nat. Bank of L. A.	None	None
2(2)	3,687	Southwestern Life Insurance Co.	None	None
2(2)	500	Travelers Insurance	None	None
		Food Products:		
2(1)	14,100	Best Foods	None	None
2	1,500	Borden Co.	None	None
4(1)	18,000	General Foods	None	None
2	4,100	Great Western Sugar	None	None
4(3)	30,800	National Biscuit	300	1
2	5,600	Standard Brands	None	None
2(1)	1,000	United Biscuit Company	None	None
4	9,600	United Fruit Company	None	None
		Machinery and Industrial Equipment:		
6(2)	20,700	Allis Chalmers	23,800	4
None	*None*	*Foster Wheeler*	*2,400*	*2(1)*
		Metals and Mining:		
3	7,500	Aluminum Co. of America	None	None
2(1)	5,200 new	American Metal Co.[1]	None	None
3(2)	23,700	Climax Molybdenum	None	None
2(1)	600	Homestake Mining	None	None
5(2)	5,500	Kennecott Copper	1,500	2
1	*2,000*	*American Smelting & Refining*	*3,000*	*4(2)*
None	*None*	*Anaconda Copper*	*1,200*	*3(1)*
None	*None*	*Consolidated Mining & Smelting*	*3,400*	*3(1)*
1	*500*	*International Nickel*	*6,600*	*4(1)*
None	*None*	*Island Creek Coal*	*10,000*	*2(2)*
		Office Equipment:		
2	4,577	International Business Machines	None	None
1	*4,500*	*National Cash Register*	*3,060*	*3(2)*
		Paper and Printing:		
2	1,200	Champion Paper & Fibre	None	None
3	1,800	Crown Zellerbach	800	1(1)
3	5,800	Scott Paper	None	None
2	2,100	Shellmar Products Corp.	None	None
2	9,100	Union Bag & Paper	None	None
4	*18,500*	*International Paper*	*35,900*	*7(1)*
None	*None*	*Marathon Corp.*	*7,200*	*2*
		Petroleum:		
4(1)	14,100	Anderson-Prichard Oil	None	None
2	2,200	Honolulu Oil[4]	None	None
2(1)	13,000	Husky Oil Co.	None	None
6(2)	3,600	Ohio Oil	500	1
3	4,500	Richfield Oil	None	None
4(4)	16,020	Royal Dutch Co. (N. Y. shares)	None	None
5	17,900	Shell Oil	1,100	2(1)
2	2,300	Signal Oil & Gas "A"	None	None
3	11,400	Socony Vacuum Oil	1,300	1
2	1,100	Superior Oil Co.	None	None
2	*3,000*	*Cities Service*	*9,100*	*4(1)*
1	*1,000*	*Creole Petroleum*	*9,600*	*4(3)*
None	*None*	*Lion Oil*	*4,900*	*3(3)*
None	*None*	*Louisiana Land & Exploration*	*400*	*2(1)*
None	*None*	*Mission Corp.*	*3,400*	*2(1)*
2(2)	*4,500*	*Phillips Petroleum*	*21,000*	*4*
2	*5,400*	*Pure Oil*	*8,600*	*4(1)*
2	*8,700*	*Standard Oil of California*	*6,600*	*4*
3	*7,860*	*Standard Oil of New Jersey*[5]	*6,292*	*8(1)*
3	*7,500*	*Texas Company*	*14,400*	*7(3)*
		Natural Gas:		
4(1)	17,100	American Natural Gas	14,000	2
5(2)	4,400	Panhandle Eastern Pipe Line	9,800	3
2	3,300	Southern Natural Gas	None	None
5	9,448	Southern Production Co.[6]	None	None
None	*None*	*Texas Eastern Transmission*	*5,000*	*2(1)*
1	*400*	*United Gas Corp.*	*24,200*	*6*
		Public Utilities:		
7(2)	13,795	American Gas & Electric	3,215	4(2)
2(1)	25,000	Arizona Public Service	None	None
3	17,800	Brooklyn Union Gas	8,000	1(1)
2(1)	9,800	Carolina Power & Light	None	None
3(2)	21,500	Central Illinois Public Service	None	None
5(1)	53,200	Columbus & Southern Ohio El.	None	None
4(1)	37,400	Consolidated Edison of N. Y.	8,000	2(1)
3	12,100	Florida Power Corp.[7]	None	None
4(2)	5,600	Florida Power & Light	None	None
17(1)	68,088	General Public Utilities[8]	1,200	1(1)
2(1)	5,600	Indianapolis Power & Light	None	None
6(1)	65,100	Pacific Gas & Electric[9]	1,000	1
3	16,180	Philadelphia Electric	None	None
3	7,360	Public Service of Indiana	None	None
4(1)	22,200	Public Service Electric & Gas	17,000	1
8(2)	110,790	Southern Co.[10]	4,948	3(3)
6	10,020	Utah Power & Light[11]	None	None
6(6)	53,700	Washington Water Power	None	None
3	35,400	West Penn Electric	100	1
3	11,400	Wisconsin Electric Power	None	None
None	*None*	*Cincinnati Gas & Electric*	*8,725*	*3(2)*
None	*None*	*Cleveland Electric Illuminating*	*8,300*	*3(1)*
2	*3,300*	*Middle South Utilities*	*17,900*	*4(1)*
1	*18,100*	*Montana Power Co.*	*23,500*	*3(1)*
2(2)	*1,300*	*Niagara Mohawk Power*	*46,800*	*5*
1	*15,100*	*North American*	*64,400*	*4(1)*
		Radio and Amusement:		
3	43,200	Loew's Inc.	None	None
3(3)	12,500	National Theatres, Inc.[12]	None	None
2	15,700	Paramount Pictures	None	None
None	*None*	*Twentieth Century-Fox (old)*[13]	*5,500*	*2(2)*
1	*3,000*	*United Paramount Theatres*	*33,800*	*3(2)*
		Railroads:		
6(1)	22,200	Atchison, Topeka & Santa Fe	400	1
7(3)	17,100	Great Northern Pfd.	4,000	2(2)
6(2)	8,950	Illinois Central	1,000	1

—Bought—			—Sold—	
No. of Trusts	No. of Shares		No. of Shares	No. of Trusts
2(2)	300	Kansas City Southern	None	None
5(2)	3,800	N. Y., Chicago & St. Louis	600	1
3(1)	4,600	Norfolk & Western	None	None
3(1)	12,000	Northern Pacific	1,500	1
2(1)	2,000	Western Pacific	None	None
None	*None*	*Atlantic Coast Line*	*2,000*	*3(1)*
1	*1,000*	*Canadian Pacific*	*6,800*	*5(2)*
2(1)	*3,100*	*Chicago, Rock Island & Pacific*	*24,000*	*4(2)*
3(1)	*1,900(new)*	*Southern Pacific*[1]	*(old)10,000*	*1(1)*
			(new)34,300	*7*
1	*100*	*Union Pacific*	*3,900*	*3(1)*
Railroad Equipment:				
2	2,400	General American Transport	None	None
2	400	Westinghouse Air Brake	None	None
None	*None*	*American Locomotive*	*6,100*	*2(1)*
Retail Trade:				
4	7,500	Allied Stores	None	None
3(1)	2,400	American Stores	None	None
2(1)	5,300	First National Stores	None	None
2	1,450	Grand Union	None	None
2	4,700	Grant (W. T.) Co.	None	None
2	5,000	Penney	None	None
2(1)	3,100	Safeway Stores	None	None
2	4,300	Western Auto Supply	None	None
2(1)	700	Woolworth	None	None
1(1)	*100*	*H. L. Green*	*20,600*	*3(3)*
None	*None*	*Marshall Field*	*11,000*	*2(1)*
Rubber and Tires:				
4(1)	25,200	Firestone	1,500	2
4(1)	9,700	Goodyear	900	2(1)
1	*2,000*	*Goodrich*	*3,000*	*3*
Steels:				
4(1)	3,300	Armco Steel	None	None
2(1)	2,500	General Refractories	None	None
4	14,000	Youngstown Sheet & Tube	12,000	1(1)
1	*1,000*	*Bethlehem Steel*	*10,900*	*4(1)*
None	*None*	*Jones & Laughlin*	*10,200*	*2(1)*
None	*None*	*United States Steel*	*13,500*	*2(1)*
Textiles:				
3	6,100	Stevens (J. P.) Co.	None	None
None	*None*	*Beaunit Mills*	*6,900*	*2(2)*
None	*None*	*Industrial Rayon*	*1,700*	*2*
Tobaccos:				
4(2)	11,100	American Tobacco	None	None
3	32,700	Liggett & Myers	None	None
4(1)	24,200	Philip Morris	1,700	2
3	16,100	Reynolds Tobacco	3,000	1(1)
Miscellaneous:				
2(1)	2,200	Hilton Hotels	None	None

SUMMARY

Balance Purchases and Sales Portfolio Securities
59 Investment Companies

Open-End Companies:	Bought	Sold	Matched	Total
Balanced Funds	7	4	10	21
Stock Funds	20	1	6	27
Closed-End Companies	1	4	6	11
	—	—	—	—
Totals—All Companies	28	9	22	59

FOOTNOTES

1 Excluding stock received in 2 for 1 split-up.
2 Excluding shares received in 3 for 1 split-up.
3 8,660 shares purchased through rights. Basis: 1 for 10 on new stock. Additions resulting from 2 for 1 split-up not included.
4 9,750 shares received in exchange for 5½s of '61.
5 Stock received as dividend from Standard Oil of Indiana (2 for 100) not tabulated.
6 Additions received as 10% stock dividend.
7 Purchased through rights. Basis: 1 for 5.
8 33,339 shares purchased through exercise of rights. Basis: 1 for 15.
9 A small percentage of additions acquired through rights.
10 Part bought with rights. Basis: 1 for 15.
11 With exception of 990 shares received as 10% stock dividend.
12 Two blocks totaling 5,500 shares received in exchange for Twentieth Century-Fox (old).
13 Exchanged for Twentieth Century-Fox (new) and National Theatres.

NOTE — This survey covers 62 investment companies, but purchases or sales of fund sponsored by one management are treated as a unit. For example, the several funds sponsored by Calvin Bullock are considered as having the weight of one manager. Individual portfolio changes of the Loomis-Sayles Mutual Fund are not surveyed.

Continued from page 25

Funds' Deflationary Policies Reaffirmed by Elections

Delaware Fund was fully invested in equities practically all of them common stocks. We do not plan to recede from this position, though some shifts between industries may be indicated. The deadening effect of the Excess Profits Tax on progressive and growing companies seems likely to be lifted. Some of our portfolio had already been chosen with this outlook in view; additions to this type of security will continue to be made." Mr. Barringer's comments on his fund's oil position is interesting and apparently at variance with some of the other managements; "As reported in my periodic letter to the Directors of Delaware Fund, we began in the middle of October to reestablish a larger position in oil stocks (6.1% net assets Sept. 30), which had been reduced to a minmium a year ago. This move is not primarily controlled by the election results; rather the decline in price of major oil securities had rendered them, in our opinion, sufficiently attractive to reinstate the position."

William A. Parker, President of Incorporated Investors

"In answer to the particular question asked, we expect no change in policy on account of the new Administration for the present."

The President of one of the most successfully managed stock funds stated: "Our portfolio program is a long-range one and we do not feel that the policies of the new Administration are as yet sufficiently well defined to permit the formulation of a new program. We, therefore, expect to institute changes only after sufficient evidence comes to light to warrant such changes."

Francis F. Randolph, Chairman of the Board and President Tri-Continental Corp., Capital Administration, Broad Street Investing Corp., National Investors, and Whitehall Fund

"In general, we are not making any immediate changes of policy based upon the elections of this week. The present momentum of the American economy is so strong that it should carry forward for quite a while yet, quite regardless of the point of view of the new Administration. Personally, I would much prefer to get a more concrete idea as to how the new Administration is to shape up as to personnel and such policies as foreign relations, spending and taxation before I began to reshape any investment position based on the new Administration."

It is interesting to observe that during the third quarter of the year the George Putnam Fund, Bowling Green Fund, Axe-Houghton Fund "A," Republic Investors and the Investment Co. of America made noticeable reductions in their holdings of the oil issues. So, also, purchase of insurance equities was paced by additions to the portfolios of the Boston Fund, Shareholders Trust of Boston and again the Investment Co. of America. Massachusetts Investors Trust displayed marked interest in aircraft manufacturers, placing $3 million in shares of Douglas, Grumman and United Aircraft. On the other hand Douglas and Grumman, as well as North American Aviation, were eliminated from the portfolio of Overseas Securities. Rails were particularly well liked by Putnam, Shareholders of Boston, Fundamental Investors and Bowling Green.

Less frequently held issues, added to portfolios during the three months' period under review, included the following: Traders Finance "A" and Southwestern Life by the Boston Fund; Armstrong Rubber "A" by Diversified Investment Fund; Royal Dutch Company for the Working of Petroleum Wells in Netherlands India (New York Shares) by Eaton and Howard Balanced and Stock Funds, George Putnam Fund, Wisconsin Investment Co. and Overseas Securities; Employers Group Associates by Shareholders Trust of Boston; Anglo-California National Bank of San Francisco and Peerless Casualty by Eaton and Howard Stock Fund; Consolidated Engineering by Incorporated Investors; Ford Motor of Canada "A" by National Investors; Kewanee Oil by General Public Service; and Westpan Hydrocarbon by the Lehman Corporation.

Utility Issues

Pacific Gas and Electric continued as an outstanding favorite in the power and light group as during the second quarter of the year. Six funds added a total of 65,100 shares, one making a new commitment; rights were used by two managements to facilitate the acquisition of a portion of these additions. American Gas and Electric was also a top favorite during the quarter under review, seven trusts buying 13,795 shares, two making new purchases. A total of 68,088 shares of General Public Utilities was added to 17 portfolios and 110,790 shares of Southern Co. were bought by 8 trusts, but much of this stock was acquired through the stimulus of rights. Columbus and Southern Ohio Electric was also liked by five managements, while six new commitments were made in Washington Water Power, totaling 53,700 shares. Four funds each acquired stock of Consolidated Edison of New York, Florida Power and Light, and Public Service Electric and Gas. Excluding one block of 20,000 shares received in exchange for 4½'s of '64, opinion was divided on American Telephone, three purchases offsetting a similar number of sales. Selling was concentrated on Niagara Mohawk Power and North American.

Rails Popularity Runners-Up

The rails moved up to rank as the second most popular group from their number three position held during the previous quarter. Great Northern was the favorite, seven trusts acquiring a total of 17,100 shares, two of these making initial commitments. Six funds purchased a total of 22,200 shares of Santa Fe and a like number acquired 8,950 shares of Illinois Central. Nickel Plate was also one of the best bought issues during the period under review and buyers were friendly toward Northern Pacific and Norfolk and Western. Selling centered in Canadian Pacific and Rock Island. Union Pacific and Coast Line also experienced some liquidation.

The electrical equipment and television issues jumped up from their seventh group-ranking of the second quarterly period to third place in investment favor. Westinghouse was top favorite, seven managements acquiring a total of 31,200 shares. Philco was also well bought, 16,400 being added to holdings of four trusts and initially committed to the portfolios of two others. Radio was still liked, but enthusiasm was about on a par with the previous quarter when four funds showed mild interest. Most of the additions to holdings of Motorola resulted from the stock split-up plus shares purchased through exercise of rights. About 4,500 shares were bought otherwise by four managements. Opinion was fairly well divided on General Electric.

The retail stocks still maintained their popularity, although purchase were 25% less than during the June period. Allied Stores was the favorite issue, four trusts acquiring a total of 4,500 shares. American Stores was also liked by three funds, one making an initial commitment. Other purchases in pairs of two each were scattered over a wide list including First National Stores, Grand Union, Grant, Penney, Safeway, Western Auto Supply and Woolworth. Selling was concentrated on H. L. Green, three funds eliminating a total of 20,600 shares from their holdings. Four purchases were offest by three sales of Montgomery Ward while there was one isolated acquisition in Sears of a block of 8,000 shares.

Chrysler was the favorite among the motor shares, five managements purchasing a total of 21,500 shares, one making an initial commitment. 18,500 shares of General Motors were also bought, but only three trusts were interested; two of these made new acquisitions. Transactions were about evenly divided in Studebaker, six purchases contrasting with five sales. Volume of the former was four times the latter, however. Bendix, Doehler-Jarvis and Borg Warner were favorites among the equipment issues while three companies liquidated a total of 16,400 shares of Thompson Products. Only aircraft manufacturer to meet with pronounced acceptance was United Aircraft, a total of 79,600 shares being added to three portfolios and initially committed to three

Continued on page 28

Continued from page 27

Funds' Deflationary Policies Reaffirmed by Elections

others. Douglas was lightened by three managements and eliminated by another.

In C. I. T. Financial volume was light, but transactions slightly favored the buying side. The bulls also had a slight edge in Commercial Credit and, of course, there were the additions resulting from the stock split-up. Buying of insurance and bank shares was still in the ascendant, but as usual purchases tended to be scattered over many individual issues. Purchases in pairs were made, however, in Aetna Life, Fidelity-Phenix Fire, General Reinsurance, Southwestern Life and Travelers. Marine Midland and Guaranty Trust of New York were the most popular among the banking issues. Also liked were Bank of Manhattan Co., Central Illinois National Bank and Trust of Chicago, First National Bank of Boston, and Security-First National Bank of Los Angeles.

Selling of the oils was featured by liquidation in Texas Co., four trusts lightening holdings and three eliminating the stock from their portfolios. Sales totaled 14,400 shares, partially offset by three purchases amounting to 7,500 shares. Selling by four funds each also predominated in Cities Service, Creole Petroleum, Phillips, Pure Oil and Standard of California. Several funds sold stock of Standard of Jersey received as a dividend from Standard of Indiana. Ohio Oil was favorite on the purchase side, six companies acquiring 3,600 shares. The New York Shares of Royal Dutch Petroleum were initially acquired by four trusts and Shell Oil was added to five portfolios. Another favorite was Anderson-Pritchard, a total of 14,100 shares being bought by three funds and newly purchased by a fourth.

Sales Predominated in Non-Ferrous Metals

Transactions were mixed in the non-ferrous metal division and comparatively light volume matched performance during the second quarter of the year. Four trusts sold 3,000 shares of American Smelting and Refining and the same number liquidated 6,600 shares of International Nickel. Anaconda and Consolidated Mining and Smelting of Canada also were sold on transaction balance. Kennecott was liked by five managers but share volume was comparatively light. Climax Molybdenum and Aluminum of America were also favored by purchasers, three managements acquiring a total of 7,500 shares of Aluminum stock and 23,700 shares of Climax; two of these latter blocks represented initial commitments.

H. C. Sylvester With Kidder, Peabody Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Horace C. Sylvester III has become associated with Kidder, Peabody & Co., 75 Federal Street. Mr. Sylvester was formerly with Hall & Co. and the Northern Trust Company of Chicago in their New York office and prior thereto was with Coffin & Burr.

Joins Francoeur Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John A. Kittermaster has become connected with Francoeur & Company, Inc., 39 South La Salle Street. He was previously with A. G. Becker & Co.

Continued from page 7

Outlook for Tax-Exempt Bonds

seriously, and there is a tendency now on the part of a good many of the states to issue state obligations in order to give aid to local communities which may not be able to afford adequate school facilities without it. Quite a bit of this financing has been done already through different types of issues; some have been general obligations, others have been revenue bonds secured by rentals paid by the local communities in which the schools are built. There has also been some school aid, such as in New York State, simply paid from the General Fund.

The outlook is for more of this. California voted $185 million school bonds yesterday. Maine has a School Authority program set up for which, so far, no bonds have issued, though revenue obligations are provided for. South Carolina has about $75 million authorized and other states are studying the matter.

Apparently there is going to be no dimunition in the amount of State school financing over the next few years.

Highway Bonds

Highway construction, as always, is another serious need insofar as the states and subdivisions are concerned. The only effect which this can have on the volume of financing in the near future is to increase it, at least as far as state roads are concerned. The reason is that in recent years, due to the increase in current revenues which practically all states have been receiving, they have largely taken care of state road construction out of current funds. There has been very little state highway financing other than the large turnpike issues.

While conditions remain as they are I do not see any reason why this situation should change drastically. If, however, we should experience an economic recession and some of the states find that their revenues are falling off, they may very well revert to their former procedure of providing for their highway needs from the proceeds of bond issues rather than out of current funds.

In any event, the only probable change in the amount of ordinary state road financing appears to be upward.

Another comparatively new program that holds the possibility of rather substantial public borrowing is the elimination of stream pollution. There is an increasing awareness of this serious hazard and the need to eliminate contamination of the nation's streams by proper disposal of sewage, and other wastes. It is a problem in numerous communities. Health officials in many cases have been actively sponsoring remedial legislation. This can be an expensive proposition, requiring treatment plants and other elaborate installations and necessitating long term financing. In some cases this is accomplished by creation of authorities which bring into the picture several communities that jointly furnish the funds from which the bonds are paid. In some instances the industries responsible for the pollution are also assessed, as has been done in New Jersey.

Offstreet Parking Lots

Another purpose for which there is increased financing, and for which there will probably be more as time passes, is off-street parking. The United States Chamber of Commerce has called the parking problem the biggest enemy of business at the present time. It not only affects large cities but the smaller cities as well.

There are two solutions to this; one, parking meters which in most cases are self-supporting; the other, off-street facilities, ramp garages, parking lots, etc., which may or may not be.

In the case of parking lots, and particularly garages, if bonds are issued payable solely from revenues, it is often necessary to have a combination security, the bonds being payable not only from the revenues of the off-street facilities but also by a pledge of revenues from the parking meters as well.

Just how this may run in the way of volume is anybody's guess, but issues have already been brought out showing that it could amount to considerable in the way of bonds. For instance, a Peekskill Authority has issued $440,000; Ann Arbor $550,000; Des Moines $1,250,000; Grand Rapids $800,000, and Pittsburgh has issued $6,000,000 of bonds for a garage and has proposed $4,000,000 more. Philadelphia has a Parking Authority that has issued $1,200,000 of bonds and is planning additional projects. So it is apparent that the provision for off-street parking, which is a comparatively new purpose, can also add to the ordinary volume of financing which we have been having.

Lease-Purchase Financing

Another newcomer is lease-purchase financing. This may not be very familiar because not much has been done. It is a procedure under which a public body in need of a building supplies the land and then has the building erected on the land by some other party. The party that erects the building may be private industry, or it may be an Authority. Where private industry erects the building, it is leased to the community with rentals designed so that after a period of years title to the building reverts to the local community. That, of course, does not involve tax-exempt financing because the building is constructed from private funds. Where the construction is done by an Authority, however, it does result in public financing and adds to the supply of tax exempt obligations.

There is one other purpose that I want to mention, not because it is likely to have any very substantial effect on volume, but because of the possible effect it may have on the attitude toward the tax exemption of municipal bonds generally. That is what is known as industrial aid bonds.

Briefly, half a dozen states have legislation under which municipalities can acquire land and buy or construct buildings with the proceeds of tax-exempt bonds, after which the facilities are sold or leased to private industry. Aside from the unfair competition which this affords to other industries which are not so benefited, or to other localities which are in states which do not permit this type of financing, it is felt by many that it is a misuse of public credit. It has been opposed by the American Bar Association, by the Municipal Finance Officers Association and by the Investment Bankers Association. It is considered by many to be a subterfuge under which tax-exempt means are used to obtain funds for private industry and, as such, it certainly holds the threat of some attempt to possibly remove tax-exemption from all types of municipals. This has come up from time to time, as some of you probably know, in past years.

The Port of New York Authority may give a slight boost to the 1953 output. It is contemplating the sale of possibly $35 million of bonds before the end of 1952 and at the moment the expectation seems to be that a somewhat larger amount than this may be forthcoming next year.

New York City, of course, is always a possible source of a large amount of bonds. In recent years, the City has done no public financing. It has sold bonds but these have been purchased by its own sinking and pension funds which have had sufficient money awaiting investment to take care of the City's current capital needs. The outlook is for no immediate change in this particular situation. There has been discussion from time to time of certain projects such as the Second Avenue Subway which, if they came, might be of sufficient size to require a public offering of the City's obligations. These are merely in the talking stage, however, and it is pure conjecture as to when some of these may result in financing, if ever.

So much for the outlook for the supply of tax-exempt bonds in the next few years. The general pattern seems to be the annual issuance of at least as many bonds as we will have this year with the odds favoring an increase to a figure possibly between $5 and $6 billion in 1953.

Attitude of Municipal Bond Purchasers

Now let us take a look at the possible attitude of the principal purchasers of municipal bonds. In recent years these have been trust funds, corporations, commercial banks, casualty and fire insurance companies, wealthy individuals and, more recently, savings banks. Life insurance companies have been pretty much out of the market. Because they pay no income tax, they get no benefit from the tax-exemption and, as it is necessary to pay a certain amount of premium for the tax-exempt feature, there is no reason for the larger life companies to buy them.

Taking these one at a time: In the case of trust funds, the value of tax-exemption to the fund depends entirely on personal income tax rates and the tax status of the beneficiaries. One trust fund may pay its income to some individual who is in a 66% bracket. Another trust fund pays it to somebody in the 25% bracket. Obviously, the former is going to buy more municipals than the latter. Of course, the same fund may have beneficiaries in various tax brackets. In that case they have to strike a happy medium; please the fellow who wants tax-exemption and not sacrifice too much of current income for the one in the lower bracket who is not vitally interested in tax-exemption.

In so far as personal income taxes are concerned, the increase which went into effect in 1951 amounting to about 10% is due to expire on Dec. 31, 1952. With the change in Administration, the likelihood of that being re-enacted is probably less than otherwise, because with the Republican Party more or less committed to the reduction of taxes it would seem rather difficult for them to take definite action to renew a tax once it had decreased.

With trust funds, therefore, there seems to be no reason to expect any more buying from this source in 1953 than we have had in the last couple of years, and the possibility is rather for a lessening of interest if there is a decrease in the personal income tax.

In the case of corporations, the Excess Profits Tax is due to expire June 30, 1953. It seems to have been rather generally felt, that, in view of the unpopularity of this tax, it would probably be allowed to die a natural death at that time regardless of which party won at the polls.

In addition to the Excess Profits Tax, which expires next June, there was an increase in the corporation normal and surtax rate during 1951 from 47% to 52%, due to expire March 31, 1954. It is not possible to predict just what may occur at that time, but my guess would be that here again the odds are against an increase in overall corporation taxes above the figure now being levied and there might be a decrease. In other words, if there is any change it probably will be on the downward side. These changes, the same as with the personal income tax, do not become fully effective in 1953, but if an investor is buying a long-term bond his attitude toward the desirability of purchase of tax-exempt bonds is certainly going to be flavored by his tax status in the following and subsequent years.

With corporations, therefore, the outlook seems to be for the possibility of some decrease in interest.

Commercial Bank Bond Buying

As to commercial bank buying, there is no definite indication of any very susbtantial change in volume from this sphere. There is a possibility, however, that there may be some increase in interest because there is a rather general feeling that commercial loans will probably reach their peak some time after the first of the year and that there will be a gradual tapering off at that time. If this occurs, it means that the banks will have more money available for the purchase of securities. Even if there should be a reduction in the tax on their earnings, the tax-exempt feature will still be a valuable asset to them. Reduction in taxes, however, might result in any increased interest being at a somewhat lower level of prices.

Casualty and fire insurance companies are also affected by the Excess Profits Tax and corporation tax the same as business corporations and commercial banks. There is the possibility in their case, therefore, of some lessening of interest with any reduction to them of the value attached to the tax-exempt feature.

Wealthy individual buyers will, naturally, be influenced by any possible changes in the personal income tax.

Savings banks have become a recent factor in the purchase of tax-exempt bonds. Until about a year ago they were not subject to income tax. Now they are, so tax-exemption is of benefit to them and some people looked for big things from the savings banks in the way of municipal purchases. It seems problematical, however, how large a factor they are going to be.

Under the Revenue Act of 1951, mutual savings banks are now subject to a normal and surtax rate of 52% on income, after deducting operating expenses and interest payments to depositors; but only where their surplus and reserves are not less than 12% of deposits.

In an address before the Municipal Forum of New York this spring and again before the Savings Banks Association of Maine in September, Alfred J. Casazza, Vice-President of the Savings Bank Trust Co. of New York, was inclined to minimize the immediately stimulating effect which this change in the tax structure of savings banks will have on their purchase of municipals. For one thing, as just mentioned, not all savings banks are subject to tax. Again, those who are, have alternatives other than municipals which they can use to offset it.

In the first place, the payment of higher interest dividends, which many of them can make, will tend to cut their earnings and may bring them down to a point where they are not subject tax. Secondly, the realizing by many of net losses which they have in governments and other securities, if taken in 1953, could tend to offset earnings which otherwise might bring them into tax brackets in that year.

A third alternative is to purchase amortizing mortgages which yield more after taxes than they can obtain from municipals.

In addition, where they are permitted to do so, and they are now permitted to do so in New York State, those who can, will probably put a certain part of their funds in equities, the obtainable yields here, of course, being the highest of all.

Just what the volume may look like in connection with savings bank purchases is impossible to estimate accurately. The only indication that we have is that, according to the National Association of Mutual Savings Banks, during the first nine months of 1952, all savings banks in the United States increased their mortgage loans by $1,043,000,000, against an increase in corporation and municipal purchases of $510,000,000 of which only $138,000,000 was municipals. There was a decrease in governments of $141,000,000.

In other words, the two possible sources from which a new interest in municipals could come, namely, an increase in deposits and switching of their securities resulted in a purchase during the first nine months of 1952 of only $138,000,000 municipal bonds. This is roughly 4% of the total volume of municipals issued during that period.

Life Insurance Companies Not Buying Municipals

As to life insurance companies, their buying was negligible in 1952 and the outlook for 1953 is for no change there. Some years ago the larger life insurance companies were one of the principal outlets for tax-exempt securities. They bought in very substantial volume, but as municipal prices began to go up and the yields declined they became sellers rather than buyers, so that at the present time the larger companies hold few, if any, municipal bonds. There does not seem to be much prospect for any change in this situation until there is a rise in the yields obtainable in the long-term tax-exempt market. Another factor serving to dampen any interest some of the companies might develop over the nearer term is the fact that many are pretty well committed to their corporate borrowers for some time ahead. Simply taking care of these requirements will probably meet their investment needs for a considerable period.

Briefly summarizing, therefore, the various factors that we have been considering, both as to possible sources of volume of tax-exempt financing in the next couple of years and the investment outlets for it, the present outlook seems to be for an increase in the annual amount of such issues during the next year or two against an investment demand from current sources which gives no indication of exceeding that of 1952 and possibly may be somewhat less. If that is so, it may be necessary to broaden the market, particularly with respect to long maturities, and this means a level of prices that will attract purchases from sources that have not recently been interested because of the low yields.

Canadian Securities

By WILLIAM J. McKAY

A new and impressive alliance of U. S. and Canadian capital is taking shape this week in the announced set-up of the vast merchandizing concern of Simpsons-Sears, Ltd. The combination of two great merchandising organizations to cover the Canadian area has already been discussed in previous issues of this column, but only recently has the planned set-up been announced from Toronto, Can. According to the plan, as stated in a special dispatch to the New York "Times," each parent company will put up $20 million, and the board of directors who will take office on Jan. 8 will comprise equally six Americans and six Canadians. The proposed board will comprise: Edgar G. Burton, President of Simpsons, Ltd., second largest Canadian department store and mail order chain, who will be board Chairman; General R. E. Wood, Chairman of the board of Sears Roebuck; A. M. Wood, Sears Roebuck Secretary; Crowdus Baker, Sears Roebuck Treasurer; T. V. Houser, Vice Chairman of Sears Roebuck board; E. Gudeman, merchandising Vice-President of Sears Roebuck; George F. Trotter, Manager of the Kansas City retail zone of Sears Roebuck.

The Canadians will be C. L. Burton, Chairman of board of Simpsons, Ltd.; G. M. Graham, Vice-President, Simpsons, Ltd., mail order division; N. C. Urquhart, director and Vice-President, Simpsons, Ltd., and C. L. Gundy and W. P. Scott, Simpsons, Ltd., board members.

The Executives of the company will be E. G. Burton, President; George F. Trotter, Vice-President in charge of retail stores; G. M. Graham, Vice-President for mail order operations, and R. C. Gibson, merchandising Vice-President.

The new company plans building 15 new stores across Canada that will cost in the neighborhood of $50,000,000. These stores, like those of Sears, Roebuck & Co. in the U. S., will be located in suburban areas and surrounded by acres of parking space. Additional stores will be added whenever it is deemed to be profitable. Mr. Burton said in a press interview that the new company hopes to reduce the present price of many classes of merchandise.

Stating that Simpsons doesn't want to upset its relations with Canadian manufacturers, Mr. Burton announced that the Simpson-Sears trade names would be appearing on the great percentage of products in its stores. If manufacturers here could meet Simpson-Sears specifications, then they could look forward to 85% of the new company's business. The other 15% of merchandise would be imported from the United States and elsewhere, Mr. Burton announced.

It is announced there will be no public financing by the new organization except if mortgages are necessary in the future. Authorized capital stock of Simpson-Sears is 200,000 shares of class A, 1,000,000 of class B and 1,000,000 of class C, all no par value. Simpsons, Ltd., gets all class B and Sears Roebuck all class C with equal voting rights. Class A shares are for a new employee profit-sharing plan and for pensions and other benefits.

Rejoins So. Brokerage

DALLAS, Tex.—Southern Brokerage Co., Tower Petroleum Building, announces the reinstatement of J. Vance Hoagland as registered representative, after an absence of some six month while associated with Texas Income Shares. Mr. Hoagland will have his office in Majestic Bldg., Fort Worth, Texas.

H. M. Grove & Assoc.

ORLANDO, Fla.—H. M. Grove is engaged in a securities business from offices at 801 Euclid Avenue under the firm name of H. M. Grove and Associates. Mr. Grove was formerly connected with Security Associates.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market continues to bounce all over the lot, with prices still easy to move in both directions. It seems as though it takes only a very limited amount of volume and activity, plus the professional factor to make it overbought. On the other hand, a very small amount of selling along with this same professionalism makes it oversold. This seems to indicate the thinness of the market and its susceptibility to sharp and, at times, violent quotation changes. To be sure, this makes for considerable caution in the money markets, a condition that is expected to continue for a while yet, according to many in the financial district.

It seems as though a market that can be moved about very readily is still in the offing for the time being. Rallies and declines are expected to continue within not too wide a range. Tax operations will tend to increase as the year moves along, with greater institutional participation looked for. Commercial banks, although only limited buyers of the higher income issues, appear to be the important operators in the market. The tap bonds as usual seem to depend mainly upon state funds for investment buying.

The 210-day tax anticipation bills went at an average yield of 1.846% compared with 1.72% for the recently floated 161-day obligations. Corporations, according to reports, will have a big interest in the new offering.

Diverse Opinions on Interest Rate Trend

There appears to be two rather distinct schools of thought with respect to the future trend of interest rates. One group, it seems, does not look for any important changes in interest rates in the coming year, because they believe that the demand for funds will be as large as it was in 1952. They hold to the contention that business activity will continue at a high rate and this will create a demand for all the loanable funds that the banks, insurance companies and other nonbank investors will have at their disposal. Accordingly, very little change, in their opinion, is indicated in the general market action of Government securities from what has taken place in the past year. They do not expect the pressure on money rates to differ greatly from what has been taking place. The monetary authorities, it is pointed out, will continue to follow much the same pattern that has been in vogue for quite some time now. A Government bond market with considerable stability within a rather narrow trading range is what is expected by the followers of this idea. To be sure, the market could be subjected to fairly sharp movements in both directions, but these price gyrations would be contained within not too sizable trading areas.

The Conflicting View

The other group holds to the belief that money rates will soften considerably sometime during 1953, because they are of the opinion that a letdown in business activity during the coming year will greatly lessen the demand for loanable funds. It is pointed out that a readjustment in business is overdue and will come about next year, and as a result the banks will have more funds than will be taken up by the demands of business. Housing, it is believed by this group, will not make the same demands for loanable funds as in 1952, which will mean that money will be available for other purposes. Commodity prices are not likely to rise as they have and in many cases there will be price declines. Consumers loans could pass the peak and decline in the not distant future. Economies in Government spending are also anticipated by this group during the coming year. Accordingly, with a decreased demand for bank loans and other credit, a better tone is looked for in the Government bond market by this group. With the decline in business activity which is predicted by the followers of this idea, would most likely come an easing in money rates by the monetary authorities. They point out that the decreased demand for loanable funds by business and the softening of money rates by the powers that be, would have to have a beneficial effect upon the tone and trend of Government securities. As a result, the higher income Treasury obligations are the issues this group are advising customers to pay attention to, both for income and appreciation possibilities.

No Change Expected in Prime Rate

Although not so much is being heard now about the prime bank rate as such, the question as to whether or not it will be raised comes up each time there is a sizable increase in bank loans. Nonetheless, it seems as though concensus in the financial district is still that an increase in this rate will not take place. It is felt that as the peak in loans is passed as it will be in the near future, and no change is made in this rate, there will not be any alterations at all. If money should get easier no decrease in the rate would be looked for either.

Market Briefs

Tax switching and swopping continues to be rather sizable and this has added somewhat to the volume and activity. It is still, however, a thin and narrow market. A great deal of these swops are being made in the notes and shorter bonds, at this time.

According to reports, there has been quite a bit of anticipatory buying going on in the 2½s of 1963/68. There has also been switching from other obligations into the issue that becomes bank eligible the first of next month. The refunding announcement that the December 1⅞s would be provided for by reopening the 2s of Aug. 15, 1953, had a moderately bullish effect upon the market.

Public Utility Securities

By OWEN ELY

Rockland Light & Power Company

Rockland Light & Power Company is one of the smaller New York State utilities (annual revenues $8 mililon), with headquarters in Nyack on the Hudson River. It is one of a group of northeastern utilities managed by the Tenney family of Boston. The company's stock (selling over-counter around 11½) is one of the "old-timers" with a dividend record going back to 1914. The company serves electricity and gas to Rockland County and parts of Orange and Sullivan Counties. A New Jersey subsidiary (Rockland Electric Company) serves the northern end of Bergen County with electricity, and a Pennsylvania subsidiary (Pike County Light & Power) serves both gas and electricity to parts of Pike County. The entire territory comprises some 800 square miles, in an irregular area along the New York-New Jersey border, from Palisades to Milford just over the Pennsylvania border.

The company has four hydro plants on the Mongaup River at the western end of its territory, and another is under construction at Grahamsville in the Town of Neversink. It also has a steam plant at Hillburn and a large new one at Tompkins Cove, New York. Since 1950 a 22,000 kw unit has been added to the latter plant and a new 66,000 kw unit is under construction.

The area served by the company, while only 25 miles from Broadway and 42nd Street, has lagged in development compared with Westchester, Long Island and New Jersey, probably due to lack of modern transportation and good roadways. The new Palisades Interstate Parkway, scheduled to be completed by 1954, is expected to add materially to the growth of the territory. Also the State of New York has under construction a Hudson River Bridge which is part of the New York State Thruway from New York City to Buffalo. The latter road will also go through Rockland County and should be of considerable help in opening up the territory.

Even without benefit of adequate transportation, the area served by the company in New York State increased in population over 14% during the 1940-50 decade, compared with less than 10% for the entire State of New York. The smaller area in New Jersey increased its population 32% during the same time, or twice as fast as the gain for the entire State, and similarly the area in Pike County gained 13% versus 6% for the entire State of Pennsylvania.

The company's record during the past decade has been as follows:

	Revenues	Common Stock Record		
Year	(Mill.)	Earned	Paid	Price-Range
1951	$8.30	$0.68	$0.60	10⅝-9⅛
1950	7.42	.71	.60	10 -8¾
1949	6.47	.63	.53	9⅜-7¼
1948	5.96	.54	.50	8½-7⅜
1947	5.35	.68	.50	9¾-7½
1946	5.00	.67	.50	11⅛-8½
1945	4.73	.68	.50	11 -7⅞
1944	4.49	.56	.50	8⅞-7⅛
1943	4.20	.60	.50	8 -6⅛
1942	4.07	.57	.50	5⅞-4⅜

While the company reported share earnings of 83c for the 12 months ended Sept. 30, according to Moody's Service, the company makes a "reservation of net income" (the purpose of which is not clear) which would reduce earnings to 69c. President Lovett, in a recent talk before the New York Society of Security Analysts, estimated that 79c could be earned next year, presumably after the reservation of income. Various earnings ratios were projected through 1956 but the estimates were not worked down to a balance for common. However, earnings for the preferred stock were estimated at $13.18 in 1954, $14.67 in 1955 and $16.78 in 1956—which would appear to indicate a substantial gain in estimated share earnings for the common stock.

The company has nearly $17 million worth of construction designated as "emergency facilities" on which it will obtain a tax saving through accelerated amortization. If Federal tax rates remain as at present this will represent a tax saving of $4,053,000 for the period 1953 through 1959, running at the rate of $819,000 annually for 1955 and 1956, or an estimated 50c a share on the common stock.

The company's growth in electric output is expected to continue at the recent rate of increase so that by 1956 average residential use may approximate 2,550 kwh compared with about 1,650 in 1951—an estimated increase of over 50%. The rate of gain in sales of natural gas is expected to slow up somewhat during 1955-56, but the current rate of gain is faster than for electricity so that the estimated gain during 1951-56 would approximate 72%. The company's electric load is expected to increase sharply in 1953, narrowing the present substantial reserve in plant capacity, but very substantial additions to capacity are indicated for 1954-56 which will again give the company an ample reserve. The company's construction program will be approximately as follows, according to President Lovett:

	Estimate of Construction	Needed Cash May be Raised by Sale of Bonds	Preferred Stock	Common Stock
1952	$4.0 mill.	----	----	----
1953	10.4 mill.	$5.5 mill.	$5.5 mill.	----
1954	15.0 mill.	6.0 mill.	6.0 mill.	$1.0 mill.
1955	4.4 mill.	----	----	----
1956	4.2 mill.	----	----	----
	$38.0 mill.	$11.5 mill.	$11.5 mill.	$1.0 mill.

The remaining cash requirements will be obtained through depreciation, retained earnings and temporary bank borrowings. Tax savings due to accelerated amortization explain partially the omission of financing plans for 1955-61.

The equity ratio at the end of 1952 will approximate 37% but may decline to 28% by the end of 1954 as a result of substantial senior financing; in the two following years, however, a recovery to nearly 31% was forecast.

Let Us Take Heed!

"The peak [of emergency production of machine tools] will be thinner and sharper than it was during World War II, and it will be reflected mainly in 1952 sales and profits. The industry is earning in 1951 and 1952 the profits that would normally be spread over several years, and those profits are being concentrated into a period of high excess profits taxes, price ceilings and renegotiation.

"This is a factor which has been given recognition by the Renegotiation Board in its regulations and all the regional boards must recognize the significance of this factor if machine tool builders are to be treated fairly.

"If it is not recognized, and if machine tool builders are not left with enough of the peak profits to tide themselves over the coming period of slack so that they can continue servicing the necessary research and development, the industry will be seriously weakened and the country's defense capability will be impaired.

"It is clear that the manufacture of critical machine tools was slowed down at the start of the present defense program partly because the industry had been weakened by the unwise renegotiation procedure of World War II."—A. G. Bryant, Chairman of the Renegotiation Committee of the National Machine Tool Builders Association.

Here is a plain warning concerned with a key industry. The situation described is, of course, not confined to that branch—a fact which should not escape attention.

Continued from Page 20

Commercial Bank Investment Of Savings Deposits

which with the other asset classification percentages will add up to 100%.

(5) If by this time you are still feeling frustrated because you don't know how long is long and which direction is up, it is partly because the practical question of how many bonds of what length rests in part upon your own judgment of internal and local conditions. I cannot formularize for you how to allow, in the shortness of your general bank bond account, for the number of slightly substandard loans and discounts on your books. Similarly in the savings bank I frankly do not know how much you can lengthen out your bonds by reason of a high percentage of insured real estate mortgages as against conventional ones. These are factors to be considered.

There is an additional highly important internal and local factor to be taken into account in settling your sights on your savings bank investments. This question is, how stable can you expect your time and savings accounts to be in times of economic pressure? Let me illustrate the importance of this point by considering the comparative record between the 1929 year-end and the 1933 year-end between (1) commercial bank demand deposits adjusted, (2) commercial bank time and savings deposits and, (3) mutual savings bank time and savings deposits. Here's what happened. Commercial bank demand deposits adjusted were down 34%. Commercial bank time and savings deposits were down **43%** while mutual savings bank time and savings deposits, believe it or not, were **up 7%**. Now it is furthest from my mind to suggest this catastrophe will recur, and I mention these figures only to suggest that even under conditions of much less strain there could be a fairly wide divergence of action as between commercial bank savings accounts and those of the typical mutual savings bank. We can discount the above difference to some extent because of the concentration of mutuals in the older and more stable eastern part of the country, but even with this allowance the difference in behavior was great enough to emphasize the need of analyzing the composition of your time and savings money. The more nearly true thrift accounts they are, the more nearly like a mutual savings bank you can afford to invest these deposits. If you can properly afford to do so, the average life of your investments in this bank might run up to about 12 to 15 years. On the other hand, if there were virtually no true thrift money there, the average life of your savings bank bonds might be down to seven years or less.

(6) This same type of examination is also needed for your commercial accounts. In setting the average life of the strip of maturities for your general bank, outside of the liquidity requirements, you will be guided by your own intimate knowledge of the conditions in your local banking community and of your competitive position in it, for example, the extent to which yours is a one industry community, the possibility of new branch factories or new industries moving into it, the quality, term and trends of your loans and discounts, the extent to which the stabilizing influence of farming is present, and similar factors. The basic thought is to cut your cloth to fit your particular pattern and to anticipate reasonably expectable changes and needs.

(7) We've been considering some of the intangible and qualitative factors to be weighed in setting your sights on your savings and your general bank investments. We've set each of these two banks on its own feet prepared to cope with increases or decreases in each of your two major classes of deposits. We've set up the general bank and the savings bank with only as much liquidity as you calculate may be necessary for each one and you have set up a "par for the course" for each of them. Now how about the capital funds bank? If you have in fact, in your over-all picture, a greater amount of cash, due from banks and short marketable investments than your long run needs, the excess liquidity will show up in your capital funds bank. Obviously it does not belong there permanently and that is your cue to put it to work in longer and higher yielding paper. The capital funds, representing your stockholders' permanent investment in the business should contain more of the longest and highest yielding bonds than will be found in either of the other two component banks.

(8) At this point I can be slightly more explicit, although not very much so. As a rough and ready rule of thumb, calculate how many points average decline in market price your investments could sustain before the resulting dollar depreciation would exceed your free capital, that is, your undivided profits, voluntary reserves and any excess of market value over carrying values of investments. In other words, if you had to mark your bond account to a considerably lower scale of market prices, would you be using up your capital cushion, beyond which you don't want to go into capital stock and surplus? The larger the writedown you could take on your investments without exceeding this free capital, the longer your investment position can be, provided your local and internal factors permit it and assuming that the bond market outlook and yields on long bonds favor such a course. As a bench mark in this connection, the call report for March 31, 1952 for all Federal Reserve member banks showed that on the basis of published capital figures their undivided profits and voluntary reserves were equivalent to a 3¾ points decline in the value of all their investments. This free capital does not include the Bad Debt Reserve, which is netted out of Loans & Discounts. Your over-all investment policy therefor, will necessarily be guided by two considerations; first, what this permissible market depreciation is for your bank and second, of course, how serious you consider the risk at any given time that in a bad bond market your investment market values might decline by that much. Of course, on bond losses actually accepted on sale, there is a tax-loss cushion to an extent dependent on your tax position.

Mention of this external factor of bond market prospects is the transition point in my remarks from the local and internal factors involved in applying the asset allocation approach, to the external and national considerations entering into a bank's investment problem at this particular time.

IV

Investments, Loans and Deposits of the Commercial Banking System

It helps to give us a better perspective on our individual problems if we take a quick look at some of the historical highlights and long-term changes in commercial banking. The figures which I am using are for the National Banking System as a whole, which gives me an unbroken series running back to 1863. Here are some of the highlights:

(1) Investments have become increasingly important among the earnings assets, and loans have dropped in relative importance. Back in 1878 the ratio of total loans to total deposits stood at 103%. Over the years it dropped rather steadily to a low point of only 16% in 1945, then rose again to 34% at the end of 1951. Investments took up the slack. In 1878, investments were equivalent to 55% of loans, while at the 1951 year-end they amounted to 133% of loans. The Loan-Deposit ratio, despite the postwar inflation and credit boom, has returned only to where it stood in the depression year 1934. Hence, it is evident

that a considerable part of your bread and butter will be provided by investments for a long time to come.

(2) A second highlight which has a bearing on our problem is the fact that seldom does the banking system lose deposits on balance, and seldom does it liquidate investments on balance, from one year-end to the next. During the 61-year period from 1890, for example, there were only ten years when the National Banks as a whole lost deposits from one year-end to the succeeding one, and, by a coincidence, only ten years when they liqudated investments. During the remaining 80% of the time, the natural growth of the country caused gains in these series. It is some comfort to note that in all this 61-year interval, there were only two years, 1921 and 1937, when **both** deposits and investments of all National Banks declined in amount. Some idea of the historical size of the post-1946 credit boom can be gained from the fact that of the 10 years in which total National Bank investments have declined since 1890, one-half have been since 1945.

(3 Looking now at loans, we find them somewhat more volatile than investments. Since 1890 there have been 14 years during which National Banking System loans declined, and six of these were years when deposits also dropped. Thus, in six out of ten years when deposits were paid out on balance, loan repayments provided the funds, and only in two cases were investments liquidated.

All this doesn't invalidate my previous analogy between swings in deposits and investments and storms and waves of varying depths. I am using annual data here, and there can be fairly wide swings within a single year. Furthermore, we've had many years of inflation through bank financing of government deficits. Also, it's obvious that no one single banking institution is likely to have the stability of the banking system as a whole. It is, however, worthwhile to check the past figures of your own bank against those of your Federal Reserve District or of the entire nation. Such a comparison is a part of the process of self-analysis involved in applying the asset allocation or most any other approach to the problem of rational bank investing.

The Present Money-Market Picture

Now at last we've come to a consideration of the present national money market picture and the general question of "where do we go from here"?

(1) I will start with a quick look at the path that we've been traveling in recent years to get where we are now. We started postwar with a tremendously expanded **supply** of money; that is, bank deposits plus currency, and also a tremendous **demand** for money, for the purpose of satisfying accumulated needs and new needs for all types of capital plant and equipment and for consumers' durable goods. Wartime wage increases had improved the economic position of many persons who became a brand new market for the goods representing a higher standard of living.

The money supply for a while was greater than the need for it. Price controls were dropped. As a result of both these developments, commodity prices rose. The political and economic bargaining power of labor was great enough to maintain an upward wage-price spiral, year after year. As early as 1947, the high and rising physical production of goods, multiplied by a rising price level, was putting pressure on the money supply. In late 1948 and the first half of 1949, there was a temporary abatement of these pressures, but by the 1949 year-end, there was again pressure on the money-supply and hence on bank lending officers.

(2) The size of the postwar capital goods boom has been increased by two factors that have reinforced each other. The uptrend in wage rates has encouraged and even forced industry to mechanized—that is, to substitute machine-hours for man-hours. And this demand for more efficient plant and equipment has been met by an intensely dynamic pace in science and engineering. Part of the expenditures has been to raise production capacity and part to replace economically marginal, inefficient capacity. Superimposed on this postwar catch-up boom has been a large and still growing defense boom since 1950.

The need for dollars resulting from the combination of high and rising commodity prices and high physical volume absorbed all our national savings and has called for the creation of a vast amount of bank credit. The volume of private debt has virtually doubled since 1945. The pressure on the Federal Reserve System from banking and non-banking sellers of Treasury paper finally forced the System to cease pegging Treasuries at par or above. As we're all aware, money rates have continued to stiffen and I cannot yet see any clear indication of a turn in business and the insatiable demand for credit. Under these conditions we can only regard the short-term outlook for long-term bonds as rather uncertain. A bank which lengthens its portfolio substantially today is assuming a change in the credit picture which is not yet entirely clear.

(3) Nor is there much incentive to lengthen out from the standpoint of income return. In mid-January, 1848, the yield curve on Treasuries showed a spread of 1.36% between bank-eligible Treasury 1-year and 20-year obligations. As of mid-September, 1952, this spread in yields had shrunk to 0.63%. In the interim income taxes had increased and still further narrowed the additional take-home pay obtainable from lengthening bond maturity. Fortunately for banks, it's been the short rate that has risen to about a 2.0% level for one year.

(4) Now let's analyze where we go from here. Under what we laughingly call "normal" conditions—if there are such, which I doubt—our economy would sooner or later overbuild, surpluses would take the place of shortages, we would have competitive buyers' markets in most lines, profit margins would narrow, corporate profits would decline, the volume of retained earnings available for investment in capital goods would shrink and the monetary authorities would restrict the availability of credit for external financing. Business would then decline, money would become more plentiful, the Federal Reserve would reverse its credit policies, loans would be paid off, banks would buy bonds and bond prices would rise.

(5) Several of these symptoms are in fact already appearing—shortages are fast vanishing, buyers' markets are returning, the rate of investment in capital goods seems to have reached a plateau, profit margins have been shrinking for 18 months past. It **ought** not to be long now.

But there are also present some hard facts that don't fit into the above classical pattern.

1st: The Employment Act of 1946 commits the government to policies that encourage inflation. Full employment keeps labor scarce and wages high and rising. This fact, plus the economic and political power of labor, tends to keep commoditty prices rising and this in turn requires a larger money supply; that is, currency and bank deposits. This demand is reflected in a high loan demand and a high supply of investments, attended by high interest rates and bonds yields and weak bond markets.

2nd: There's a war on and defense expenditures will remain at their present level or higher for a period set more by military and perhaps political considerations than by normal business reasoning.

3rd: During this period of high defense spending, the government is doing some deficit financing. Obviously the Federal Reserve cannot follow a restrictive credit policy if it's going to have to stand by to help Treasury financing. Deficit financing through the commercial banks expands the money supply, raises required bank reserves and tightens the money market.

For the foregoing reasons, we can say that the next major change in the direction of our economy should be towards somewhat lower levels of business and credit and somewhat higher bond prices. What we don't know is how long the opposing, inflationary forces will postpone this change. In the meantime, the strong demand for credit which has operated during the postwar years could carry money rates higher and bond prices lower.

It should also be pointed out that when the reversal takes place, the government bond market will probably prove to be as thin on the upside as it has proven to be on the downside. It's unfortunate, of course, that bank investing activities are subordinate to bank lending. As a result, there is a tendency for banks to compete with each other either in buying bonds or selling them.

Not the least of the virtues of an asset allocation approach is its help in determining a bank's **normal** position as a take-off point in planning anticipatory action in advance of important turning points in the credit and the bond-market cycle.

John Stein Joins J. F. Reilly & Co.

John R. Stein

J. F. Reilly & Co., Incorporated, 61 Broadway, New York City, announces John R. Stein is now associated with the firm's trading department. Mr. Stein was formerly a partner in Frank Ginberg & Co.

General Mtg. Invs.

CHICAGO, Ill.—General Mortgage Investments, Inc. is engaging in a securities business from offices at 219 South La Salle Street. Officers are Sam Tavalin, President; E. A. Howard, Secretary; S. Winston, Vice-President; and Lillian Tavalin, assistant secretary.

Brady & Co. Formed

MASSAPEQUA PARK, N. Y.—Michael J. Brady has formed Brady & Co. with offices at 120 Avoca Avenue. Mr. Brady was formerly a partner in Frank M. Cryan & Co. and Brady & Co.

R. E. Brittain Opens

BELLEVILLE, Mich. — Robert E. Brittain is engaging in the investment business from offices at 7790 Rawsonville Road.

Railroad Securities

Great Northern

Considering what it has had to contend with this year the showing of Great Northern from an earnings standpoint has been highly gratifying to the large number of rail analysts and institutional holders who have long viewed it as being well up toward the top among investment rails. With a substantial jump of nearly 63% in net income for the month of September, cumulative results for the nine months forged ahead of the like interval a year ago. Earnings on the stock for the period came to $5.12 a share, compared with $4.53 a year earlier. Moreover, this gain took place in the face of a decline of roundly $1 million in non-operating income.

It is generally expected that for the full year 1952 the non-operating income will catch up with, and may even top, the non-operating income of 1951. One of the most important sources of the road's non-operating income is dividends on its holding of 830,179 shares of Chicago, Burlington & Quincy stock. In the first half of 1952 the dividend amounted to only $3.50 a share against $4.00 in the first half of 1951. For the full year 1952, however, it seems likely that $7.00 will be paid, the same as last year. Spokane, Portland & Seattle is also expected to duplicate its payment of $2 million to Great Northern although it paid nothing in the first half against $1 million in the first half of 1951.

The traffic outlook over the balance of the year also appears favorable. It is indicated that the lumber business is picking up with relaxation of building controls. Iron ore movement rebounded sharply after settlement of the steel strike. The Great Lakes will shortly close for the season, if they have not already done so at the time this is published, but all rail movement is expected to continue in an effort to compensate for some of the tonnage lost during the strike. Drought conditions cut the wheat crop and thus adversely affected tonnage of this important commodity. On the other hand, fruit crops, which are also important to the road, have been quite good.

Last year the company reported $7.74 a share on its one class of stock outstanding. A short time ago, when iron ore loadings dropped virtually to the vanishing point because of the strike, when lumber business was very spotty to poor, and when it was obvious that the wheat crop in parts of the company's territory was suffering serious deterioration because of the weather, it had generally been estimated that Great Northern would be one of the few major roads to report a year-to-year decline in earnings for the full year 1952. Now it appears almost certain that earnings will show an increase. As a matter of fact, most analysts believe that the results will probably surpass the $8.00 a share recently carried in the press as the estimate of the management.

The long-term outlook also appears favorable. The traffic picture is bright. Abundant power from government hydro-electric projects is bringing substantial industry into the northwest, featured by new and expanding aluminum plants. The eastern end of the system is also experiencing consistent industrial growth. The hydro-electric projects are bringing into production a large acreage of new farm land and this is expected to continue for a number of years to come. Oil developments in the Williston Basin, even though the company owns no oil lands itself, are bringing in important new traffic and more intensive exploitation of the area holds great promise for the future. This is so even though it is likely that the oil itself will in the long run move by pipe line.

As a final argument in the road's favor, analysts point to the outstanding debt job that has been accomplished since the depression era of the mid-1930s. At that time non-equipment debt stood at about $345 million. Now it amounts to no more than $205 million. Moreover, low coupon refunding has resulted in an even larger percentage cut in fixed charges. Charges are now less than $8 million as against more than $19 million 15 or 16 years ago.

First Boston Group Offers Debentures of Province of Quebec

The first direct long-term financing in 19 months by the Province of Qubec in the American investment market was undertaken Nov. 19 with the public offering of $25,000,000 of the Canadian Province's 3¼% debentures due Dec. 1, 1972. Priced at 98 and accrued interest from Dec. 1, 1952, and payable in United States dollars, the debentures are being sold by a banking group headed jointly by The First Boston Corporation and A. E. Ames & Co., Incorporated.

The new debentures are redeemable at the option of the Province, in whole or in part, on and after Dec. 1, 1957, at prices ranging from 101 to par.

Proceeds from the financing will be converted into Canadian dollars and used to pay $23,000,000 of outstanding Treasury bills issued for highway and bridge construction purposes, with any excess of Canadian dollars to be applied to additional construction. The industrial expansion in the Province as a whole, but particularly in the northern districts, has made it necessary to build additional new highways and bridges and establish further communication facilities. Expenditures of approximately $81,500,000 are planned for this purpose during the fiscal year 1952-1953.

James J. Hopkins

James J. Hopkins of Garden City, Long Island, a member of the New York Curb Exchange for 30 years, and a former Governor of that institution, died suddenly on Thursday, Nov. 13, 1952, at Mercy Hospital, Rockville Center, Long Island. He was born on July 23, 1892, in Brooklyn, N. Y.

He became associated with the New York Curb Market on Aug. 15, 1921, as a salaried market representative. Mr. Hopkins was elected a regular member of the New York Curb Market on May 10, 1922, and was a partner in the firm, Kohn & Co. from 1923 through 1932.

Mr. Hopkins was elected a Governor of the New York Curb Exchange on June 24, 1937, and was reelected to serve a three-year term on Feb. 14, 1938. He had served on several of the Exchange's committees including Arbitration, Arrangements and Foreign Securities. He was elected President of the Exchange Members' Five And Twenty Club in 1950. At his death he was active as a stock specialist on the Exchange trading floor.

Continued from page 11

"To Hold, or Not to Hold"

tify exchanges into stocks with better patterns.

Competition

I can't turn from this subject without at least mentioning the obvious factor of competition between industries, and between companies as a ground for selling. In recent years, for example, rayon has replaced cotton in tires, television has hurt the movies, synthetic detergents have hurt soap, and oil has curtailed the markets for coal. Technological shifts are constant sources of risk, and competitive threats provide frequent justification for wise selling decisions on the part of investors.

To summarize what I've said here this evening: The investor who owns carefully chosen stocks should in general give the benefit of doubt to continued holding because (a) our economy is growing; (b) it has an inflationary bias; (c) retained earnings impart to almost all stocks a "built-in" growth factor. The principal dangers or risks to be guarded against, any one of which could suggest the wisdom of exchanges into cash or other securities, are (1) over-evaluation of favorable factors—evidenced by high price-earnings ratios; (2) impaired dividend-paying ability evidenced by financial strain; (3) slowed growth rates — maturity rather than growth; (4) technological changes.

In conclusion I must mention one factor which as a practical matter influences (and frequently warps) investor judgment more than any other, and that is the Capital Gains Tax. In an inflationary economy such as ours almost all stocks go up in terms of money; therefore, the Capital Gains Tax is in fact a transfer tax or an excise on investment flexibility. Put another way, it is a penalty on wisdom in the application of capital, and thus thoroughly unsound, if not outright folly, in a growing economy such as ours. The entire community of investors, and investors are in the best position to understand the harmful effects of the tax, should join in pursuading the new Congress to modify this profoundly harmful tax.

Continued from page 6

The Election Results And the Business Outlook

culties are showing up abroad and the demand for United States exports has dropped.

(10) For the first time since 1929, we have a great boom in industry with world-wide weakness in commodity prices.

What it boils down to is this: There is enough steam in the boiler to carry the current economic boom well into next year if not farther. The stimulus of a new Administration more friendly to business may easily carry us to new heights of business activity. But the signs of an impending setback are already visible. The new Administration will certainly have to deal with the problems of business recession, and it may face those problems before the coming year is over. Much will depend, obviously, upon the kind of economic policies the new Administration pursues. Much will depend also upon the actions and policies of American business in the months ahead.

Eisenhower's Viewpoints

Accordingly, it seems in order to examine what we know about the economic viewpoints of President-elect Eisenhower. Now let me say at once I have absolutely no inside knowledge on this subject. I know only what can be obtained by a study of what the General has actually said and written, amplified here and there by the opinion of some of those who have been associated with him.

In his speeches General Eisenhower denounced the current level of Federal outlays as "crazy spending." The idea of a deficit filled him with indignation and when he talked of inflation, as he did almost everywhere, it was as something dangerous and even immoral that must be stamped out.

Time and again, he spoke of his determination to restore "frugality, thrift, and efficiency" to our national government. "Everybody in this crusade," he said in Oklahoma City, "is committed to stabilize money. . . ."

The Treasury and Federal Reserve, he said, should work together, and by inference, at least, he seemed to support the Reserve System's efforts to combat inflation by quantitative credit controls. Taxes, he said, have just about reached their limit.

As for the budget, the statement issued by Senator Taft after his Morningside meeting with General Eisenhower called for a $20 billion reduction in the next two years. This proposal, interestingly enough, has just been echoed by Senator Byrd. In his Peoria speech, Oct. 2, General Eisenhower modified this position. "My goal," he said, "assuming that the Cold War gets no worse, is to cut Federal spending to something like $60 billion within four years." This would be a reduction of about 25% from present levels.

All through the scores of speeches, prepared and off-the-cuff, made by General Eisenhower in this campaign, runs a strong trend of conservatism in fiscal and monetary matters. By instinct and background he is a man who really believes the old copybook maxims: a penny saved is a penny earned; waste not want not; honesty is the best policy. The American people seem to have taken to these recently unfamiliar dogmas with enthusiasm.

Among businessmen this emphasis on conservative fiscal and monetary policies has made a strong impression. But General Eisenhower has made it plain he has no intention of turning back the clock.

Speaking to the farmers, General Eisenhower, in his own words, "Expanded upon the Republican platform." He not only endorsed the existing law calling for farm price supports at 90% of parity, but went further. On at least two occasions he pledged the farmer not 90%, but 100% of parity.

Speaking in Los Angeles, the General pledged himself to "improve and extend" the Social Security Program. Millions not now covered, he said, will be covered. Not only security for old age, unemployment insurance, care for dependent children and widows, but also better housing, the General said, are "moral obligations." He promised to "explore Federal loans or other aid to local health plans," and called for a program of Federal aid to states in building schools.

Out West and in Tennessee General Eisenhower gave his support to multiple-purpose dams like TVA and Grand Coulee. He promised that reclamation work would go forward with the Federal Government playing its full part but not hogging the whole show.

All through New England in the closing days of the campaign he pledged that the full resources of the Federal Government would be used to fight another depression and to maintain high employment. He said this in Fall River, in Lawrence, and in Lowell—towns that still remember vividly the great depression of 20 years ago.

Speaking in Harlem during the last stages of the campaign, he said: "Never again shall we allow a depression in the United States." Then he went on to say: "So I pledge you this. If the finest brains, the finest hearts, that we can mobilize in Washington can foresee the signs of any recession and depression, that would put honest, hard-working men and women out of work, the full power of private industry, of State government, of the Federal Government will be mobilized to see that that does not happen. I cannot pledge you more than that."

In short, the new Administration is pledged to thrift, frugality, economy, efficiency. The "crazy spending of the National Government must be cut down," "the deficits must be eliminated," inflation controlled and taxes reduced. At the same time the farm program is to be expanded, Social Security extended to millions not now covered, reclamation projects advanced and high-level employment and prosperity maintained.

What Future?

What does all this mean for the future of our economy? It means, I think, that we have come to a halting place in the Age of Inflation, but that does not mean the new Republican Administration has any intention of launching an era of deflation.

The people of this country expect the new Administration to put our financial house in order; to restore economy and efficiency in government; to reduce expenses and ultimately to reduce taxes.

At the same time, it is perfectly clear that neither the incoming Administration nor the overwhelming majority of people of the country have any intention of carrying government economies to a point that would jeopardize the social advances of recent years or risk the danger of precipitating a depression.

Perhaps the key word should be stability. More than anything else businessmen would like to be able to count on some reasonable degree of stability in government policies that affect their businesses. For 20 years we have had a regime which has kept the economic life of the country in a state of turmoil. All through this period businessmen have felt that their government was unsympathetic to them. They had to contend with a bewildering outpouring of government rules, regulations and regulators. Exasperating and often unworkable controls have been a constant hindrance.

In the field of industrial relations the weight of government favoritism has been thrown on the side of labor, and for every economic problem of the period there has been one sovereign remedy—inflation.

Business Looking for Change

Now the business community looks for a change. It expects that after Jan. 20 the Federal Government is going to be run more cheaply and more efficiently. It expects that government will be more friendly to business, or at least less inclined to side with labor. It looks for unnecessary and burdensome controls to be killed or allowed to expire. It hopes for early efforts to ease the weight of taxation.

In some cases, businessmen probably have their hopes of tax relief too high. The excess profits tax is almost universally expected to expire on June 30 next. Tax relief for individuals may have to wait on progress in reducing government expenses. Some businessmen would hold back major tax cuts until the economy showed signs of needing a stimulant, but it is evident that there is a strong belief that the long road toward heavier and heavier tax burdens has finally reached a turning. There is light at the end of the tunnel.

There is strong expectation among businessmen that the prolonged fall in the value of the dollar will be halted. Money is going to be worth saving again. With this expectation goes a feeling of greater confidence about investments and capital expansion plans.

In labor relations the business world expects that bargaining will be less one-sided but there is, as far as I can discover, remarkably little disposition to take a vengeful attitude or to expect that the next Administration will or should favor management over labor. Wages and working conditions will be governed more by economic factors and less by political factors.

Most businessmen think a recession is due in 1953 or 1954 but they do not expect it to be either deep or disastrous. Over the longer period they expect improving business and a resumption at long last of the normal long-term growth of America.

The Tremendous War Stimulus

Throughout these past 20 years there has been no real growth in productivity or in living standards in this country except under the stimulus of war and rearmament. The historic trend of our country has shown over a great many years a growth of real output per person in the order of 1.8% per year, but all during the long decade of the 30's we made no progress. It was not until 1942 under the artifical stimulus of war that real output per person climbed back up to the long-term trend line. With the ending of that war, growth again ceased and was not resumed until the outbreak of the conflict in Korea.

It is a tragic fact that throughout the whole history of this era, the blight of mass unemployment was never cured except by war. The problem of how to achieve and maintain prosperity without war remains as one of the great unsolved problems that the new Administration will inherit. In place of the artifical stimulus of inflation, business counts on the old-fashioned stimulus of confidence.

Yet with all this rising optimism, there is a healthy note of caution. The next Administration, it is widely recognized, faces problems as massive and stubborn as ever beset any government in history. There is the enormous task of putting the government's own house in order, raising the morale and efficiency of government personnel, bringing the runaway budget under control, reorganizing our sprawling bureaucracy and recruiting the able and patriotic men an women who will be needed to man key posts in a revitalized Federal Government.

There is the problem of the stalemate in Korea, which must somehow be dealt with. Our people are thoroughly fed up with this unpopular war. If General Eisenhower can find a way to conclude it, his prestige will be enormous. His forthcoming trip to Korea may consequently have a decisive bearing upon the whole future of his Administration.

Then there is the crisis in our relations with our allies. We are committed to continued military aid but the system of economic aid carried over from the Marshall Plan cannot go on. It is no longer satisfactory either to us or to those we aid. At the same time economic conditions in Western Europe are worsening and there is no sign that Western Europe has reached a point where it can carry the present burden of rearmament and stand on its own feet economically.

Tariff Revision Needed

It will be necessary to take a hard look at our own tariff policies, something peculiarly disagreeable to a Republican Administration, and it will be necessary to re-examine the whole structure of international trade and currency. Trade, not aid, is what our allies insist is needed. Perhaps a new world economic conference may be in order. We have been dealing with the problems of Western Europe on an emergency basis. We must face the fact that these problems are not temporary. They are chronic. They do not represent mere war damage. They reflect the dislocations of a world that has been undergoing rapid and fundamental changes. The very urgency and decisiveness of these problems will be a limiting factor upon the new regime. In its budget-making it will have to take account of the troubled state of the world.

Finally, there is this great problem of maintaining a sound, but prosperous, economy. The outgoing regime has had but one remedy. To spend more money, to depreciate the currency. The new Administration will have to find something better.

After 20 years in the wilderness, the Republican Party knows that it faces a great danger. That danger lies in the possibility that its first return to power may be marked by depresson and unemployment. Such an event must be prevented if our two party system is to survive. The business community has an equally heavy stake in seeing to it that depression is avoided.

The leaders of American enterprise, particularly those who manage and direct large corporations, must see to it in the months ahead that the policies they pursue are wise and constructive, not merely from the standpoints of their own companies but from the standpoint of the whole country.

I have entire confidence that the new Administration can and will successfully meet this threat of business recession. It will do so, not just by spending more government money. Rather, as General Eisenhower has said, it will mobilize the full power of private industry and the various state governments to work with the Federal Government. Business, labor, and agriculture all have a vital part to play in such an effort.

Perhaps the first essential is to make sure that the existing boom does not run away into a final splurge of speculative excesses stimulated by the new up-surge of confidence.

What is needed on the part of both business and government is the kind of policies that will tend to reduce the risks of both inflation and collapse. I see no reason why we should not have such policies.

We may expect that the first emphasis of the incoming regime will be on reducing government expenses. There will be vigorous efforts to save money by eliminating unnecessary or wasteful expenditures. In addition, General Eisenhower has indicated that he expects to make substantial economies in the $60 billion National Security Program.

The effect of all this is, of course, anti-inflationary, and might be expected to have some moderating effects on the boom.

Assuming some real progress in economy, the Administration is next clearly pledged to tax reductions. These, coming after the budgetary economies have been made effective, might very well give a lift to the economy at a time when it may be needed.

The indications are, therefore, that the new regime will begin with emphasis upon conservative measures of budget balancing, but that it will keep a sharp eye on the economic weather and be prepared to modify its course if and when the storm signals start flying on the economic front.

Meanwhile, the whole country can look forward to the stimulus that comes from a major change in the political climate, ushered in by an Administration elected by an overwhelming vote of all kinds of people in all parts of the country.

Continued from first page

As We See It

like. It is committed in regrettable degree to much of the New Deal and the Fair Deal type of policy. The General repeatedly asserted that the "social gains" of the past two decades would be fully protected. Indeed very substantial if not controlling elements in his party are known to be sympathetic to this policy. The Republican candidate fully matched Democratic promises to the farmer. If one takes into account what the President-elect himself has said from time to time and the commitments of many members of his party in Congress, one finds it difficult to escape the conclusion that the Eisenhower Administration is in large degree committed to the basic principles of the so-called Full Employment Act. It is to be hoped, and it is certainly our hope, that a greater measure of reason will be shown in the advocacy and promotion of such measures and such philosophies, and we think it is reasonable to expect more business-like administration of them.

On the record, however, it is difficult to find any basis for expecting a course from the Eisenhower regime which leaves any solid ground for an appeal by the opposition for support for a program which goes further in these directions. The loyal opposition would serve the country well if it promptly discarded any plans of the sort it may be harboring. In fact, we should be greatly pleased were it possible to foresee an opposite course by the Democratic party, that is to say one which attempted at appropriate times and in appropriate ways to hold the controlling party in check in all such matters. Of course, it hardly lies in the mouths of most Democrats to call upon a Republican regime to act within reason and he would be a little foolish, we are afraid, who looked forward to anything of the sort.

It Depends

What of a constructive nature could, then, be achieved by the defeated party to contribute to the well-being of the country and toward a rehabilitation of its standing with the general public? This is a large question—and one, doubtless, which is giving the wiser heads in the party a good deal of uneasiness at this moment. Much, it seems to us, depends upon who is to be dominant in the party henceforth. If one may judge by what appears on the whole to be the personal inclinations of the President-elect and those of the defeated candidate as suggested by his pre-convention utterances and his work as Governor of Illinois, the two are not worlds apart. It was the so-called radical elements in the Democratic party—and President Truman with his anomalous behavior — which, along with the allegation of a "surrender" to the rightist elements in the party by the Republican candidate, seemed to leave the two so far apart as the first of November approached.

If now the spirit of Franklin Roosevelt and Harry Truman is to continue to live and dominate the Democratic party during the years just ahead, it is hardly likely that it will make any contribution at all to the welfare of the country. This, of course, may turn out to be precisely what happens. But there are other possibilities. The party also has its Byrds, its Georges, its Russells, yes, and even its Douglases. Many had supposed prior to the Chicago convention that Adlai Stevenson was intellectually and constitutionally more closely akin to these than to President Truman—and there are a good many who are inclined to hold on to that opinion to this day. There can be little doubt that President Truman managed to dominate the party and the election in a degree and in a manner little to the liking of many of its members — quite possibly including the Democratic candidate.

Now a Democratic party whose policies and whose tactics during the next four years are based largely upon the tenets of the Byrds, the Russells, the Douglases, the Georges, and what seemed at one time to be those of Stevenson might be of great service to the country. It would be idle, of course, to expect the party to embrace all the philosophy of all of its members. That would be an impossibility in the Democratic party as it is in the Republican. But a course of action to which the more intelligent and saner elements of the party could subscribe in good conscience should not be wholly out of the question. The battle scars received during recent campaigns, particularly the campaigns of this year, are deep, and unquestionably it would be difficult for the party to get itself together promptly and effectively in any such way as thus indicated.

But it would be an excellent thing if it could. There are elements in the Republican party which need watching and at times counteracting. The party even has its share of day dreamers. It certainly has some members who have gone to extremes in ways which are hardly American. It likewise has elements which have always been ardent advocates of policies which were never sound, and which are today even less acceptable than they were in days gone by. The extreme protectionists are among these latter. It would be a good thing for us all if the Democratic party would do what it can to make certain not only that tariff walls and other artificial trade barriers are not made more severe, but that some progress is made in the other direction.

Drop Truman

To sum up: The Democratic party as badly beaten as it is at this moment could still serve the country in the years immediately ahead, but it can not do so under Truman leadership.

Continued from page 13

Deflation May Be in Offing

but at some point the bootstraps have always been stretched to the breaking point and deflation has inevitably followed.

Before we gloat too much about our 1939-1952 prosperity let us examine the source of funds, the expansion of credit and debt, that financed the boom.

In 1939 when war broke out in Europe the United States public and private debt was roughly in the neighborhood of $200 billion. Between 1939 and January, 1952 the public and private debt owed by American citizens expanded approximately three-fold, to about $600 billion, or an increase of approximately $400 billion. The average American owed $1,600 in 1939, but on Jan. 1, 1952 he owed about $4,000. On Jan. 1, 1953 his debt will be significantly higher, at least $34 or $35 billion higher as present debts increase still another $30 or $31 billion.

During the first part of the period 1939-1945 the major source of our increased money supply was the expanding debt of the Federal government, which increased roughly four times while private debt increased only a little more than 10% (some estimates say it actually decreased a little). At the end of the war this huge reservoir of additional money made economic desires effective in the market place and business volume and prices and profits rose in spectacular fashion.

From 1945 to January, 1952 we needed not only the additional money created during the war but we needed to increase our private debt continuously to about double to support the super boom we have just experienced. By January, 1952 our private and public debts were about equal. The financing of the boom, therefore, has been made possible by the expansion of credit based on a constantly rising debt structure since 1939. If this is sound we have nothing to do but continue the process *ad infinitum* and a new era is here.

As a matter of fact, some school of thought argues that in 1951, while we increased our private debts almost $30 billion, at the same time individuals were increasing their liquid assets. Although they admitted that the increase in liquid assets was only about equal to one-fourth the increase in the debts they felt that the situation was not out of line. These government economists failed to mention that the components making up these liquid assets were themselves about three-quarters claims or debts of others. But we are now back to the early days of the New Deal, when we were told not to worry about debts, for after all we only owed them to each other —and haven't they proved to us that rising debts are a blessing, not as was once thought the basis for alarm. Could it yet be that the rising mountain of debt that has kept the inflationary boom going could turn into a volcano of deflation? Is some liquidation of debt at least in order, and at least some deflation in the cards?

Surprisingly enough, to keep our boom going even the prosperous farmer has been going into debt recently. At the end of the war, farmers, like the average American citizen, were in a low private debt position, for the farmer almost the lowest in many years. However, contrary to popular opinion, the farmer's debt on Jan. 1, 1952 was about 85% above his debt at the end of World War II. The farmer's non-real estate debt has risen 144%. Despite the good earnings, even the farmers, perhaps the most prosperous segment of our economy, have not been able to take their desired share of national output without going into debt.

Even if debts were to level out we would be in for some serious readjustment. Can we really believe that a boom based on constantly rising debt can continue, or that we can shift to a new basis without first liquidating at least some of the excesses of the past? We may not expect a depression but isn't a recession a deflationary interlude possible?

Summary

As an economist I do not have a crystal ball to look into 1953 and 1954. However, on the basis of what has happened, it is clear that a crystal ball to look into 1953 the boom has rested on Capital Goods and Foreign Aid financed by a rapidly expanding structure of debt. Not only is it likely that the demand for Capital Goods and Foreign Aid will decline, first gradually, and then more rapidly in 1953 and 1954, but in line with the trend towards conservatism and politics and finance throughout the world, it is very likely that some attempt will be made to restore the integrity of the dollar, a least temporarily, to reverse the trend of constantly expanding debt. As the source of funds begins to dry up, and the desires for Capital Goods and Foreign Aid are weakened, the bloom will be off the boom.

We are already shifting from a sellers to a competitive market. In 1953, business in general will become strongly competitive and this will have a much more serious effect on profits than it will on volume. The low cost producers will take business away from the high cost producers, many of whom will go out of business, either forcibly or voluntarily, as they learn the long honeymoon is over. The medium cost producers will see their profits cut drastically, and the low cost producers will find that their excess profits, characteristic of a long sellers' market, will also shrink very considerably. The break-even points of American business are undoubtedly much higher than ever before. These can, and undoubtedly will, be reduced but in the adjustment period of 1953 and 1954 profits will probably decline very considerably. It will not be necessary for business volume to fall to depression levels in order to have profits in many industries look very sick indeed. All we can know is that just as at the bottom it is never possible to see how far up we can go, so at the top in an environment of optimism, it is never possible to appraise a subsequent decline.

We are told that now the Republicans are in control, we should have unbounded confidence, but should we have confidence that they are going to build on an unsound structure or rather that they will try to put the house in order first, in spite of some deflation, and lay a foundation for sound prosperity in the future.

At the American Institute we believe that the stocks which benefited most from the inflation will suffer the most in the period of readjustment beginning next year, but that, conversely, certain groups of securities will be benefited by such a trend tying in political trends toward less government control. Examples of such beneficiaries in the deflationary interlude might well be the American Telephone & Telegraph Company and leading tobacco stocks and special situations with General Foods, Woolworth, Coca-Cola and Burroughs Adding Machine Company as outstanding illustrations.

Thirty Years for James B. Powells

SAN FRANCISCO, Calif. — Mr. and Mrs. James B. Powell (Harris, Upham & Co., San Francisco) are celebrating their 30th wedding anniversary. They are leaving for a trip to Whittie, California for several weeks' stay, and from there they will fly to Texas. They have two children, a daughter, Mrs. Frances Lee Goodwin, and a son, James, Jr.

Mr. Powell has been trading since 1926.

Frank Knowlton Adds

(Special to The Financial Chronicle)

OAKLAND, Calif. — Raymond G. Sellars is with Frank Knowlton & Co., Bank of America Building.

With Proctor, Cook

(Special to The Financial Chronicle)

BOSTON, Mass. — Allen Reid has become associated with Proctor, Cook & Co., 35 Congress Street, members of the New York and Boston Stock Exchanges.

Continued from page 2

The Security I Like Best

of both developed and prospective ore. At the close of 1951, management admitted to proven reserves in the amount of 17 million tons with an average value of $8.96 per ton. Thus, with gold at $35 an ounce, Kerr-Addison's reserves work out to a value in excess of $150 million or about $31 in ore behind every Kerr-Addison share outstanding. The position is unique in that no other Canadian gold mine has ever developed reserves even approaching this evaluation. Kerr-Addison's operating costs are the lowest in the industry, averaging roughly $4 per ton.

Moreover, the above-mentioned reserves are conservatively reported, both as to grade and tonnage. They take into account only the ore that is above the 2,500 foot level. Actually, the shaft has been sunk to a depth of 4,000 feet and it was recently announced that rich, new ore over big widths had been discovered. Eight new levels are being established. At these deep levels, diamond drilling has intersected ore averaging 1.17 ounces per ton (at $35 gold) across a true width of 40 feet; another drill hole showed .85 ounces per ton across 43 feet. Thus, while it is too early to make accurate predictions, there is considerable evidence to the effect that the grade of new ore at depth is far richer than anything encountered at upper levels where mining operations are currently being pursued.

However, important results were obtained during early 1952 at the 2,350 foot level. These newly found orebodies have been rather completely outlined by a maze of diamond drill holes. The deposits are unusually compact and are concentrated in widths well above the average. Total length of ore at this level is 4,134 feet, working out to 8,517 tons per vertical foot. Grade, averaging about $15 per ton, is almost double the richness of that found at upper levels currently being mined. Geology is excellent from the operational standpoint and the structures lend themselves to the low costs which are typical of the overall picture at Kerr-Addison. In view of the new and rich developments at depth, management believes that it can continue to mill ore at the rate of 4,400 tons per day without the necessity of deepening the shaft for many years.

Kerr-Addison's extremely favorable position can be summarized briefly:

(1) Unusually large proven reserves of profitable ore. Competent independent engineers speculate that the big mine might well have an ore expectancy far higher than management's conservative estimates.

(2) Grade of ore improves materially with depth. As the mining program progresses, this higher grade ore will be brought to the mill head. Thus, correspondingly higher future profits can be expected.

(3) Kerr-Addison is one of the few gold mining enterprises that has been able to complete a vast expansion program during the trying period the industry has experienced over the past ten years.

(4) On visiting the property in northern Ontario I was very favorably impressed with the modern plant and equipment, efficiency of mining and milling methods employed, and the obviously high calibre of management and personnel. Labor relations are good; turnover rate is low.

(5) Production and earnings have been in a long-term rising trend despite deteriorating conditions for the industry as a whole. The annual dividend of 80 cents per share returns a current yield of about 4½%.

For centuries, gold has been the classic medium of universal value. Although nations may forbid its free circulation among citizens, they are quick to demand payment in gold to cover debit trade balances from foreign accounts. That faith in gold as a stable measure of value remains unshaken, seems evident as we observe vast quantities of the precious metal being accumulated throughout the world in private hoards. A nation's currency that is deficient in gold backing is a currency devoid of international confidence, and trade with that nation will languish. Money supply has been in a long rising trend, yet a smaller and smaller proportion of newly mined gold is being monetized. It is entirely possible that in the not too distant future powerful economic forces will bring about an upward revision in the official gold price—a revision that would more realistically appraise the degree of world inflation that has already taken place. Such an eventuality would have a profound and favorable influence on the fundamental position of a company such as Kerr-Addison. Enhanced value of the great ore reserves plus a sharp improvement in net income would undoubtedly be quickly reflected in the market value of the stock.

Continued from page 5

The State of Trade and Industry

figure shrinks to $137.3 billion. National production in 1939 was $91.3 billion.

According to Francis W. White, President of American Woolen Co., New England woolens and worsted manufacturers must cut prices to compete with foreign-made fabrics and synthetic fibres. He emphasized that imports of woolens and worsteds from Britain in the first nine months of 1952 were greater than the yardage imported in all 1951. And to add to the troubles of New England mills, synthetics, most of which are made in the South, have taken about half the women's suit and men's summer suit business, he stated.

United States exports in September amounted to $1,217,300,000, the United States Department of Commerce reported. This was 3% behind the 1951 monthly average and about 8% under the rate in the first half of this year. While the flow of U. S. goods abroad in September was only $14 million below September, 1951, the showing was aided by big military aid shipments. Excluding deliveries of arms to Europe, September exports were $973 million.

The import side of the picture shows that the U. S. bought a great deal more foreign goods this September than in the like 1951 months. Imports were valued at $877 mililon, a 20% increase over September, 1951. Nevertheless, the nation's imports were still 4% below the 1951 monthly average and 3% under the rate for the initial six months of 1952.

Steel Output Set at Fractionally Lower Level

Steel production this year in the United States will be the third largest in history, despite a two months' strike of steelworkers, says "Steel," the weekly magazine of metalworking. The only years eclipsing 1952 will be 1951 and 1950.

Output this year will exceed 90 million net tons of steel for ingots and castings, and conceivably may reach 93.5 million tons. Production in the record year of 1951 was 105.2 million tons. In 1950 it was 96.8 million tons.

Production in the first 10 months of 1952 totals 74,010,497 net tons, with October's output of 9,790,000 tons setting a new all-time record for a month. Previous monthly record was made in March of this year, with 9,404,191 tons.

The country's steel production capacity is still growing, so it's possible that more new records will be cast. But even if November and December fall somewhat below October the total for the year should be at least 90 million tons. If November and December each only equal October, the year's total would be 93.5 million tons, continues this trade journal.

The high rate of output and the catching up on orders accumulated during the steelworkers' strike are again building pressure for removal of government controls on steel. Controls on distribution and use of steel are due to expire June 30, 1953, but steel industry leaders hope this date can be stepped up by at least three months.

Evidence of the improved supply of steel is the approval given by the government for distribution of 1,480,000 additional tons of carbon steel during the first quarter of 1953. This tonnage is confined to seven product classes but that was expected. Loosening of the steel supply comes product by product and plant by plant. Recognizing this, the government will review the situation again before Dec. 10, and, if possible, make another suplemental distribution for first quarter use, states "Steel."

Some metalworking plants think their only steel supply problem in the first quarter will concern bars over an inch in diameter. Helping ease pressure around the second quarter will be a new bar mill at the Pittsburgh works of Jones & Laughlin Steel Corp.

Plate demand continues well ahead of supply and first quarter order books have virtually no more openings for non-defense tonnage. Some plate producers look for an easing in the second quarter. Structural steel supply is catching up with demand as a result of government limitations on construction. Hot-rolled and cold-rolled steel sheets continue in a firm demand, particularly from the automotive and appliance fields. Several mills are increasing allotments of galvanized sheets; some consumers are offering galvanized tonnage for resale midway between mill and warehouse prices, this trade weekly reports.

Although steel mills' heavy production requires a vast amount of steel scrap most of them are well fixed on this material. Slow business among foundries keeps down demand for cast scrap. As a result, many auto wrecking yards are wrecking out very few cars. Foundries can't use all of the engine blocks from them and the steel mills don't want them. Consequently, other steel that normally would flow from these cars to the steel mills lies idle in the graveyards, concludes "Steel."

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at an average of 106.1% of capacity for the week beginning Nov. 17, 1952, equivalent to 2,203,000 tons of ingots and steel for castings. In the week starting Nov. 10, the rate was 106.6% (revised) of capacity and actual output totaled 2,215,000 tons. A month ago output stood at 106.9%, or 2,221,000 tons, while a year ago when the capacity was smaller the estimated output was 2,073,000 tons with the rate at 103.7%.

Electric Output Lifted to Higher Level Last Week

The amount of electric energy distributed by the electric light and power industry for the week ended Nov. 15, 1952, was estimated at 7,883,878,000 kwh., according to the Edison Electric Institute.

The current total was 77,083,000 kwh. above that of the preceding week when output amounted to 7,806,795,000 kwh. It was 550,744,000 kwh., or 7.5%, above the total output for the week ended Nov. 17, 1951, and 1,155,544,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Decline 3.8% Below Previous Week

Loadings of revenue freight for the week ended Nov. 8, 1952, which included Election Day, totaled 829,198 cars, according to the Association of American Railroads, representing a decrease of 32,814 cars, or 3.8% below the preceding week.

The week's total represented an increase of 37,795 cars or 4.8% above the corresponding week a year ago, but a decrease of 10,682 cars, or 1.3% below the corresponding week in 1950.

United States Auto Output Rises 3% Above Preceding Week

Passenger car production in the United States last week advanced 3% above the previous week and was 22% above the like week a year ago.

It aggregated 108,152 cars compared with 105,042 cars (revised) in the previous week, and 88,787 cars in the like week a year ago, according to "Ward's Automotive Reports."

Total output for the past week was made up of 108,152 cars and 30,376 trucks built in the United States, against 105,042 cars and 29,212 trucks the previous week and 88,787 cars and 24,030 trucks in the comparable period a year ago.

Canadian plants turned out 6,335 cars and 2,500 trucks against 6,803 cars and 2,553 trucks in the prior week and 4,987 cars and 2,963 trucks in the like week of 1951.

Business Failures Continue Mildly Higher

Commercial and industrial failures rose mildly to 148 in the week ended Nov. 13 from 143 in the preceding week, states Dun & Bradstreet, Inc. Casualties were heavier than a year ago when 109 occurred, but they remained below the 170 in the comparable week of 1950. Only one-half as many concerns failed as in the comparable week in prewar 1939 when 308 were recorded.

Liabilities of $5,000 or more showed a slight increase over last week and were considerably higher than a year ago. Little change appeared among small failures the past week.

All of the upturn during the week was concentrated in manufacturing and wholesaling. Retail and commercial service casualties, on the other hand, declined. The only marked drop occurred in construction, which fell to 12 from 21. All lines except construction had more businesses failing than last year. The sharpest rise from the 1951 level took place in manufacturing where casualties were more than twice as numerous as a year ago.

Failures in the Pacific States held steady at 43, in the South Atlantic at 12, while the East North Central failures rose slightly to 21 from 18, and New England to 12 from 9. The week's only geographic decline brought the toll in the Middle Atlantic States down to 49 from 57. Only one region, the West South Central, had fewer failures than last year, casualties in the Pacific and East North Central Regions had the sharpest rise from 1951.

Wholesale Food Price Index Holds at 28-Month Low

Following four successive declines the Dun & Bradstreet wholesale food price index for Nov. 11 remained unchanged at $6.30, the lowest point touched since July 11, 1950 when it stood at $6.28. The current index marks a drop of 5.5% from the $6.67 recorded at this time last year.

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 for food prices at the wholesale level.

Wholesale Commodity Price Index Recedes Moderately Following Irregular Post-Election Trend

The Dun & Bradstreet daily wholesale commodity price index showed a moderate decline last week, following irregular movements after the election. The index closed at 285.14 on Nov. 10, a drop of 1 point from 288.15 a week previous, and a decrease of 8.1% from 310.41 recorded on the corresponding date a year ago.

Grain markets were somewhat unsettled during the past week although final quotations showed only minor changes from the preceding week. Comparative firmness in wheat reflected fairly good mill demand, continued drought conditions in the Southwest, and an improvement in export business. Despite heavy marketings of new crop corn, prices were relatively strong, aided by improvement in export demand and an easing in country selling pressure.

Oats prices advanced slightly as country offerings continued small.

Trading activity on the Chicago Board of Trade was comparatively slow. Daily average purchases of grain and soybean futures totaled 42,000,000 bushels during the holiday week, against 45,000,000 the week before, and 66,000,000 in the corresponding week last year.

New buying in the domestic flour market was hesitant as prices for most types were maintained at around the highest levels of the season.

Replacement purchases were at a minimum despite dwindling mill balances.

Export sales were fair. Cocoa prices moved lower on selling influenced largely by a freer movement of new crop cocoa and expectations for a good African crop this season. Warehouse stocks showed a further decline to 49,110 bags as of last Friday, as compared with 143,023 a year ago. The sugar and coffee markets were mostly steady in rather slow trading. Hog prices were steady to firm most of the week but declined sharply at the close due to heavy market receipts. Cattle prices were firmer, while sheep remained steady.

Spot cotton prices were irregular last week and fluctuated over a fairly wide range.

Values were off quite sharply on Wednesday of the preceding week following the election but subsequently recovered most of the losses only to decline sharply on Monday of last week following publication of the semi-final estimate of this year's cotton crop by the Crop Reporting Board.

The report showed a gain of nearly 500,000 bales over the Oct. 1 forecast, putting indicated production at 14,905,000 bales. This compares with last year's crop of 15,144,000 bales, and the ten-year average of 11,755,000 bales. Mid-week firmness was attributed to buying influenced by an improvement in the technical position following recent sharp declines and reports of a spreading holding movement among farmers in the South. Loan entries during the week ended Oct. 31 were reported at 43,600 bales, up from 23,700 the week before, and bringing total entries for the season through October to 101,900 bales. Sales activity in spot markets fell below the preceding week and the same week a year ago.

Trade Volume Rebounds After Slight Decline of Preceding Week

Retail trade throughout the nation in the period ended on Wednesday of last week rebounded after the dip in the prior week when many shoppers were diverted by the intense interest in the elections. As during the last seven months, retailers generally had larger receipts than in the comparable week a year earlier. Merchants in some parts began to introduce the Christmas theme into their promotions and consumer response was quite favorable.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from unchanged to 4% higher than a year ago. Regional estimates varied from the levels of a year before by the following percentages: New England, South, and Northwest +1 to +5; East —2 to +2; Midwest 0 to +4; Southwest and Pacific Coast +2 to +6.

Shoppers spent more for apparel last week than in either the prior week or the similar 1951 week. The purchasing of outerwear expanded perceptibly as temperatures tumbled in many sections.

The sharpest rises during the week were scored in the sales of men's wear which were stimulated by many price reductions.

Lingerie, accessories, and sportswear were in widened demand. The buying of shoes continued to surpass that of a year before by about 5%.

Food stores sold slightly more than in the previous week and moderately more than a year ago. Price shavings in pork, lamb and some fruits attracted many housewives. Sharp gains over the year-ago levels were scored in the selling of frozen foods, oleomargarine and canned meats.

The interest in household goods held close to the increased level of recent weeks and remained markedly higher than that of a year earlier.

The post-election drop in the sales of television sets was more than offset by the increased interest evoked by new stations, particularly in the Southwest and Pacific States, and by the usual seasonal rise.

Trading activity in most of the nation's wholesale markets did not vary sharply during the period ended on Wednesday of last week. As during recent months the total dollar volume of wholesale trade was moderately higher than that of a year earlier. Merchants were more prone to add to their inventories than at this time a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Nov. 8, 1952, declined 8% below the level of the preceding week. In the previous week a decrease of 5% was reported from that of the similar week of 1951. For the four weeks ended Nov. 8, 1952, sales reflected no change. For the period Jan. 1 to Nov. 8, 1952, department store sales registered a drop of 1% below the like period of the preceding year.

Retail trade in New York last week declined, according to observers, from 3 to 4%. Merchandisers were at a loss to understand the cause of the decline.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Nov. 8, 1952, decreased 13% below the like period of last year. In the preceding week a decline of 4% (revised) was reported from that of the similar week of 1951, while for the four weeks ended Nov. 8, 1952, a decrease of 3% was recorded. For the period Jan. 1, to Nov. 8, 1952, volume declined 8% under the like period of the preceding year.

Continued from page 12

An Appraisal of Election Results

worried about declining earnings and possibly declining dividends. They believe profit margins will narrow and competition increase. They are fearful that inventories are too high. They expect commodity prices to fall.

They don't see how taxes can be reduced. They have been saying that a Republican President would be deflationary, and now they have a Republican President. They believe that stock prices are historically high. If commodity prices are to decline, they believe inflation will cease to be an important factor in supporting stock price levels.

Such Fears Are Not New

Every six months since World War II ended, there has been a comparable set of fears as to what was going to happen six months later.

So far nothing very terrible has happened. Probably we should take these fears somewhat more seriously than has been true up to this time. On the other hand, we need not accept them at full value.

We don't have time to discuss them in detail this afternoon. But I would like to make certain pertinent remarks with respect to some of the more important factors involved.

Prior to the election it still seemed to me that next year could be a very satisfactory year. Assuming no new elements of consequence come into the picture, I believe the economy a year from today could look about as follows:

The annual rate of defense spending might be $4 to $6 billion higher than now.

So far as any official announcement is concerned, the objective of defense spending is still a level of about $58 billion a year, which we have not yet reached, and which is supposed to be sustained for two years after it is reached.

The latest report of the Office of Defense Mobilization indicates that in the next year deliveries of hard military goods will rise another $6 billion a year from the level of the third quarter of 1952.

The New York "Times," Nov. 14, quoted Senator Styles Bridges, coming probable majority leader of the Senate, to the effect that a commission would be created to endeavor to obtain the greatest amount of defense for a minimum cost. He said the report of this commission probably could not be completed in less than six months after its initiation in January, and would be of no help in legislative considerations of the military budget for the 1954 fiscal year.

McGraw-Hill's most recent survey indicates that plant and equipment expenditure will drop only about $1 billion from 1952 to 1953. Residential building might be about at the present rate, or as much as $2 billion a year lower. The level of business inventory could be about what it is now. Personal consumption expenditures might be about $5 billion higher. Thus, gross national product might be from $6 to $8 billion higher a year from now than it is now.

Of course, many new elements will come in, but it is hard to appraise them now and they might be good instead of bad. I am merely taking the same set of circumstances which I believe everybody else is taking with respect to next year, and saying that the result is more likely to be a good latter half of 1953 than a poor one.

If, by chance, we do start down, I believe the down side risks are limited in degree and duration, because:

Stocks are low, not high, in relation to book values, earnings, dividends.

Private debt is low in relation to liquid assets and national income.

People are saving a great deal of new money.

Even the burden of public debt, in relation to national income has been greatly modified.

In his campaign, Eisenhower strongly and clearly stated that he would fight any insipient depression with all the weapons at his command. We know from experience that Federal spending is one of the most powerful of these weapons.

As plant and equipment expenditures go down, and as accelerated amortization accelerates, balance sheets will become more liquid.

There are floors under many farm commodity prices, and numerous industrial raw materials are likely to be stockpiled in a recessionary period by the government.

The economy has many cushions, including social security.

Savings bond maturities next year will have a sharp upward jump and will be available for spending if the holders so desire.

EPT is likely to be modified, and will possibly even be eliminated next June 30, and would surely be eliminated if recession were to develop.

A great many large jobs remain to be done, including new roads, schools, sewage systems, etc.

Meanwhile, unfilled orders in the hands of business are at a new all-time high.

The new Administration will have its own answers to problems of recession, but it is worthwhile to note that a lot of preliminary work is being done on suggested solutions by the present Administration and its various agencies, so the programs will be available if the necessity arises and the inclination to use them is present.

Does the Election Change My Views on the Near Term?

What Eisenhower does in the next 12 months is certainly going to have an important influence on markets. He has numerous problems, and the skill with which he solves them will be important to our business. There is no way of being sure in advance just what these solutions will be. We can only conjecture from what we now know.

One of the first problems he will face is that of Korea and the defense program in general. It seems highly improbable that the result of his Korean visit will be intensified warfare beyond the borders of Korea. Conceivably, some kind of real armistice could be reached.

If so, it is obvious that the demand for a cut in defense expenditures would be stepped up. Eisenhower is favorable to such a cut anyway, at least to the extent of eliminating waste. However, any cut is likely to be slow in taking place. Senator Styles Bridges has already indicated it will be about eight months before a newly appointed committee on elimination of defense waste can make its recommendations.

It will be tempting to allow the Korean taxes to run off by expiration. Excess profits tax expires June 30, 1953. The Korean boost of roughly 10% in personal income taxes expires Dec. 31, 1953. The normal and surtax rate on corporations automatically drops from 52% to 47% on April 1, 1954.

If the cut in defense expenditures and taxes occurred together: (a) the effect probably would be the two factors would neutralize; (b) after all, it is not too bad a risk to take a chance on allowing people to spend their own money rather than have the government spend it—for awhile.

If, by chance, the Korean tax boost named above were to be allowed to run off by expiration, and if the defense expenditures were allowed to continue for a matter of 8 to 12 months while new programs were being drawn up, the overall effect would be temporarily more inflationary than the present Democratic spending outlay for this particular period.

Wage and price controls may be allowed to expire on April 30, 1953. (a) Meanwhile, wage controls are ineffective anyway. (b) Price controls are apt to become less effective, even before expiration. (c) There is even a risk that the unions will attempt some last minute wage increases before the Administration changes. (d) In any event, we are apt, under Eisenhower, to work back toward relatively free markets.

Probably in the next several months Eisenhower will have to enter into preliminary discussions on new proposals for permanent working arrangements between this country and its allies, from the economic point of view as well as from the military and political.

These new decisions could have an important influence either way on the 12-month outlook as well as that for the far future.

Eisenhower undoubtedly stands for greater power on the part of the Federal Reserve with respect to the management of credit and interest rates. However, both Eisenhower and the banking system are keenly aware of the necessity of keeping credit policy free of possible blame for introducing a serious business recession. Consequently, nothing drastic in the way of change in banking policy is apt to occur over the coming 12 months.

Conclusion

From the standpoint of the long-term, there is a better chance of avoiding serious monetary inflation.

There is reason for encouragement as to continued dynamic growth of the economy with due allowance for interim periods of correction.

Over coming months, investment attention might well be centered on choosing these industries:

Which will benefit from looser price controls, such as food processing, tobacco, grocery stores;

Which will benefit from greater availability of materials, such as automobiles, air conditioning, tin containers, finance companies, and elevision;

Which will benefit from more favorable Federal regulation, such as possibly air lines, aluminum, electric and gas public utilities;

Which will benefit from elimination of excess profits taxes without being hurt by offsetting renegotiation, such as chemicals, drugs, electrical equipment, paper, some tires, some groceries, and air conditioning.

Which will benefit from higher interest rates, such as banks and insurance companies.

With Edgerton Wykoff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Kenneth D. Russell has become affiliated with Edgerton, Wykoff & Co., 618 South Spring Street. Mr. Russell was formerly with Morgan & Co. and J. A. Hogle & Co.

A. N. Malone Opens

ROCHESTER, N. Y.—Arthur N. Malone has opened offices in the Powers Building under the name of Arthur N. Malone & Co. to engage in the securities business.

Continued from first page

Is Prosperity Permanent?

that these new devices have a social price tag attached to them, and that seemingly, the more we use them the higher the price becomes.

Devices In Retrospect

In retrospect, it seems that these several devices would have been effective if we had had them during the depression of the 1930s. Some of our confidence in them is no doubt based on this notion. Could it be that we have unwittingly prepared for the economic depressions of the past rather than of the future? Have we built at a considerable social cost a "Maginot Line" to hold back the business cycle? I do not think so. There is a social cost in what has been done, but I think we have got something in return. We want to be as sure as we can be that what we have is worth the social costs—and we want to know enough about the consequences of using these devices to prevent these social costs from becoming any greater than they need be.

There are some five categories of these devices—what might be called prosperity props.

The first is that a far larger part of personal income now is comparatively independent of business activity, be it expanding or contracting. There is now one public worker who receives his income check from a political source for every nine workers privately employed. At the turn of the century, there was only one for every 26 privately employed. At least $1 out of every $6 of personal income last year came from one or another form of government payments. It is a surprising fact that welfare payments alone, even in these lush times, are larger than dividend payments.

Impact of Government Spending

Federal, state and municipal governments are now taking and spending about a quarter of the national product; whereas 25 years ago they took and spent less than 10%.

This large segment of national income and spending activity provides a stabilizing influence. But it represents a big price to those who regard small government as the only government that in the long run is compatible with the maintenance of human freedom. And it removes about one-quarter of our national effort from being tested daily in the free market place for its efficiency and desirability.

The support prices of agricultural products, and the rigidity of minimum wage rates, are a second category of frequently cited prosperity props. These, it is said, by insuring the maintenance of income to large parts of the population, will keep consumer purchasing on a reasonably even keel, even though the seeds of contraction might germinate in other parts of the economy. But here again we find the prosperity props are not without a cost. Agricultural prices and wages are income to the farmer and to the worker, but they are costs to everyone who goes to the grocery store, or who manages an industrial plant. Rigid costs cannot fail to make the individual spending unit, that is the family, or the individual business, extremely vulnerable in a period of letdown. Families today, as well as businesses, have high break-even points.

Inflexible costs, and their usual companion, inflexible selling prices, are certain after a time to result in the failure of the nation's production pattern to conform to the changing composition of public demands. Two things usually follow—one positive and one negative — but neither is generally recognized for what it is. On the positive side, some inflation is pumped into the economy to stimulate overall demand, including demand for that part of production that has been laggard. On the negative side, since the compulsions are removed, there is a failure to reassign productive resources to their most effective and efficient uses. In both cases, the social costs are large though not precisely measurable.

Changes in Monetary System

Modifications in our monetary system are said to constitute another prosperity prop. When contraction hit the nation in the late 1920s and 1930s, the money and banking system added fuel to the fire. The deposit liabilities of the banks were then supported to a far greater extent than at present by short-dated commercial and securities loans — loans made mostly to a business community whose future profitability became increasingly questionable. To try to maintain solvency, banks naturally called for payment, with disastrous effects upon the supply of deposit money.

Today, the deposit money of the nation is supported more by long-dated or term loans to business, and by both long and short-dated government debt. The deposits of the banks, moreover, are insured through the Federal Deposit Insurance Corporation. There is far less probability of a deflationary chain reaction of loan-calling now than twenty-five years ago. But again, there is a social cost. The expanded debt—particularly Federal debt—which has been so largely monetized by the banking system, has involved an expansion of money and a persistently lower level of interest rates. These have combined to exert strong inflationary pressures over the years.

The nature of the national tax take is a fourth potential prop to prosperity. This year, about two-thirds of all the taxes collected by government units of all descriptions, including social security taxes, will take the form of direct taxes on incomes of individuals and corporations. If contraction should begin to appear, the income tax base would itself decline. Political commitments to spend, including commitments for unemployment compensation, presumably would continue at existing or even higher levels. The government would thus spend more money than it would receive, with the result that a compensating influence would offset the contraction of private spending. This is the so-called compensating budget. As a matter of theory, it seems to have a good deal of validity. As a matter of practice, however, we do not know too much about what the psychological effect on consumers and business managers might be. I am inclined to feel, however, that the effect would not be too bad.

The "Ace in the Hole"

When we say we know so much more about how to maintain prosperity, we are thinking about all of these several categories of prosperity props. But we also have in mind that, of itself, a deliberate combination of easy money policy and deficit financing, if pushed far enough, may be effective in most circumstances. This fifth category of prosperity props is the "ace in the hole" to be used when needed. It is the ultimate means of implementing the political commitments we have taken as a nation in the so-called Full Employment Act of 1946.

Yet the record of the last several decades does not provide too much confidence for such a comfortable conclusion. Sometimes I wonder whether all of our discussions about business cycles and devices to maintain full employment may not be far less reflected in actual experience than we think. Apart from war and the accompanying expansion of government activity, the so-called prosperity props in recent years do not seem to have been particularly important or significant in influencing business activity.

The 1930s Experience

We had an easy money policy in the 1930s, and we had deficit financing, but recovery did not really take hold. It seemed a little bit like trying to push on the end of a string. Some said we had not pushed hard enough. The deficit wasn't big enough! But it was not until the "Arsenal of Democracy" concept of the early 1940s provided a war-like psychology for the economy that large unemployment began to disappear.

From 1940 to 1945 there was a 50% increase in the national product in real terms, but almost all of this increase was absorbed by the Government for war purposes. Personal consumption of services and non-durable goods rose sharply, but private investment and consumption of durable goods declined by a nearly compensating amount. In other words, the net expansion in that five-year period was supplied by, and almost totally absorbed by, the Government military program.

Nor has the legislated commitment of the postwar period to maintain full employment been put to a severe test. Despite the replenishment of war-created shortages, there was no significant expansion in the total national product from 1945 to 1950. All that happened was that there was a very substantial postwar decline in the Government sector of the national product, and a compensating increase in the private sector. Private investment and durable consumer purchases rose sharply, and there was a still further expansion in the consumption of non-durable goods and services.

A War Induced Boom

The boom of the first five years of the decade of the '40s was a war-induced boom. The maintained high levels of the second five years were supported by replenishment of plant and equipment and durable consumers' goods that had failed to keep pace —indeed had actually declined during the war years. There was evidence that the whole thing was beginning to peter out as the decade of the '40s came to a close, when the Korean incident occurred and a new Government-induced boom based on defense mobilization was super-imposed on the old one.

This can only mean, it seems to me, that since the Great Depression, the economy has been primarily influenced by war or war-induced activities. The new devices for the maintenance of prosperity have not yet been adequately tested, and any judgments reached with respect to them at this time must be tentative.

Yet, despite the lack of an adequate demonstration of the effectiveness of these devices, I am inclined to believe that they should be adequate to cushion the extent of future business declines. A tax structure that automatically provides a compensating budget, more stable money supply, fixed Government payments, rigid minimum wages, and agricultural support prices, should, I feel, help cushion the influences that might otherwise make for progressive contraction. But they are hardly likely to prevent contraction entirely and I do not believe that they can be expected to prevent some unemployment from occurring.

A Look at "Social Costs"

While these are some of the considerations relating to the degree of effectiveness of our prosperity props, a further look at some of the social costs is required before attempting an appraisal of what we really have. We have seen that these props involve increasing Government participation in, and support of, the economy — usually with inflationary measures. In recent years, we have more and more heard of inflation as a way of life. They tend to prevent flexibility and thus retard adjustments to the most efficient and effective use of available resources. They make more difficult, and may prevent, a pruning of the economic orchard as a means of achieving a new and vigorous growth. But the costs of these devices are not limited to domestic matters. These devices are essentially nationalistic in nature, and they result in policies that are typically labeled "economic nationalism."

Among other things, they involve unilateral nationalistic actions in the field of money policy and price policy. They cannot fail to be disturbing to international economic growth and development as differences occur in the internal policies and adjustments among nations. They carry in their wake all of the paraphernalia of trade barriers, exchange restrictions, balance of payments problems, and discriminations.

Neglect of Field of International Growth

Economists in recent years may have overly devoted themselves to the nationalistic solution of problems of employment and cyclical business behavior, and too little to the broader and potentially more fruitful problems of growth and development — particularly in the international field. Mr. John H. Williams, in his Presidential address to the American Economic Association last December, did a superb job of calling this to the attention of his colleagues.

Lurking in the background of this preoccupation with the problems of cyclical analysis and full employment are the holdover ideas of the 1930s dealing with economic maturity and stagnation. Have we arrived at a position in our thinking where we have so completely lost confidence in the employment opportunities of long-run growth that we dare not permit the economy to adjust itself, but rather encourage Government participation and inflation for fear that its alternative is stagnation?

This preoccupation with nationalistic structures and policies for the maintenance of full employment is not unique to us in the United States. It has dominated thinking in England, and on the European and South American continents as well. Perhaps the biggest price of all that the Western world is paying for these new-found props to prosperity is that we may be forfeiting the opportunity to reach permanent solutions to some of the stubborn problems of economic readjustment in the postwar world.

There is some evidence that the Western World is approaching a period of basic decision in these matters. On the one hand, new and challenging long-term growth opportunities are opening up. On the other, evidences of an intervening contraction are beginning to appear. Shall each of the free nations continue to seek a restrictive—perhaps garrison-like—prosperity with emphasis on internal full employment as the predominant goal at all times? Or shall the Western World set as its primary goal an inter-dependent expansion of resources—with confidence that growth itself will provide a tolerable security against prolonged periods of unemployment?

The outlines of a new era of expansion are beginning to emerge. It is exciting to watch the restless groping of Europe toward some form of federation, and the strength and efficiency that goes with a large unimpeded market. I firmly believe the Old World can have a new economic life if these efforts are successful.

The United States, joining the company of other industrial nations, has now reached a position where it is consuming more raw materials than it is producing. The lesser developed countries of the world have rich stores of materials. The industrial nations of the world have skills and capital which will be shared on mutually beneficial terms when the world has put in storage some of its nationalistic economic armor. I agree with Mr. William S. Paley of the President's Materials Policy Commission when he describes "the possibility of a new era of advancement for the world which is dazzling in its promise."

Add to these opportunities the gradual industrialization of the lesser developed areas of the world and the prospects are no less challenging than those that existed at the opening of the 19th Century.

Storm Clouds of Contraction Gathering

But it would be easy to forfeit or indefinitely delay the realization of this optimistic future. The storm clouds of contraction appear to be gathering abroad as well as here. The level of production in Europe according to studies of the United Nations reached its peak in the last quarter of last year, and has since either leveled off or declined.

Here in this country there is a growing chorus of opinion that we may not continue to have an expanding defense mobilization program much longer to support us in the style to which we have become accustomed. No doubt there will continue to be a high level of outlays for a long time to come, but the expansion phase, so stimulating to the economy, may be over by the middle of next year.

There are a number of additional factors that may test our new-found props to prosperity.

We now have in this country a manufacturing capacity that is twice as great as it was at in 1939, only a dozen years ago. It is surprising to see how quickly the nation has been able to provide the defense mobilization needs without significant impairment of consumer supplies. Even some of the materials shortages that have as recently as six months ago looked like they would be with us for a long time, now appear to be vanishing. There is talk in the steel trade that surpluses may reappear by next March despite the five-week strike of last summer.

Most kinds of debts have increased in recent years—business debts, agricultural debts, consumer debts. Costs are high and annual rates of profits after taxes have tended to sag since reaching a peak in the fourth quarter of 1950. The housing market and the motor car market, which played such important roles in the immediate postwar prosperity, are beginning to reach the position where new demands will be geared more to replacement and to new family formation. Even family formation itself is expected to decline from a postwar average of over a million families a year to something around 750,000 for the next several years.

When we add to this catalog of potentially depressing influences the further thought that plant and equipment expenditures may be approaching the end of their defense-inspired stimulation; and that expenditures for the defense mobilization itself are expected to reach a plateau by the middle of next year—when we put all this together, we have an impressive list indeed of question marks to put beside the permanence of prosperity. Despite a need for expanded municipal facilities such as schools and highways—and the seemingly favorable prospects for consumer spending, I am inclined to feel the forces of contraction will carry the heaviest weight during the next year or so.

If this anticipated contraction begins to make itself felt, our newly developed prosperity props will get their first real test. At that time it will be well to keep in mind the important distinction between maintaining full employment on the one hand, and preventing a self-generating contraction on the other. Whether these new devices are thought to be successful may depend on which of these yardsticks we select for testing them.

Don't Expect Too Much

It is better that we do not expect too much, for if we do, we may be disappointed. We and the other nations of the free world would then no doubt run to our respective nationalistic cupboards for still further prosperity props—which means still easier money policy, price supports and subsidy and deficit financing. That, it seems to me, would be unfortunate for three principal reasons.

The first reason is that war-induced prosperity has obscured the effectiveness of these devices, and we simply do not know how far they must be extended to maintain full employment at all times. It may be that strong doses can achieve full employment without the help of war-induced activity, but the costs in terms of ultimate inflation, rigidities in the use of resources, and governmental encroachment, could not fail to increase with the size of the dose.

The second reason is that our fears may be too much conditioned by the length and depth of the Great Depression of the 1930s. Prosperity is not a new thing for this nation. We have known a great deal of it over the past century—and without the assistance of prosperity props, or of war, or war-like conditions. About 60% of the time during the past 100 years, according to data prepared by the National Bureau of Economic Research, has been characterized by expansion — about 40% by contraction. The economy of the nation was growing. I believe that if we do not overly indulge in nationalistic policies that tend to dampen growth and expansion, we can have the same kind of growth reproduced on a larger scale throughout the Western World in the century ahead. But that will require restraint in the use of nationalistic economic policies, both by this country and by others, even though they may be presented to the public with such appealing titles as full employment policies.

The third reason for restraint is that the free world cannot expect to be politically and militarily cohesive and strong, and at the same time economically divided. Economic nationalism has been described as the arch enemy of free world unity. Yet we have not seemed to realize the heavy burden these nationalistic full employment policies have placed on the economic relations of the free nations. The United States is today the most influential factor in the world economy. Our responsibility cannot be discharged simply by largesse. We must lead in the search for more enduring solutions.

For these several reasons, it seems to me that the social gains from these new structural devices in our economy are likely to outweigh the social costs only when they are used in moderation—that is, when they are thought of only as means of preventing business contraction from becoming cumulative in nature. But if an attempt is made to use them to prevent any contraction or unemployment at all, they can probably be made effective only in strong doses—and the social costs, both to domestic economic and political life, and to lost international opportunities, are prospectively far greater than the gains.

Continued from page 16

Next Four Years in Government

the forces of reaction, have not given up. They are getting ready to start tossing monkey-wrenches into the machinery. They have been repudiated by the people, but if they can produce a first class depression, or if war should come, they figure the people would come running to them again. The thing to do is put down this evil myth that government paternalism is a new and liberal idea once and for all; and the time to do it is when the forces of freedom have the upper hand.

But we can't do it by turning our backs on the problems. Freedom involves not only vigilance, but hard work. Who was it that spoke of "the burdens of freedom"?

The Federal Government Too Big

The Federal Government is too big. It wields too much power over the lives of the individual. We agree on that. But what do we propose to do about it?

Eisenhower has been elected; but up in my part of Texas lives a farmer named O. B. Harvey. He faces a Federal court suit for the collection of $241.38. Why? Because a PMA committeeman in his county filed a complaint in 1950 charging Mr. Harvey with producing nine acres of cotton without having been granted a cotton allotment. Mr. Harvey says he did have an allotment; and further, that the nine acres of cotton was planted, hoed and presumably picked by a Negro tenant on his farm. But that's not the point. On the form, issued by the Department of Agriculture, on which the complaint was made, Mr. Harvey's farm is referred to by a serial number—D-199, Wheeler County. It also contains the following printed provision:

"Section 3—Until the penalty on the farm marketing excess is paid, and a marketing card is issued for the farm"—serial Number D-199, remember—"all cotton produced on this farm and marketed shall be subject to the penalty at the rate shown above, and the buyer will be required to collect such penalty or deduct it from the purchase price."

That means that the government is forcing the gin man or the buyer of cotton from a farmer without a blue card to become an involuntary collecter of fines, without pay! Does that sound like America?

The notice goes on: "Further"—and the rest of this sentence is given in italics, for emphasis—"a lien on the entire crop of cotton produced on the farm shall be in effect in favor of the United States until the penalty on the farm marketing excess is paid."

You will notice that reference is made to a marketing card. Few Americans realize that, in years of surplus, when the Secretary of Agriculture so decrees, referenda are held among cotton farmers—and among growers of certain other crops, too—in which they must choose between accepting acreage allotments and marketing quotas and having their support prices drastically cut. If they vote for the allotment and quota, then these farmers—these free Americans, descendants of the individual who left his plow, grabbed his gun and ran to join the fight at the bridge, because he wanted to be free—these Americans must be issued a blue card by the government in order to sell their crop on the open market! That's how far we Americans have gone down the road to socialistic centralism! If that had continued, how long would it have been before you bankers would have to stand in line for a green card in order to carry on the business of banking?

The law under which Mr. Harvey of Wheeler, Texas, is about to be sued is still on the books. The election of Dwight Eisenhower hasn't changed it. Nobody can change it but you, the American people, through your elected representatives.

Centralization Can Be Stopped

The extent to which the centralization of government has been carried is appalling. It has crept up on us, and even those of us who fancied we were fighting a winning battle against it cannot conceive how thoroughly this doctrine has woven itself into our government and our lives. You and I will never live to see it rooted out. All we can do is stop its advance.

It has been going on a long time. Back in the early nineties, one of the great Democratic governors of Texas, James Stephen Hogg, saw it coming, and outlined some of its evils with uncanny foresight.

Most of you have read, or heard of, Jim Hogg's veto message on the sugar bounty bill. But I should like to read a few lines of it here.

The Congress in Washington, prodded by the sugar producers of the United States, passed a bill providing subsidies to sugar growers, under certain conditions, to protect them from foreign competition. The Texas penitentiary system at that time grew sugar cane in great quantities on its penal farms, and the Legislature adopted a resolution requiring the state to apply for the sugar subsidies.

Jim Hogg vetoed the resolution with gusto. He pointed out that Federal taxation was becoming unbearable; and that to support this new bounty, all farmers were to be taxed. Wrote Governor Hogg:

"The people are tired of this condition, and they ought to be. Departure by the government from its legitimate functions is the cause. Favoritism of the few at the expense of the many is the method. These bounty laws are governmental crimes, the culmination of paternalistic iniquity. Those who receive their benefits are blinded to the evils lurking in them. Strong resistance will be made to the abrogation of the sugar bounty, but Texas cannot, by my act or acquiscence, become committed to the movement. The wrong should be wiped out and our state should take part in the work. She cannot with clean hands do so if she accepts the money. Driftwood on a great stream at first seems harmless. Let it alone, and in time the river's current becomes changed by it, submerging the country all 'round. So with this bounty law. Permit it to stand, and the government will follow the course already changed from a republic to a centralism, sweeping in its way the liberties of the people. Shall Texas be accessory to this crime? No, not with my consent.

"On another point I oppose the state's acceptance of the bounty. In the management of her affairs she is sovereign, supreme, subject only to the control of the people within her dominion. To accept this bounty for sugar, she would surrender the supervision and inspection of one of her most important industries to the Federal Government. For spoils she would open the way for the invasion and the final destruction of her independent autonomy. For a mess of pottage, seasoned with the sacrifice of principle, boiled in sin, she would surrender her birthright. To procure this money, she must file with the Federal Commissioner of Internal Revenue a notice of the place of production. To him she must give a description of the machinery and methods employed by her in the work. To him she must give an estimate of the amount of sugar she proposes to produce. To him she must make application for a license to follow the pursuit. To him she must look for rules and regulations of the business. To him she must give bond and sureties that she will obey the law. To him she must yield inspection and supervision of her farming operations. To him she must become bound by bond that she will not only obey the law, but that she will 'Faithfully observe all rules and regulations that shall be prescribed by him for the manufacture of sugar.' For infraction of the law her agents and officers would be subject to prosecution, fine and imprisonment through the Federal courts.

"We all know what this means. Spies, informers and irresponsible deputy marshals would swagger and lurk around the farm worse than the locusts of Egypt. Nothing would please them better than to 'rope' the State of Texas into the 'National Court,' where they could magnify the power of the Federal Judge at the expense of her independence and integrity. Other potent reasons should move the state to refuse this bounty. She is no pauper or mendicant. She is a sovereign state, in the full control of her institutions, capable of repelling with indignation every subtle effort made to destroy her autonomy. When she needs money she will resort to constitutional means and call on Texans to pay it. She would not appeal to Massachusetts, Georgia or other states to help her; nor will she accept money paid for public purposes by her sisters to the Federal Government, simply because the Congress is willing, in the exercise of arbitrary power, in defiance of the Constitution, to let her have it."

That was in 1893—and it was written by a Democrat—a great Democrat in the Jeffersonian tradition.

Have Four Years of Grace

We have four years of grace in which to stem the advance of this thing we call centralism, or socialism, or statism. Whatever it is called, it is opposed to the idea of individualism—the idea of the freedom of the individual to work out his own salvation, economic, social, political and spiritual. General Eisenhower can't do it alone. Neither can the Republican Party. It is the job of the American people.

How shall we go about it?

First, by remaining everlastingly alert to what goes on in Washington, and in our state capitals, and in our courthouses and city halls.

And second, I propose a great crusade that will carry us back to the Constitution; back to the dream of the American Revolution. Let us preach it in our homes, in our schools, in our service clubs, in our businesses. Let us talk more about our freedom and less about our material blessings. Last week, Clarence Manion, the celebrated former dean of the Notre Dame School of Law who spoke so eloquently in behalf of General Eisenhower during the campaign, made an address in your neighboring city of Fort Worth. He pointed out that one could look outside the hotel and see many of our material blessings flaunted before the world—billboards advertising our marvelous electrical appliances, our automobiles, our processed foods, and thousands of other things that have given us a fantastically high standard of living. But nowhere would you see mention of the one thing that has blessed Americans above everything else—freedom.

Let us carry this crusade particularly into our schools and colleges. Let us root out the subtle and subversive propaganda too often found in the textbooks and the lectures of left-minded professors.

You trust bankers should appreciate something that was shown me the other day. It is a copy of a college text book which was, a dozen years or so ago, adopted by the armed forces for the use of personnel of the Army, Navy, Marine Corps and Coast Guard. It is titled "Economics: Principles and Problems." The authors are Paul F. Gemmill and Ralph H. Blodgett. It was published for the armed forces by Harper & Brothers. On page 521 of volume I appears the following under the heading, "The Cures for Economic Inequality," and the sub-heading, "The Abolition of Inheritance":

"Our goal, then, is equality of opportunity as we have just described. The first move in this direction, we believe, should be the adoption of a thorough-going Federal estate tax which will prevent the piling up of wealth for the use of individuals, and will insure its expenditure in the interests of all. If this tax is to do its full share in reducing inequalities, it must take a very large proportion of a man's estate upon his death, leaving for the heirs (apart from a modest provision for direct dependents) little more than mere keepsakes, which are valued chiefly for sentimental reasons.

"This arrangement would take from the children of the wealthy the advantage they now enjoy through the inheritance of property which places them economically far in advance of those who have not chosen their parents so shrewdly."

This text, we have been told, has been withdrawn from use by the armed services following protest from a few alert Congressmen. But it may still be in use in some colleges.

Do you doubt that a crusade to get our young people back on the track as laid out by the architects of the Revolution and the Constitution is needed?

This is the crusade which you, as American businessmen, can conduct for the next four years.

This is not the time to rest on the laurels of a successful political campaign. The battle is ours, but the war is yet to be won.

Joins Fusz-Schmelzle

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—John A. Ladd has become associated with Fusz-Schmelzle & Co., Boatmen's Bank Building, members of the Midwest Stock Exchange.

With Saunders, Stiver

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Harry T. Ewig, Jr. is now with Saunders, Stiver & Co., Terminal Tower, members of the Midwest Stock Exchange.

With Cantor, Fitzgerald

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Cecelia R. Lieb has been added to the staff of Cantor, Fitzgerald & Co., Inc., 224 North Canon Drive. Miss Lieb was previously with Edgerton, Wykoff & Co.

A New York Mortgage Exchange Announced

Executives of Lawyers Mortgage and Title Company say it will be open market place for first and second mortgages covering Metropolitan area and will be operated by the Mortgage Division of their company.

Announcement of the establishment of the New York Mortgage Exchange was made jointly on Nov. 19 by Hon. Thomas G. Grace, Chairman and Harry Fromkes, President of Lawyers Mortgage and Title Company.

The New York Mortgage Exchange will be an open market place for both first and second mortgages covering New York City and the metropolitan area, and will be operated by the Mortgage Division of Lawyers Mortgage and Title Company. Mr. Grace stated that Lawyers Mortgage and Title Company has the know how necessary to successfully conduct the New York Mortgage Exchange, as it is the direct successor to the old Lawyers Mortgage Company originally established in 1893. Although at first confined to so-called conventional mortgages, Mr. Grace predicted that the Exchange would soon enlarge its activities to include F.H.A. and V.A. mortgages in both local and national areas.

The New York Mortgage Exchange will devote itself exclusively to finding buyers and sellers of the mortgages listed with it, and will provide liquidity for first and second mortgages in somewhat the same manner as now enjoyed by stocks and bonds. Transaction on the New York Mortgage Exchange could be consummated in a matter of days, while formerly this would take many weeks.

Mortgages will be classified by the New York Mortgage Exchange into five classes, namely AA, A, B, C and D, which will be quoted as follows: AA ranging from 100 and over; A ranging from 90 to 100; B ranging from 80 to 90; C ranging from 70 to 80; and D ranging from 60 to 70. Each class of mortgages will be available in various amounts, interest rates and terms.

Commissions of 1% will be paid only by the buyer. On newly listed mortgages, the seller will pay a listing fee which runs from a minimum of $25 on small mortgages to a maximum of $100 on mortgages of over $100,000. The seller will give the New York Mortgage Exchange at 30-day exclusive listing and the mortgage will then be listed in proper classification after approval by the seller of such classification. The seller will pay the cost of a policy of title insurance running to the purchaser. There are no other charges involved.

Seligman, Lubetkin to Admit M. E. Kennedy

Seligman, Lubetkin & Co., 30 Pine Street, New York City, members of the New York Stock Exchange, on December 1st will admit Margaret E. Kennedy to partnership in the firm. Miss Kennedy has been conducting her own investment business under the firm name of Margaret Kennedy Company.

Continued from page 15

The Search for Oil —A Risky Business

because no machinery has been set up by Congress or the Executive Branch of the Government to carry on operations.

Incidentally, prior to the Supreme Court decision the activity was great and the successes were remarkable. Out of 46 structures drilled, 28 were shown to be capable of producing gas or oil, or both. It is very expensive to carry on this work. Costs in excess of a million dollars a well are not unusual.

Some may wonder what difference it makes who is landlord of the tidelands as long as operators can go about the business of drilling wells. From the producers' point of view the difference can be quite material.

In view of the Federal Government's eagerness to control free enterprise and to set up in competition with business no one knows what kind of leases it will issue. We may find ourselves in the position of the man who was about to rent an apartment and was offered a lease to sign. He read it through and found that it contained more restrictions than the United Nations' charter. "Look," he said to the landlord, "I have difficulty keeping the Lord's Ten Commandments to qualify for a lovely place in Heaven. I'll be darned if I'll try to keep your 50 commandments just for a three-room apartment."

In the second place, the States have appropriated all revenue from such lands to certain State funds. The loss of this revenue will make other properties bear greater taxes.

Third, the States have competent and efficient conservation bodies with years and years of experience. They are cognizant of the industry's problems and are accustomed to working with oil operators. The administrative abilities of these bodies are far superior to the bungling we generally associate with the Government's bureaucrats.

Fourth, if the Government has power to take natural resources in the name of national defense, when and where will this super-Federal power end? Submerged lands could well mean lands under bays, rivers, and lakes, as well as under gulfs and oceans. And if the Government can claim oil, why not other natural resources as well?

Industry Fosters Conservation

A third subject about which the public has been interested is that of conservation. Intelligent and patriotic oil men long ago realized that they were in effect the trustees of a natural resource so important that this country's technological development could be thought of as virtually dependent upon it. They understood that their legal right to this resource conferred upon them the moral obligation neither to waste nor to squander it. So they fought to establish laws in the various producing States that would require the conservation of oil and gas. They were encouraged in this by the Federal Government and by the State Governments involved, but, by and large, oil conservation has come about through the enlightened action of men within the oil industry.

The purpose of conservation, as stated in the compact of the Interstate Oil Compact Commission, is simply to "conserve oil and gas by the prevention of physical waste thereof, from any cause." The chief device used in carrying out this purpose is the establishment of quotas for the withdrawal of oil from each individual well. These quotas are computed by technical means which determine the most efficient rate of production for each well—that is, the rate at which the greatest ultimate recovery of oil and gas may be expected.

It is occasionally charged that the practice of setting production quotas for wells is a price fixing device. Now, it is obviously true that if there were no such restrictions and if producers exploited their wells as rapidly as possible, the immediate result would be a flood of crude oil to the refineries. The price of crude would undoubtedly drop—at least for a time until the damage done to the wells brought about a shortage at a later time. In that sense, therefore, conservation does help to stabilize the price of crude oil.

Not Price Fixing

But that is not the same thing as saying the quotas are manipulated for the purpose of fixing prices. I do not have knowledge—and I certainly do not believe—that the various regulatory bodies which make up the Interstate Oil Compact Commission fix particular quotas with the idea of establishing or maintaining particular prices. They do adjust quotas according to their best perception of anticipated demand as indicated by such factors as the expressed needs of bona fide purchasers, the estimates compiled by the Federal Bureau of Mines, and other such data. In other words, they try to see that we have all the crude oil available that we need, as far as it is possible for our domestic production to supply it, but they hold a check on physical waste, whether that waste occurs above ground or under ground.

For such assurance as it may constitute, I might observe that the industry's conservation practices have had even the approval and cooperation of the New Deal and the Fair Deal Administrations of the past 20 years. If any unworthy purposes, such as price fixing, lay behind our practices, those Administrations would have lost no time in jumping on our necks.

Perhaps the greatest stride toward better conservation that we have taken in recent years is the improved and increased utilization we have been making of natural gas. This is a matter which is of particular interest and concern to those of you who happen to be fuel oil jobbers, and it is also a matter about which some false ideas have taken root.

Expansion of Natural Gas

For many years, because of very limited avenues to markets and the very low price paid for gas, the producer considered gas as a waste product and made little or no effort to conserve it. In those days a gas well had no more value than a dry hole, unless it happened to be located near pipe line facilities and a market.

Today, in spite of the fact that prices are far from satisfactory, gas production has a new look in the eyes of the producer. This change has been brought about by the expansion of markets through the operation of numerous transcontinental pipe lines, the construction of natural gasoline plants, technical advances in the extraction of natural gas liquids, and the growing distribution of gas and its products in the household, industrial and petrochemical fields.

There should be no fear at the moment that gas will run the furnace oil business afoul. There is plenty of room in this period of expanding industrial and domestic construction for both gas and oil. Gas has made strides in the heat energy field, but statistics show that the rise of gas to capture the markets has been only limited.

I have some comparative data on the increased consumption of natural gas and fuel oil in the United States in those markets where these fuels were competitive for the years 1945 through 1951. This was the period of the greatest expansion in natural gas history — a period which saw striking increases in the use of gas for domestic purposes, power plants, manufacturing industries, and so on. And yet, comparing the growth in the use of natural gas with the growth of the heat energy field as a whole, statistics show that natural gas actually lost position by 4½% in the 1945-1951 period. Fuel oil, on the other hand, gained position by 8% during the same years. So you see, natural gas still hasn't grown legs long enough to match the strides being made by liquid petroleum products.

Actually, a great deal of the natural gas being produced today never leaves the production areas. This is true in large part because certain industries such as petrochemicals and aluminum have chosen to locate new plants in those areas. It might interest you to know that 55% of the gas produced in Texas is marketed there.

Threat of Government Control

We all have our problems, but the central issue of our time is the threat of Government control, and it will take the united force of the entire oil industry to meet this. We may take pride in the fact that our industry has been outstandingly successful in warding off the tentacles of Federal strangulation. We are an inspiration to millions of Americans who resent the extension of Federal power into private and business life. Even as we continue to compete vigorously among ourselves, we—marketers, refiners, producers, transporters, and everyone else connected with petroleum—must stand together and present a united front to those who would divide and conquer us. In this way we shall preserve the freedom of our industry; we shall continue to bring the public better values in products and services; and we shall earn the gratitude of later generations, who, like ourselves, must have the opportunity to know and treasure freedom.

Exchange Firms Ass'n Elects Officers

Roscoe C. Ingalls, senior partner of Ingalls & Snyder, New York City, was elected President of the Association of Stock Exchange Firms for the 1952-53 fiscal year by the Board of Governors at its Annual Meeting in New York City. He succeeds

Roscoe C. Ingalls

Horace W. Frost

Russell E. Gardner Jr.

Walter Maynard, Shearson, Hammill & Co., New York, who has served as President of the Association since November 1951. Mr. Ingalls became a member of the Board in November 1949. He has been in the securities business since 1912 and formed his present firm in 1924.

Horace W. Frost, Tucker, Anthony & Co., Boston, and Russell E. Gardner, Jr., Reinholdt & Gardner, St. Louis, were elected Vice-Presidents and Robert A. Magowan, Merrill Lynch, Pierce, Fenner & Beane, New York, Treasurer.

New Governors elected for a term of three years to the Board of 35, at the Annual Meeting of members of the Association held earlier, are:

Charles Edgar Ames, Kean, Taylor & Co., New York; Charles P. Cooley, Jr., Cooley & Company, Hartford; James J. Lee, W. E. Hutton & Co., New York; and Harry C. Piper, Jr., Piper, Jaffray & Hopwood, Minneapolis.

Re-elected for three-year terms were: John E. Blunt, 3rd, Blunt, Ellis & Simmons, Chicago; Douglas G. Bonner, Bonner & Gregory, New York; Horace W. Frost, Tucker, Anthony & Co., Boston; Willis D. Gradison, W. D. Gradison & Co., Cincinnati; Robert A. Magowan, Merrill Lynch, Pierce, Fenner & Beane, New York; Edward P. Prescott, Prescott & Co., Cleveland; and William F. Van Deventer, Laidlaw & Co., New York.

Elected as the Nominating Committee for 1953 were: 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; and Edgar Scott, Montgomery, Scott & Co., Philadelphia.

Following the organizational meeting of the Board, Mr. Maynard and the retiring Governors were guests at a dinner in their honor, attended by many past Presidents and Governors of the Association. The retiring Governors are:

Harold L. Bache (elected 1946), Bache & Co., New York; Hal H. Dewar (elected 1949), Dewar, Robertson & Pancoast, San Antonio; Wilbur G. Hoye (elected 1946), Chas. W. Scranton & Co., New Haven; and Joseph M. Scribner (elected 1945, President 1950-51), Singer, Deane & Scribner, Pittsburgh.

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. 23	106.1	*106.6	106.9	103.7
Equivalent to—					
Steel ingots and castings (net tons)	Nov. 23	2,203,000	*2,215,000	2,221,000	2,073,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Nov. 8	6,612,300	6,549,050	6,517,100	6,203,550
Crude runs to stills—daily average (bbls.)	Nov. 8	¶6,860,000	6,892,000	6,854,000	6,573,000
Gasoline output (bbls.)	Nov. 8	23,465,000	23,687,000	23,032,000	21,489,000
Kerosene output (bbls.)	Nov. 8	2,713,000	2,587,000	2,640,000	2,873,000
Distillate fuel oil output (bbls.)	Nov. 8	10,376,000	9,907,000	10,094,000	9,380,000
Residual fuel oil output (bbls.)	Nov. 8	8,478,000	8,525,000	8,188,000	9,076,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 8	121,374,000	120,563,000	120,910,000	119,559,000
Kerosene (bbls.) at	Nov. 8	33,383,000	33,760,000	35,529,000	35,260,000
Distillate fuel oil (bbls.) at	Nov. 8	120,146,000	*120,267,000	120,076,000	109,743,000
Residual fuel oil (bbls.) at	Nov. 8	53,602,000	53,292,000	54,423,000	49,244,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 8	829,198	862,012	842,713	791,403
Revenue freight received from connections (no. of cars)	Nov. 8	717,168	663,772	700,008	671,443
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 13	$411,529,000	$195,442,000	$333,337,000	$312,983,000
Private construction	Nov. 13	249,420,000	120,681,000	206,213,000	202,323,000
Public construction	Nov. 13	162,109,000	74,761,000	127,124,000	110,660,000
State and municipal	Nov. 13	90,479,000	57,272,000	56,801,000	76,765,000
Federal	Nov. 13	71,630,000	17,489,000	70,323,000	33,895,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 8	9,900,000	*9,220,000	9,050,000	11,524,000
Pennsylvania anthracite (tons)	Nov. 8	929,000	849,000	884,000	945,000
Beehive coke (tons)	Nov. 8	84,900	*65,300	84,100	144,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Nov. 8	117	115	126	127
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 15	7,883,878	7,806,795	7,681,332	7,333,134
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Nov. 13	148	143	139	109
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 11	4.376c	4.376c	4.376c	4.131c
Pig iron (per gross ton)	Nov. 11	$55.26	$55.26	$55.26	$52.72
Scrap steel (per gross ton)	Nov. 11	$42.00	$42.00	$42.00	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 12	24.200c	24.200c	24.200c	24.200c
Export refinery at	Nov. 12	34.625c	34.675c	34.250c	27.425c
Straits tin (New York) at	Nov. 12	121.250c	121.125c	121.500c	103.000c
Lead (New York) at	Nov. 12	14.500c	14.000c	15.000c	19.000c
Lead (St. Louis) at	Nov. 12	14.300c	13.800c	14.800c	18.800c
Zinc (East St. Louis) at	Nov. 12	12.500c	12.500c	13.500c	19.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Nov. 18	96.96	97.26	96.40	97.18
Average corporate	Nov. 18	109.24	109.24	108.88	109.42
Aaa	Nov. 18	113.31	113.31	112.75	113.89
Aa	Nov. 18	111.81	112.00	111.44	112.75
A	Nov. 18	108.88	108.70	108.52	108.52
Baa	Nov. 18	103.64	103.47	103.47	103.30
Railroad Group	Nov. 18	106.39	106.39	106.04	105.52
Public Utilities Group	Nov. 18	109.60	109.42	109.06	109.42
Industrials Group	Nov. 18	112.19	112.19	112.00	113.70
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Nov. 18	2.71	2.69	2.75	2.69
Average corporate	Nov. 18	3.21	3.21	3.23	3.20
Aaa	Nov. 18	2.99	2.99	3.02	2.96
Aa	Nov. 18	3.07	3.06	3.09	3.02
A	Nov. 18	3.23	3.24	3.25	3.25
Baa	Nov. 18	3.53	3.54	3.54	3.55
Railroad Group	Nov. 18	3.37	3.37	3.39	3.42
Public Utilities Group	Nov. 18	3.19	3.20	3.22	3.20
Industrials Group	Nov. 18	3.05	3.05	3.06	2.97
MOODY'S COMMODITY INDEX	Nov. 18	407.4	407.1	417.4	457.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 8	372,747	226,485	236,587	175,281
Production (tons)	Nov. 8	243,283	244,854	245,680	209,154
Percentage of activity	Nov. 8	97	97	96	86
Unfilled orders (tons) at end of period	Nov. 8	581,039	452,959	544,741	450,811
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Nov. 14	109.50	*109.86	109.39	116.14
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Nov. 1	26,528	25,139	25,166	34,018
Number of shares	Nov. 1	746,001	694,152	696,284	971,801
Dollar value	Nov. 1	$32,901,935	$30,480,614	$32,628,271	$39,950,913
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Nov. 1	20,261	20,797	20,720	25,708
Customers' short sales	Nov. 1	89	124	141	461
Customers' other sales	Nov. 1	20,172	20,673	20,579	25,247
Number of shares—Total sales	Nov. 1	584,913	594,255	581,641	750,833
Customers' short sales	Nov. 1	3,370	4,281	4,798	15,171
Customers' other sales	Nov. 1	581,543	589,974	576,843	735,662
Dollar value	Nov. 1	$23,670,713	$23,838,174	$23,886,623	$32,543,903
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 1	164,790	170,310	176,730	196,670
Short sales	Nov. 1				
Other sales	Nov. 1	164,790	170,310	176,730	196,670
Round-lot purchases by dealers—					
Number of shares	Nov. 1	329,920	279,150	269,520	422,880
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. 25	199,170	205,290	208,970	463,640
Other sales	Oct. 25	5,572,710	6,048,480	6,661,000	11,294,770
Total sales	Oct. 25	5,771,880	6,253,770	6,869,970	11,758,410
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	Oct. 25	543,850	625,210	656,710	1,307,900
Short sales	Oct. 25	109,580	116,940	107,590	221,350
Other sales	Oct. 25	449,040	543,620	572,110	1,167,880
Total sales	Oct. 25	558,620	660,560	619,700	1,389,230
Other transactions initiated on the floor—					
Total purchases	Oct. 25	102,820	116,000	190,840	275,530
Short sales	Oct. 25	8,100	8,100	13,100	26,930
Other sales	Oct. 25	98,500	156,400	183,140	317,380
Total sales	Oct. 25	106,600	164,500	196,240	344,310
Other transactions initiated off the floor—					
Total purchases	Oct. 25	170,680	223,700	221,950	513,393
Short sales	Oct. 25	29,540	22,330	34,670	60,550
Other sales	Oct. 25	197,001	325,780	259,170	481,483
Total sales	Oct. 25	226,541	348,110	293,840	542,033
Total round-lot transactions for account of members—					
Total purchases	Oct. 25	817,350	964,910	1,069,500	2,096,823
Short sales	Oct. 25	147,220	147,370	155,360	308,830
Other sales	Oct. 25	744,541	1,025,800	954,420	1,966,743
Total sales	Oct. 25	891,761	1,173,170	1,109,780	2,275,573
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—(1947-49 = 100):					
Commodity Group—					
All commodities	Nov. 11	110.0	110.0	110.7	------
Farm products	Nov. 11	104.3	*104.7	104.6	------
Processed foods	Nov. 11	106.2	*105.5	108.1	------
Meats	Nov. 11	100.9	*99.2	107.3	------
All commodities other than farm and foods	Nov. 11	112.1	*112.1	112.6	------

*Revised figure. ¶Includes 683,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—			
Month of October (in thousands)	$154,237,000	------	$139,308,000
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of October:			
Manufacturing number	146	107	150
Wholesale number	54	58	47
Retail number	291	288	304
Construction number	88	50	85
Commercial service number	52	36	57
Total number	631	539	643
Manufacturing liabilities	$13,079,000	$6,780,000	$12,219,000
Wholesale liabilities	8,550,000	4,365,000	6,835,000
Retail liabilities	6,078,000	5,317,000	6,707,000
Construction liabilities	5,167,000	2,729,000	1,937,000
Commercial service liabilities	2,175,000	947,000	2,044,000
Total liabilities	$35,049,000	$20,138,000	$29,742,000
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM — Estimated short-term Credit in millions as of Sept. 30:			
Total consumer credit	$21,720	$21,436	$19,362
Instalment credit	15,252	14,940	13,167
Sale credit	8,324	8,149	7,327
Automobile	4,699	4,634	4,175
Other	3,625	3,515	3,152
Loan credit	6,928	6,791	5,840
Noninstalment credit	6,468	6,496	6,195
Charge accounts	3,839	3,902	3,696
Single payment loans	1,481	1,458	1,401
Service credit	1,148	1,136	1,098
COTTON GINNING (DEPT. OF COMMERCE):			
Running bales (exclusive of linters) prior to Nov. 1	10,785,725	------	10,023,029
COTTON PRODUCTION — U. S. DEPT. OF AGRICULTURE—Estimates as of Nov. 1:			
Production 500-lb. gross bales	14,905,000	14,413,000	15,144,000
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of September:			
Cotton Seed—			
Received at mills (tons)	1,173,465	397,546	1,053,549
Crushed (tons)	524,850	148,184	541,257
Stocks (tons) Sept. 30	1,034,875	388,260	934,752
Crude Oil—			
Stocks (pounds) Sept. 30	103,809,000	38,375,000	90,010,000
Produced (pounds)	156,459,000	44,768,000	166,505,000
Shipped (pounds)	77,223,000	46,335,000	102,211,000
Refined Oil—			
Stocks (pounds) Sept. 30	288,212,000	318,008,000	102,715,000
Produced (pounds)	71,655,000	42,285,000	96,085,000
Consumption (pounds)	103,262,000	92,727,000	100,550,000
Cake and Meal—			
Stocks (tons) Sept. 30	81,857	47,876	70,841
Produced (tons)	248,660	70,059	250,122
Shipped (tons)	214,679	67,287	236,624
Hulls—			
Stocks (tons) Sept. 30	42,244	25,775	23,457
Produced (tons)	108,944	31,862	119,904
Shipped (tons)	90,475	30,702	115,361
Linters (running bales)—			
Stocks Sept. 30	183,955	112,507	94,982
Produced	167,747	46,230	175,473
Shipped	96,299	40,949	132,048
Hull Fiber (1,000-lb. bales)—			
Stocks Sept. 30	1,171	777	818
Produced	1,199	486	1,608
Shipped	805	a	a
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks Sept. 30	4,177	3,269	4,144
Produced	2,362	905	2,463
Shipped	1,454	1,989	1,953

(a)Not shown to avoid disclosure of figures for individual companies.

	Latest Month	Previous Month	Year Ago
FAIRCHILD PUBLICATIONS RETAIL PRICE INDEX—1935-39=100 (COPYRIGHTED)— As of Nov. 1:			
Composite index	104.9	104.9	106.9
Piece goods	97.7	97.5	99.9
Men's apparel	105.3	105.4	107.2
Women's apparel	100.6	100.7	102.6
Infants' and children's wear	104.8	104.8	106.6
Home furnishings	107.8	107.7	110.3
Piece goods—			
Rayons and silks	90.8	90.4	91.9
Woolens	108.6	108.1	113.6
Cotton wash goods	94.9	94.9	98.4
Domestics—			
Sheets	101.9	101.1	107.2
Blankets and comforters	121.7	118.7	125.9
Women's apparel—			
Hosiery	94.8	95.1	96.8
Aprons and housedresses	97.5	97.0	99.2
Corsets and brassieres	107.3	107.3	107.9
Furs	94.2	94.5	100.3
Underwear	99.6	100.0	101.6
Shoes	108.6	108.4	110.2
Men's apparel—			
Hosiery	106.8	106.8	107.2
Underwear	110.2	110.8	111.6
Shirts and neckwear	102.4	102.4	102.8
Hats and caps	100.2	100.2	100.5
Clothing, including overalls	103.0	103.1	105.8
Shoes	106.8	107.0	111.6
Infants' and children's wear—			
Socks	102.9	102.9	102.5
Underwear	103.0	103.0	102.9
Shoes	110.0	110.0	113.5
Furniture	108.0	108.2	108.5
Floor coverings	118.0	118.3	120.4
Radios	101.6	102.0	102.8
Luggage	101.5	101.5	104.4
Electrical household appliances	104.8	104.8	107.2
China	101.0	100.9	102.4
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of October	£3,940,000	£15,429,000	£4,314,000
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of August:			
Net railway operating income	$104,939,432	$60,963,230	$82,687,202
Other income	16,942,620	16,929,841	17,568,387
Total income	121,882,052	77,893,071	100,255,589
Miscellaneous deductions from income	4,443,093	3,279,816	4,606,689
Income available for fixed charges	117,438,959	74,613,255	95,648,900
Income after fixed charges	81,185,966	38,690,784	60,635,452
Other deductions	3,030,649	3,221,611	3,109,639
Net income	78,155,317	35,469,173	57,525,813
Depreciation (way & structure & equipment)	41,047,320	40,706,896	40,871,451
Amortization of defense projects			
Federal income taxes	59,021,251	26,117,063	56,476,614
Dividend appropriations:			
On common stock	26,690,526	7,629,617	24,5[illegible]
On preferred stock	4,511,274	4,305,405	5,70[illegible]
Ratio of income to fixed charges	3.24	2.08	2.7[illegible]

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

The big talk now is what kind of hold Eisenhower will grab once he officially moves into the White House. The chief worry is taxes. Will they stay where they are or will they come down? You can get a variety of answers, depending on who you talk to.

* * *

Wayne Morse, the independent Republican from Oregon, said that the incoming Congress will vote a national sales tax. Washington pundits say taxes will be cut slightly if for no other reason than the Republicans promised it. Excess profits taxes, however, will either be sharply cut or eliminated.

* * *

Obviously none of the above will have any effect on the immediate stock market trend. In fact they may not even have much of an effect on the longer price trend mainly because anticipatory moves will occur long before the event.

* * *

Right now the market is showing signs of tiredness; this condition began appearing right after the initial election hoopla wore itself out. Here and there a few stocks show a resistance to the general lassitude shown by the rest of the market. In the final analysis, however, you can count on most stocks participating in the general action, or inaction, of the market as a whole.

* * *

It isn't clear at this time if a break of any size is in the immediate offing. Putting it another way, no sharp break is indicated. Yet, breaks, or rallies, seldom signal their coming by ringing of bells. When certain conditions are present definite signs occur. Shortly thereafter these signs are either dissipated or give rise to the market waves we call reactions or rallies.

* * *

In last week's column, I said I don't favor buying stocks on strength. I know as well as the next guy that such a statement is meaningless. Nobody likes to buy on strength. The trouble is how is one to determine if strength at one point won't be followed by more strength. There's no easy answer to that one. Experience in reading tape action, combined with other factors too involved to go into here, brings out clues that point to a dim road. There have been exceptions, and there doubtless will continue to be exceptions, but at this writing, new buying doesn't seem indicated.

* * *

When the signs change, and if they change in time to make the deadline, you'll be notified. Until then, conserve your cash. In any event you're not entirely out of long stocks. You were supposed to have sold only half on the post-election rally. The rest were to be held.

[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.]

Continued from page 3

Recent Trends in Corporate Financing

in relation to their earnings have been lower than they were in the late 1920s and this, as well as the level of stock prices compared with bond prices, has militated against common stock financing. It is difficult psychologically for a company to decide to sell shares at six or eight times earnings when management believes 10 or 12 times earnings is the real value.

Certain other factors prevailing in recent years have also favored debt financing. These have included the Government cheap money policy, which has made possible the issuance of substantial amounts of debt at low rates, and the recent and present tax structures, which have placed penalties on equity financing and made debt financing advantageous in terms of earnings retained after taxes. The effect of the tax structure on borrowings is clearly illustrated by the case of a company paying an excess profits tax based on earnings (but not up to the overall 70% ceiling). Assume that this company in today's market has a choice of selling bonds with a 5½% coupon or preferred stock with a 4½% dividend rate. The bond issue would in effect, in years in which the company is subject to an excess profits tax, result in an actual *saving* of 1.28% of the amount borrowed annually compared to a *cost* of 0.90% for financing by the preferred route, thus giving the company a total annual saving of 2.18% by selling debt instead of a preferred issue. If there were no excess profits tax but the 52% normal tax plus surtax continued, the differential in cost would be even greater. The cost of the 3½% bond issue would be an effective 1.68%, while the 4½% preferred would, of course, cost 4.50%, or a differential of 2.82% per annum.

You gentlemen work hard to make money and to save money for your companies. Traditional conservative fiscal policy may urge you to sell preferred stock, but can you afford to do so when because of our tax structure debt financing is so advantageous? The high yields carried by most common stocks make the tax advantages of debt over common even greater than debt over preferred.

Another important factor influencing the choice of senior versus junior financing has been the thinness of markets frequently found in most common stocks. The spread between bid and asked prices is somewhat wider than formerly and open orders to buy below the market and open orders to sell above the market just do not exist in the volume which characterized our markets a quarter of a century ago. We all recognize and accept as desirable the present investment character of the common stock market. The thinness of markets resulting from the elimination of speculation has, however, proven to be an increasing deterrent to common stock financing as the requirement for the number of dollars has increased. Except in very special cases, market thinness places practical limits on the amount of equity which can be sold unless the seller is willing to accept a substantial sacrifice in price.

As I see the picture, the factors working against equity financing in favor of debt financing may well moderate somewhat in the next few years and equity financing increase as a percentage of total financing. Some gradual tax relief plus the possibility of a "better feeling" which could result in higher price-earnings ratios are the influences most likely to work in this direction.

The Upward Trend in Private Placements

A trend which appeared before the war but became stronger after its close was the trend toward private placement of new corporate offerings. A private placement, as you know, is financing effected with one institution or a small group of institutions, without registration. In the years 1935-1937, the percent of the total value of corporate offering placed privately ranged between 8% and 17%. In 1940, they were 29% and in 1946 they were 28%. Thereafter, they rose to 34% in 1947, and were between 41% and 44% for each of the years 1948 through 1951. A change in this trend appeared, however, about the middle of 1951, and a greater proportion of offerings began to be offered publicly. For the first six months of 1952, only 39% of corporate offerings were placed privately compared with 50% in the first six months of 1951.

Many of the largest issues and most of the smaller issues from 1946 through 1951 were sold privately, the special characteristics of some of the large issues having militated against their public offering, and the expenses of a public offering not being warranted in the case of the smaller issues, many of which were, moreover, of localized character.

There are certain other advantages which appeal to corporations in placing issues privately. Private placements do not have to be registered, thus avoiding the necessity of public disclosure of information which some companies are unwilling to make for competitive reasons. There is a saving in cost through the elimination or reduction of audit expenses, engineers' or other experts' reports, printing, legal fees, trustees fees, and the selling expenses of the investment banking distribution system. On a $10 million issue of a credit commanding an A rating, these cost savings could amount to $125,000, or 1¼%. But against that saving must be placed the fact that usually the annual interest rate required on a private placement is higher than on a public offering, perhaps by as much as ¼ to ½ of 1%—so that, in a few years, the initial saving in cost would be eliminated.

Private placements ordinarily can also be accomplished more speedily than public offerings. One private placement, by a series of fortunate coincidences, was completed by us in less than two weeks, while the most rapid public offering with which my firm has been identified took about 30 days from the beginning of the negotiations to the receipt of the money. Striking an average it might be fair to say that private placements require a month to six weeks and public offerings two months, though both at times can drag out over a long period of months. The actual commitment to the borrower is likely to occur earlier in the course of a private placement than in a public offering, and at times this is important to the borrower. Another advantage of private placements is the willingness of some institutions to make advance commitments—that is, instead of raising the entire amount now and paying the full carrying cost thereon, the company can arrange for the total amount required, take down part now and part or all of the remainder later as needed. This usually calls for an additional "stand-by" fee. Some deals with peculiarly complicated features can be done more readily through placing the issue privately than through a public offering.

Against these advantages, it is well for corporations to consider certain disadvantages in making private placements. One of the most important is the loss of the advertising and goodwill advantages of a public offering. The advertising of the issue and the subsequent trading in the securities make the company better known to more investors. Moreover, if the company in the conduct of its business has dealings with many institutions, it is difficult, if not impossible, to bring all of its friends into a private placement, though all can invest in a publicly offered security.

Private placements customarily call for tighter indentures, more restrictive features, and higher redemption prices than public offerings. Moreover, some of the largest institutions buying issues privately now insist on placement of their funds for a minimum time certain and incorporate in the loan agreement prohibitions against early repayment through refunding. In the case of privately placed Preferred Stock, corporations have usually encountered an institutional insistence on larger sinking fund features than are required by similar public offerings.

A very important disadvantage of private placements is that they cannot be redeemed at less than sinking fund call prices. Publicly offered obligations, on the other hand, will vary in price with changes in basic interest rates. If interest rates or preferred yields rise, the price of the security will go down and the issuer will then have the opportunity to acquire the original bonds or preferreds at a discount. To show the effect of interest rates on the market prices of debt obligations, consider the Socony Vacuum 2½s of 1976 and the Westinghouse Electric 2⅝s of 1971, both of which were issued at 100½ or higher in 1946. In 1951 the Socony Vacuum 2½s sold as low as 89¼ and the Westinghouse Electric 2⅝s as low as 92¾. Sinking fund prices of each were above 100 and the potential saving to the corporations in being able to fill their sinking fund requirements in the open market is evident. If one believes the government will moderate or eventually abandon its "cheap money" policy, the advantage of being able to repurchase senior securities at discounts would be even greater, particularly for a company which expects to have excess working capital a few years hence.

To conclude on private placements: they serve a particularly useful purpose in some cases; in other situations, and probably the substantial majority, public financing is definitely preferable. Over the next several years, I would expect private placements to continue in large volume but to represent a smaller portion of total financing.

Lenthening of Maturities and Introduction of Unusual Features

In the last year or two there has been a noticeable trend toward the lengthening of maturities of both publicly offered and privately placed industrial debt. Public offerings of the type which previously carried, say, a 20-year maturity have been stretched out to mature in 25 or 30 years. In the field of private placements, the outstanding development has been the willingness of some of the large insurance companies to invest funds on a very long-term basis in high grade industrial credits at rates which would appear to be attractive considering the long cycle involved. For example: Corning Glass Works placed $10,000,000 Income 3¾% bonds due in 2002; Monsanto Chemical, $66,000,000 of 3¾% Income Debentures also due in 2002; and Union Carbide and International Business Machines, $300,000,000 and $115,000,000 respectively of 3¾% bonds due a century hence, to be issued in segments, but the final amount to be taken not later than November and December, 1954.

The trend toward the lengthening of maturities has gone quite far in a short time. The funding of short-term debt will, of course, continue, but other than this, I would doubt that over the near term there will be any material further lengthening of maturities.

Unusual sinking fund and other conditions have been incorporated in some of the recent private placements. Both the Union Carbide and International Business Machines issues carry no sinking funds and are convertible at any time after 8 years into 25 year 3½% notes at the option of either the debtor or the creditor; if converted both are repayable in equal annual installments from the sixth through the twenty-fifth years. The sinking funds on both the Corning Glass and Monsanto Chemical Debentures begin 30 years from now in 1982 and it should be noted that the payment of interest as it accrues is dependent upon available earnings in both of these instances. Many other privately placed loans as well as public offerings of shorter maturities provide that sinking funds are to be deferred for the first five or more years. A relatively new negative feature required by some of the larger insurance company lenders is the prohibition against refunding through either lower interest rates or shorter maturities during the first 10 or more years of the life of the loan.

There is no limit to the ingenuity of financial minds and undoubtedly other unusual new features will be devised as time goes by. The prohibition against refunding, however, is strongly opposed by borrowers and I would expect it to receive diminishing usage.

Increased Usage of Convertible and Subordinated Issues

The postwar period has witnessed a marked increase in the offerings of convertible bonds and convertible preferreds. American Telephone & Telegraph Company alone has sold over two billion dollars worth of convertible bonds since 1946. Excluding $415,000,000 of American Telephone & Telegraph and an unascertainable amount of other non-underwritten issues, convertible bonds publicly offered in 1951 aggregated $50,328,000; so far in 1952 seven major companies exclusive of the Telephone Company have issued over $358,000,000 in convertible debentures and another $116,000,000 are scheduled for offering in the next few months. Convertible preferred stocks have increased from 46%

of the $382,000,000 total registered preferred offerings in 1946 to 72% of the $755,000,000 total preferred offerings in 1951.

Convertible issues have had a strong appeal to an important segment of the investment market which under inflationary conditions did not want to take the price risk involved in money-rate senior securities and could not or would not buy common stocks. To this type of buyer the convertible issue was attractive because, in theory at least, its yield placed a relatively nearby price floor under it and the conversion feature offered worthwhile appreciation potentialities.

From the issuing company's point of view, the convertible security has offered many advantages. Its cost in terms of coupon or dividend is lower than that of a similar straight security and, properly set up, it can be sold readily, whereas common stock or non-convertible securities in some cases can be sold only with difficulty. Because of the attraction of the conversion feature, the convertible requires a smaller or no sinking fund and fewer and weaker restrictive provisions than a non-convertible issue. In effect, the convertible security provides a method of selling common stock above the market—usually the conversion price is 10% to 20% above the common stock market at the time of offering. In contrast, a direct public offering of common ordinarily carries a price a few points below the level prevailing prior to the announcement of the financing; and rights offerings customarily are made at prices 10% to 20% below market to insure a worthwhile value for the rights. By requiring fewer shares to raise the same amount of money, an convertible issue reduces dilution of equity. Moreover, in most instances a convertible issue usually is converted over a period of time and the market for the common has an opportunity to adjust to the dilution gradually rather than having to do it immediately.

The degree to which convertible issues have been converted is perhaps a good measure of how well they have served their purpose. An examination of convertible bonds or debentures issued by leading companies in the calendar years 1946 and 1947 shows that about 69% of the issued amount had been converted at the end of 1951, and of convertible preferred stocks issued in 1946 and 1947 about 49% of the amount originally issued had been converted at the end of 1951. About a quarter of the total number of preferreds issued had been converted in full and many of the others had been reduced. The market was, of course, higher in 1951 than in 1946 and 1947.

My own guess is that convertible securities will continue to be issued in large quantities but that their cycle has about reached its peak and that their portion of total financing will be somewhat smaller than in the recent past.

Until very recently, subordinated debentures were used almost exclusively by finance companies, but because of the tax advantages to be secured major industrial companies are now adopting this type of issue in lieu of preferred stock. Most of the recent subordinated issues have been convertible. Since such prominent companies as Union Oil, Dow Chemical and Sinclair Oil have selected this medium, it seems to me that subordinated debentures are likely to find increased usage and broader application in the future.

Possible Revival of Class B Common

Capitalizations with two classes of common stock are not new but I would like to take a few minutes to comment on a new usage for this type of capitalization.

Privately owned companies with conservative dividend policies for financing their growth internally are always faced with a problem when they decide to market their shares. A dividend rate sufficient to interest the public would materially handicap the growth from internal sources. The first major instance of a capitalization designed to overcome this problem appeared in our offering of 500,000 shares of Blockson Chemical common earlier this year. The outstanding stock of the company was reclassified into one-third common stock, which was sold to the public, and two-thirds class B common stock, which was retained by the selling stockholders. The two classes of stock are identical in every respect except that dividends may be paid on the common without the payment of any dividend or a similar dividend on the class B. This accomplishes several objectives: it assists the company in maintaining a consistent dividend policy on the common (the only class in the hands of the public) and at the same time permits the company to retain such portion of its earnings as may be required for the needs of the business. The set-up in the case of Blockson would involve the distribution of less than 25% of its earnings in order for the dividend on the publicly owned stock to be equivalent to two-thirds of total per share earnings. In this way, it has become possible for the public to have a position in a conservatively financed growth company without the sacrifice in yield which has usually been necessary in such cases. The class B stock is convertible share for share into the common, thus giving to the class B holders the marketability desirable ultimately for estate purposes.

This type of two class common stock capitalization is not likely to have broad usage but I do believe that it will be used increasingly in the future by growth companies which are closely held.

To summarize, the recent trends in corporate financing have been:

(1) A continued emphasis on debt financing.

(2) An upward trend in private placements.

(3) The lengthening of maturities and the introduction of unusual features.

(4) Increased usage of convertible and subordinated issues, largely convertible.

As to the future, the old law of supply and demand will undoubtedly exert a primary influence on the type of financing which corporations will undertake. Opinions will differ but my own personal view is that:

(1) The emphasis on debt financing will moderate somewhat and equity financing will increase as a percentage of total financing.

(2) Private placements will decline somewhat in relation to total financing.

(3) Except for the funding of short-term debt, there probably will be no material lengthening of maturities over the near future. Additional unusual features will continue to be devised but the recently developed prohibition against refunding of privately placed loans will receive smaller rather than broader usage.

(4) Convertibles will continue to be used in volume but probably will represent a smaller portion of total financing. Subordinated issues should increase substantially in volume.

Thomson McKinnon Add 2

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—Frederick W. Freitag and George S. Losey have joined the staff of Thomson & McKinnon, 107 East Las Olas Boulevard.

Our Reporter's Report

The underwriting industry is not expecting too much in the way of new corporate financing will go through between now and the end of the year. Rather, the opposite appears to be true.

The consensus is that in the interval the bulk of interest will shift to the secondary market which will reflect the efforts of large institutional holders to work out "tax swaps" and otherwise improve their portfolio positions.

Momentarily we have a picture of the Treasury market putting on a show of uncertainty with operations mirroring largely the jockeying of professionals and traders for positions. Meanwhile the corporate market continues to display underlying strength with a gradual movement to higher levels and leaner yields.

The Government list appears to reflect efforts to guess what the interest rate will be on the next Treasury offering. There has been talk of a 3% eligible issue. But such discussion is believed to be a bit premature in view of the recent election results.

The Treasury, it was noted, has just decided against exercising its right to call some $8,000,000,000 of 2% ten-year bonds in advance of their maturity.

This was taken as an indication that the present regime will let the task of providing for such obligations go over to the new Administration which takes office in January. Meantime refinancing probably will be held to recurrent bill issues.

L. I. Lighting Is Slow

Extremely close bidding marked the sale on Monday of $20,000,000 of 30-year bonds of the Long Island Lighting Co. The bid of the runners-up was separated from that of the winner by a margin of only six cents per $1,000 bond, with both groups naming a 3⅜% coupon rate.

The successful group bid 100.309 while the second bid was 100.303. The winners fixed a reoffering price of 101 for an indicated yield of about 3.32%.

Yet notwithstanding the dearth of new offerings, potential buyers were reported a bit on the slow side in inquiring for the bonds. "Off-the-Street" buyers, it was reported, regarded the price as a little on the "stemmy" side.

Prior Obligations

Among those who do business with the big institutional investors the current situation is not altogether to their liking. They find it extremely difficult to interest such buyers in propositions of the moment.

These outlets, it appears, are pre-occupied with taking care of obligations previously incurred. In other words mortgages and privately negotiated deals still take up a good part of their slack.

And as bond men are quick to point out this is a condition which goes far toward taking "the zip out of the market." But on that score they are hopeful of better conditions after the turn of the year.

Pacific Tel. & Tel.

Next Tuesday Pacific Telephone & Telegraph Co. will open bids for its offering of $35,000,000 of 27-year debentures. Officials are meeting today with prospective bidders to go over last minute details.

This issue, designed to reimburse the company's treasury for expenditures already made for new construction, will mark next week's only sizable corporate undertaking.

Meanwhile Ohio Edison is reported making plans to float $30,000,000 new preferred and common stock early next year. It is expected to run around 479,800 shares of common and 150,000 shares of preferred, with the possibility of a new long-term debt obligation also included.

Securities Salesman's Corner

By JOHN DUTTON

Xmas Time Is Coming

In a neat and dignified folder, size 4 inches by six and a quarter and consisting of four pages, the firm of Thomson & McKinnon, 11 Wall St., New York 5, N. Y., are telling all their clients why stocks make good Xmas gifts. I'll try and describe this attractive folder to you. Across the front page at the top there is a line of red and green holly berries and a miniature stock certificate is the only other illustration which appears. The first page just says, "Why Stocks Make an Ideal Christmas Gift."

Page two suggests "Some good stocks from which to select your gift." Then twelve market leaders are listed, and three columns follow each stock showing 1947-51 average earnings; estimated 1952 dividend, and the yields ranging from 4.0% on Union Carbide to 8.7% on U. S. Rubber. The following clause appears at the bottom of page 2: "This is not a solicitation of an order to buy or sell or an offer to buy or sell, but is merely a bulletin of current market information. The statistical data contained herein are derived from sources which we deem to be reliable, but their accuracy is not guaranteed by us."

Page 3 follows: "A Gift of shares in one or more of America's great corporations is something any member of your family, an employee or a dear friend will appreciate. . . . IF carefully selected, your gift may very well increase in value as time goes on—something few other gifts will do. . . . It will provide capital for future needs or ambitions. . . . It will be a welcome source of additional income. . . And it will encourage saving by the recipient for additional investment in similar securities.

"Can you think of any finer way to say 'Merry Christmas'?

"We'll be glad to help you make a selection.

"You may order your stocks through us, having delivery made to you in time for Christmas. We supply a special Xmas gift envelope for your use. Visit, write or phone our nearest office."

Page 4 lists the addresses of the various Thomson & McKinnon offices throughout the country.

Although this idea is very suitable for a large stock exchange firm that has a nationwide business, it could also be adaptable in the case of smaller firms. A letter to all clients that have been satisfied owners of mutual fund shares might be productive of considerable goodwill and interest at this time—it could also create some new accounts and develop some orders. The suggestion might be offered that those who have been well satisfied owners of the shares of any particular fund or funds, could place orders for them in the names of friends, relatives, or employees and they would be delivered in time for Xmas giving. There are many people who would like to give something tangible and of lasting benefit. Good stocks, or mutual fund shares will keep on saying Merry Xmas all during the years ahead. Every time a dividend is paid to the recipient there is a reminder of the one who made the gift.

Then there is the $3,000 individual gift exemption that can be used by those who have children, and who would like to take advantage of the tax savings which are available. The ruling is—the donor can give a maximum of $3,000 per annum to as many individuals as he or she may wish, entirely free of Federal estate tax, and with the consent of wife or husband if married, the gift may total up to a maximum of $6,000 tax free.

Thomson & McKinnon have done a very commendable bit of dignified and creative advertising—they have used a folder which they have sent to their large clientele. Possibly you can use this idea in your own way—in your community. There are people among your clients who might like the idea of giving some trusted employees, friends, or relatives, a good investment that will pay them continuous income. There may be some of your customers who might like the idea of making a gift to their children, or grandchildren. You might wish to use your own form of letter—or folder—or newspaper advertising. You might even go over your clientele and find some people who would take to a personal suggestion along this line.

After all—everyone else looks to Christmas as a time for encouraging happiness, good-cheer and better hope for tomorrow. As T.&M. well put it, "Can you think of a finer way to say Merry Xmas." And good investments will keep saying it for years to come.

Halsey, Stuart Group Offers N. Pa. RR. Bonds

Halsey, Stuart & Co. Inc. and associates are offering today $6,000,000 The North Pennsylvania RR. Co. 3⅜% mortgage bonds, maturing Dec. 1, 1972. Issuance and sale of the bonds, which are priced at 101.067% and accrued interest, are subject to authorization by the Interstate Commerce Commission.

Proceeds from the issue will be used for the payment of an aggregate of $6,000,000 principal amount of presently outstanding mortgage bonds of the company, which will mature on Jan. 1, 1953.

The new bonds will be redeemable at the option of the company, as a whole or in part, at prices ranging from 104.10% to par.

The North Pennsylvania RR. Co. owns a railroad which is operated by Reading Company as lessee under a lease and contract dated May 14, 1879, made for a term of 990 years between the company and The Philadelphia & Reading RR. Co., the predecessor company of the Reading. The company's railroad is 94.03 miles in length and extends from Philadelphia to Bethlehem, Pa., and various other points in the state. The main line of the company handles substantial tonnage to and from Bethlehem Steel Co.'s plant and connections are made with the Lehigh Valley RR. and Central RR. of Pennsylvania. A considerable amount of local passenger and commutation traffic between Philadelphia and nearby communities moves over the company's lines.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ A-P Controls Corp., Milwaukee, Wis.
Nov. 7 (letter of notification) 5,000 shares of common stock to be offered to key employees. **Price**—$23.50 per share. **Proceeds** — For working capital. **Office** — 2450 North 32nd St., Milwaukee 45, Wis. **Underwriter**—None.

★ A. S. C. Corp., Marion, Ind.
Nov. 5 (letter of notification) $250,000 of 10-year 5% subordinated debenture bonds, series C. **Price**—At par (in denominations of $1,000 and $500). **Proceeds**—For working capital. **Office**—315 South Adams St., Marion, Ind. **Underwriter**—Foelber-Patterson, Inc., Fort Wayne, Indiana. **Offering**—Now being made.

● 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. No public offer planned at this time.

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.

★ American Hellenic Mining Development Corp.
Nov. 13 filed 100,000 shares of common stock. **Price**—At par ($2 per share). **Proceeds**—For exploration costs and new equipment. **Office**—Washington, D. C. **Underwriter**—None.

★ American Metal Co., Ltd.
Nov. 17 (letter of notification) not more than 1,000 shares of common stock. **Price**—At market (around $25 per share). **Proceeds**—For account of common stockholders entitled to receive fractional shares in connection with payment of 5% stock dividend. **Underwriter**—None. Shares to be sold on the New York Stock Exchange.

★ American Mutual Fund, Inc., Los Angeles, Calif.
Nov. 12 filed 250,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

★ Bonanza Oil & Mine Corp., Sutherlin, Ore.
Nov. 3 (letter of notification) 25,000 shares of common stock (par 10 cents). **Price**—At market (approximately $1 per share). **Proceeds**—To A. L. Albee & Co., Inc., Boston, Mass., who is the selling stockholder. **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) being 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.

★ Burke-Martin Mines, Inc., Dillon, Colo.
Nov. 7 (letter of notification) 10,000 shares of common stock (par 50 cents) and 5,000 shares of common stock (par 25 cents). **Price**—At par. **Proceeds**—To T. E. Martin, the selling stockholder. **Office**—Montezuma Road, Dillon, Colo. **Underwriter**—None.

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.

Cincinnati Enquirer, Inc.
July 25 filed $2,500,000 of 10-year convertible junior debentures due Aug. 1, 1962. **Price**—To be supplied by amendment. **Proceeds**—To pay notes issued to the Portsmouth Steel Corp. **Underwriter**—Halsey, Stuart & Co. Inc., Chicago and New York. **Offering** — Temporarily postponed.

NEW ISSUE CALENDAR

November 20, 1952
Northern Pacific Ry.----------Equip. Trust Ctfs.
(Bids noon EST)

November 24, 1952
Garrett Freightlines, Inc.----------Debentures
(Allen & Co.)
Gulf States Utilities Co.----------Bonds
(Bids 11 a.m. EST)
Standard Sulphur Co.----------Common
(Gearhart & Otis, Inc. and F. L. Rossmann & Co.)

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.)
Western Light & Telephone Co., Inc.----------Common
(Offering to stockholders—underwritten by Harris, Hall & Co., Inc.)

December 1, 1952
Consolidated Gas, Electric Light & Power Co. of Baltimore----------Debentures
(Bids to be invited)

December 2, 1952
Davidson Chemical Corp.----------Common
(Offering to stockholders—underwritten by Alex Brown & Sons)
Seaboard Air Lines RR.----------Equip. Trust Ctfs.
(Bids noon EST)

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 8, 1952
Circle Wire & Cable Corp.----------Common
(Van Alstyne, Noel & Co. and Hornblower & Weeks)
Multicrafters, Inc.----------Preference
(Steele & Co.)

December 9, 1952
Copperweld Steel Co.----------Preferred
(Riter & Co.)
Pillsbury Mills, Inc.----------Debentures
(Goldman, Sachs & Co. and Piper, Jaffray & Hopwood)
New England Telephone & Telegraph----------Debs.
(Bids 11 a.m. EST)
Standard Coil Products Co., Inc.----------Debentures
(F. Eberstadt & Co., Inc.)

December 10, 1952
Wabash RR.----------Equip. Trust Ctfs.
(Bids to be invited)

December 17, 1952
New York Central RR.----------Equip. Trust Ctfs.
(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)

★ Circle Wire & Cable Corp. (12/8-11)
Nov. 17 filed 100,000 shares of common stock (par $5). **Price**—To be filed by amendment. **Proceeds**—To two stockholders, Max B. and Sol Cohn, President and Vice-President respectively. **Underwriters** — Van Alstyne, Noel & Co. and Hornblower & Weeks, both of New York. **Offering**—Expected week of Dec. 8.

● 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**—$43.25 per share. **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.

★ Commonwealth Oil Co., Miami, Fla.
Nov. 14 (letter of notification) 100,000 shares of common stock (no par). **Price**—$2.55 per share. **Proceeds**—For general corporate purposes. **Office**—615 S. W. 2nd Ave., Miami 36, Fla. **Underwriter**—Gordon Graves & Co., New York, N. Y., and Miami, Fla.

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; rights will expire Dec. 18. **Price**—At par (flat). **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). **Bids**—To be received up to 11 a.m. (EST) on Dec. 1.

★ Copperweld Steel Co., Glassport, Pa. (12/9-10)
Nov. 17 filed 70,000 shares of cumulative preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—To be used, together with other funds, for purchase of at least 80% of common stock of Ohio Seamless Tube Co. (157,304 shares outstanding) at $55 per share. **Underwriter**—Riter & Co., New York.

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.

★ Danielson Manufacturing Co., Danielson, Conn.
Nov. 6 (letter of notification) 5,526 shares of class A preferred stock (par $5) and 10,000 shares of common stock (par $1) to be initially offered to stockholders of record about Nov. 17 at rate of one preferred share for each five shares held and one share of common stock for each two shares held. **Price**—For preferred, $8.50 per share, and for common, $6.50 per share. **Proceeds**—For working capital. **Underwriter**—Coburn & Middlebrook, Inc., Hartford, Conn.

★ Data Guide, Inc., Flushing, N. Y.
Nov. 10 (letter of notification) 390 shares of common stock. **Price** — $50 per share. **Proceeds** — For working capital. **Office** — 146-11 35th Ave., Flushing, Queens, N. Y. **Underwriter**—None.

★ Davison Chemical Corp. (12/2)
Nov. 12 filed 160,666 shares of common stock (par $1) to be offered for subscription by common stockholders of record Dec. 1 at rate of one new share for each four shares held; rights to expire Dec. 16. **Price**—To be supplied by amendment. **Proceeds**—From sale of stock, together with other funds expected to be obtained through long-term debt, will be used for expansion program. **Underwriter**—Alex. Brown & Sons, Baltimore, Md.

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.

★ Delwood Homes, Inc., Washington, D. C.
Nov. 13 (letter of notification) 200 shares of preferred stock. **Price**—At par ($500 per share). **Proceeds**—For construction and sale of residential and commercial properties. **Office**—1025 Connecticut Ave., Washington, D. C. **Underwriter**—None.

Devil Peak Uranium, Ltd. (Nev.)
April 7 (letter of notification) 600,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds** — For rehabilitation and development program. **Office** — Suite 839, 60 East 42nd St., New York 17, N. Y. **Underwriter**—Gardner & Co., New York.

★ Diet-Rite Co., Long Island City, N. Y.
Nov. 13 (letter of notification) 25,000 shares of common stock. **Price**—$5 per share. **Proceeds**—To retire loans, for new equipment and working capital. **Business**—Manufacture and sale of dietetic foods. **Office**—5-29 50th Ave., Long Island City 1, N. Y. **Underwriter**—None.

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.
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** — Kidder, Peabody & Co., and White, Weld & Co. were awarded the issue Nov. 19 on a joint bid of $29.2204 per share. Reoffering expected at $29.75 per share.

★ Electronics & Nucleonics, Inc., N. Y.
Nov. 10 (letter of notification) 1,200,000 shares of common stock (par one cent). **Price**—25 cents per share. **Proceeds**—To expand current operations and for working capital. **Underwriter**—To be furnished by amendment.

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.

★ Empire Oil Corp., Tulsa, Okla.
Nov. 6 (letter of notification) 600,000 shares of common stock (par 5 cents). **Price**—50 cents per share. **Proceeds**—To drill well. **Office**—Mayo Bldg., Tulsa, Okla. **Underwriter**—I. J. Schenin Co., New York.

★ Ex-Cell-O Corp., Detroit, Mich.
Nov. 17 (letter of notification) up to $300,000 aggregate value of common stock (par $3), to be offered under the corporation's Employees' Stock Purchase Plan. **Price**—$49.12½ per share. **Proceeds**—None. **Underwriter**—None. **Office**—1200 Oakman Blvd., Detroit 32, Mich.

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. (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. **Office** — Newark, N. J. **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. If competitive, bidders may include: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly) and The First Boston Corp. **Offering** — Expected on or about Dec. 3.

Florida Telephone Corp., Ocala, Fla.
Oct. 27 (letter of notification) 25,500 shares of common stock (par $10), to be offered for subscription by common stockholders 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.

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.

★ General Steel Castings Corp.
Nov. 7 (letter of notification) 4,217 shares of common stock (no par). **Price**—At market (approximately $21.50 per share). **Proceeds**—To Baldwin Securities Corp., the selling stockholder. **Underwriter**—Drexel & Co., Philadelphia, Pa.

★ Grayson-Robinson Stores, Inc.
Nov. 14 (letter of notification) 5,680 shares of common stock (par $1) subject to offer of rescission (sold at an aggregate price not exceeding $87,524), and 775 shares of common stock. **Price**—At market (about $15.41 per share for 5,680 shares and about $16 per share for the 775 shares). **Proceeds**—To Walter Kirschner, the selling stockholder. **Underwriter**—None, but Sutro & Co., Los Angeles, Calif., will act as broker.

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 at the Hanover Bank, 70 Broadway, New York 15, N. Y.

★ Gyrodyne Co. of America, Inc.
Nov. 13 filed 350,000 shares of class A common stock (par $1), of which 50,000 shares will be issued to stockholders, directors, officers and employees for services rendered and 300,000 shares will be offered to public. **Price**—To be supplied by amendment. **Proceeds**—For engineering and construction of prototype coaxial helicopter. **Office**—St. James, L. I., N. Y. **Underwriter**—None.

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.

★ Heliogen Products, Inc., Long Island City, N. Y.
Nov. 14 (letter of notification) 35,000 shares of common stock (par $1) to be offered for subscription by stockholders of this company and of Heliogen Corp. and certain individuals. **Price**—$5 per share. **Proceeds**—For working capital. Office—35-10 Astoria Boulevard, Long Island City 3, N. Y. **Underwriter**—None.

● Hilseweck Minerals Corp., Dallas and Oklahoma City
Sept. 18 filed $1,500,000 of 20-year non-negotiable debentures due Aug. 1, 1972 and 139,920 shares of common stock (par $1). **Price**—$960 per $1,000 debenture, plus common stock subscription warrants for the purchase of 50 shares of common stock. **Proceeds** — For general corporate purposes. **Business**—To engage in oil and gas business. **Underwriter**—None. Statement effective Nov. 12, 1952.

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.

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.

★ LaFlorecita Mining Co., Salt Lake City, Utah
Nov. 10 (letter of notification) 100,000 shares of class A non-assessable stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—To develop mine and for general corporate purposes. **Office**—1153 East 6th South St., Salt Lake City 2, Utah. **Underwriter**—None.

★ Leavell & Bates, Inc., Tipton, Ind.
Nov. 6 (letter of notification) $100,000 of 5¼% sinking fund debentures, 1952 series. **Price**—At par (in denominations of $1,000 and $500). **Proceeds**—To make small loans. **Office**—Citizens Bank Bldg., Tipton, Ind. **Underwriter**—City Securities Corp., Indianapolis, Ind.

★ Leon Land & Cattle Co.
Nov. 6 (letter of notification) 30,000 shares of 5% cumulative preferred stock (each share convertible into five shares of 10-cent par common stock). **Price**—At par ($10 per share). **Proceeds**—To pay loans. **Address**—c/o S. H. Collier, President of First National Bank, Mercedes, Tex. **Underwriter**—None.

★ Lithium Corp. of America
Nov. 10 (letter of notification) 3,575 shares of common stock (par $1). **Price**—At market (approximately $6 per share). **Proceeds**—To W. W. Osborne, the selling stockholder. **Office**—Rand Tower, Minneapolis, Minn.—**Underwriter**—None.

Lowell Adams Discount Co., Inc., N. Y.
Oct. 23 (letter of notification) 29,000 shares of 6% cumulative preferred stock. **Price**—At par ($10 per share). **Proceeds**—To increase working capital. **Underwriter**—Louis L. Rogers Co., New York.

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.

★ Magma King Manganese Mining Co.
Nov. 12 (letter of notification) 553,500 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For working capital. **Office** — 532 Security Bldg., Phoenix, Ariz. **Underwriter**—Weber-Millican Co., New York.

★ Maple Oil, Inc., Dallas, Tex.
Nov. 13 (letter of notification) 450,000 shares of common stock (par 10 cents). **Price**—15 cents per share. **Proceeds**—For exploration and drilling expenses. **Office** — 208 Andrews Bldg., Dallas, Tex.

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.

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-Gulf Oil & Refining Co.
Nov. 10 (letter of notification) 400,000 shares of common stock (par five cents). **Price**—60 cents per share. **Proceeds**—To acquire additional properties. **Office**—927-929 Market St., Wilmington, Del. **Underwriter**—W. C. Doehler Co., Jersey City, N. J.

Mineral Exploration Corp., Ltd., Toronto Canada
July 29 filed 2,000,000 shares of common stock, each share to have attached an "A," "B" and "C" warrant, each giving the holder the right to buy one additional share for each two shares purchased in two, three, or five years, at $1, $2 and $3 per share, respectively. **Price**—For 2,000,000 shares, $1 per share—Canadian. **Proceeds**—For exploration, development and acquisition of properties. **Underwriter**—Brewis & White, Ltd., Toronto, Canada. Names of United States underwriters to be supplied by amendment.

Mississippi Chemical Corp., Yazoo City, Miss.
Sept. 29 filed 2,000,000 shares of common stock (par $5), of which 849,038 shares have been subscribed, paid for and issued, and an additional 107,550 shares have been subscribed for as of Aug. 28 and will be issued in connection with expansion of ammonia plant. The remaining shares will be offered for sale primarily to farmers and farm groups. **Price** — At par. **Proceeds** — For new construction. **Underwriter**—None.

Montana Basin Oil Corp. (N. Y.)
Sept. 19 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development expenses. **Underwriter**—Aetna Securities Corp., New York.

● Multicrafters, Inc., Lincolnwood, Ill. (12/8)
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.

Continued on page 44

Continued from page 43

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.

★ **Natural Bridge of Virginia, Inc.**
Nov. 6 (letter of notification) 13,200 shares of common stock (par $5). **Price**—At market (approximately $7.50 per share). **Proceeds**—To Edward B. Horner, Oscar B. Drinkard and Walter G. Mason, three selling stockholders. **Office** — Natural Bridge, Va. **Underwriter** — Scott, Horner & Mason, Inc., Lynchburg, Va.

● **New England Telephone & Telegraph Co. (12/9)**
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**—To be received up to 11 a.m. (EST) on Dec. 9 at Room 2315, 195 Broadway, New York, N. Y.

★ **Osceola Farmers Mutual Telephone Co., Osceola, Wis.**
Nov. 6 (letter of notification) 400 shares of common stock. **Price**—At par ($25 per share). **Proceeds**—For improvements. **Underwriter**—None.

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 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.

★ **Parker Pen Co., Janesville, Wis.**
Nov. 7 (letter of notification) 7,700 shares of class B common stock (par $2). **Price**—At market (about $13 to $13.25 per share). **Proceeds**—To Estate of Mildred Gapen Parker. **Underwriters**—Robert W. Baird & Co., Inc., Milwaukee, Wis., and A. G. Becker & Co. (Inc.), Chicago, Ill.

● **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), being offered first to common stockholders of record Nov. 7 in units of one $1,000 debenture and 1,000 shares of stock for each 2,391 shares of common stock held; rights expire Nov. 26. **Price**—$1,100 per unit. **Proceeds**—For working capital. **Offices**—Of corporation, 545 North Arlington Avenue, East Orange, N. J.; of Henry W. Proffitt, Secretary, 72 Wall Street, New York 5, N. Y. **Underwriter**—None.

★ **Pennsylvania Factors, Inc., Philadelphia, Pa.**
Nov. 14 (letter of notification) $200,000 of 6% debentures dated Nov. 1, 1952 and due Jan. 1, 1968. **Price**—At par (in denominations of $100, $500 and $1,000) and accrued interest. **Proceeds**—For working Capital. **Office**—1402 Finance Bldg., Philadelphia 2, Pa. **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. Statement effective Nov. 12.

★ **Petroleum Service, Inc. (Texas)**
Oct. 29 (letter of notification) 100,000 shares of preferred stock (par $1) and 100,000 shares of common stock (par 10 cents) to be offered in units of one preferred and one common share. **Price**—$1.25 per unit. **Proceeds** — For operating capital. **Address** — c/o N. A. Tinker, Jr., Mercantile Securities Bldg., Dallas, Tex. **Underwriter**—Garrett & Co., Inc., Dallas, Tex.

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.

★ **Pillsbury Mills, Inc. (12/9-10)**
Nov. 19 filed $17,000,000 of sinking fund debentures due Dec. 1, 1972. **Price**—To be supplied by amendment. **Proceeds**—About $13,600,000 to retire all of the present funded debt of company and of one of its subsidiaries, and the balance for working capital, capital expenditures and other corporate purposes. **Underwriters**—Goldman, Sachs & Co., New York; and Piper, Jaffray & Hopwood, 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.

★ **Procter & Gamble Co.**
Nov. 12 filed 1,500 profit sharing dividend plans, 1,200 stock purchase plans and 35,500 shares of common stock (no par), the latter to be purchasable under the terms of the two plans. **Underwriter**—None.

★ **Ravine Gardens Corp., Palatka, Fla.**
Nov. 13 (letter of notification) 40,000 shares of common stock (par 10 cents) and $200,000 of 5% interest corporate notes due Dec. 1, 1962, to be offered in units of 20 shares of stock and $100 of notes; also $50,000 of 5% interest corporate notes due Dec. 1, 1962 to be issued at par ($100 each) in payment for services, supplies and equipment. **Price**—$102 per unit. **Proceeds**—For working capital, and to equip and maintain gardens. **Address**—Box 8, Palatka, Fla. **Underwriter**—None.

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 stock (par $100) and 18,000 shares of common stock (par $5) to be issued to James A. Dick Investment Co. (formerly The James A. Dick Co.) in exchange for 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 741,657 shares of common stock (par $1), in two blocks, one in the amount of 349,500 shares and the other 392,157 shares, to be sold from time to tmie 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. Statement effective Nov. 12.

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.

★ **Seaboard Finance Co., Los Angeles, Calif.**
Nov. 14 (letter of notification) 14,000 shares of common stock (par $1). **Price**—$20.75 per share. **Proceeds**—For working capital. **Office** — 945 South Flower St., Los Angeles 15, Calif. **Underwriter**—None.

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.

★ **Seneca Oil Co., Oklahoma City, Okla.**
Nov. 10 (letter of notification) 150,000 shares of class A stock (par 50 cents). **Price**—$1.75 per share. **Proceeds**—To reduce bank loans and acquire oil and gas leases. **Underwriters**—Genesee Valley Securities Co., Rochester, N. Y., and White & Co., St. Louis, Mo.

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, to withdraw as underwriter.

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.

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 Coil Products Co., Inc. (12/9)**
Nov. 19 filed $5,000,000 of 5% convertible subordinated debentures due Dec. 1, 1967, and 250,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—From sale of debentures, to repay bank loans and for working capital; and from sale of stock, to three selling stockholders. **Underwriter**—F. Eberstadt & Co., Inc.

● **Standard Sulphur Co., New York (11/24-27)**
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. **Offering**—Expected latter part of this month.

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 Securities, Inc., Santa Fe, N. M.**
Nov. 10 (letter of notification) 60,000 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital. **Office**—440 Cerrillos Road, Santa Fe, N. M. **Underwriter**—Paul C. Kimball & Co., Chicago, Ill.

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.
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 **Offering**—Expected today.

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 Western Oil Co., Inc., Houston, Tex.**
Nov. 12 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For working capital. **Office**—1 Main St., Houston, Tex. **Underwriter**—Scott, Khoury & Co., Inc., New York.

Torhio Oil Corp., Ltd., Toronto, Canada
Aug. 21 filed 300,000 shares of common stock (par $1) to be offered first to stockholders and then to the general public. **Price** — 60 cents per share. **Proceeds**—For exploration of oil and gas properties, and to drill a test well. **Underwriter**—None, but offering to public will be handled through brokers.

★ **Trad Television Corp., Asbury Park, N. J.**
Nov. 10 (letter of notification) 130,000 shares of common stock (par one cent). **Price**—At market (about 27 cents per share). **Proceeds**—To Victor Trad, President. **Office**—1001 First Ave., Asbury Park, N. J. **Underwriter**—None.

Trans World Airlines, Inc.
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. **Offering**—Expected today (Nov. 20).

★ **Twentieth Century-Fox Film Corp.**
Nov. 10 (letter of notification) 201 shares of common stock (par $1). **Price**—To be sold on the New York Stock Exchange at market (about $10.62½ per share). **Proceeds**—For working capital. **Underwriter**—None, but Hayden, Stone & Co., New York, will act as broker.

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.**
Oct. 15 filed 525,036 shares of common stock (par $10) being offered for subscription by Electric Bond & Share Co. to its stockholders on the basis of one share of United Gas stock for each 10 shares of Bond and Share stock held on Nov. 10; with rights to expire Dec. 3. **Price**—$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.

★ **United Merchants & Manufacturers, Inc., N. Y.**
Nov. 10 filed $500,000 of "interests in The Employees Stock Purchase Plans for 1953 and common stock for the Executive Employees Restricted Stock Option Plan" to be offered to eligible employees of corporation and its subsidiaries! also 75,000 shares of common stock (par $1), to be issuable under aforementioned stock purchase plan. **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.

★ **Voss Oil Co., Newcastle, Wyo.**
Nov. 17 filed 3,000,000 shares of common stock (par $1) for the purpose of making an offer of rescission. **Price**—At the market (not less than par) for shares, purchase of which is rescinded. **Proceeds**—To Dale H. Voss and others who had exchanged interests in properties for stock. **Underwriter**—None.

★ **Warren Petroleum Corp., Tulsa, Okla.**
Nov. 7 (letter of notification) 3,000 shares of common stock (par $3). **Price**—At market. **Proceeds**—To J. A. La Fortune and Mrs. Gertrude La Fortune. **Underwriter**—Harris, Upham & Co., New York.

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 Empire Petroleum Co.**
Nov. 10 (letter of notification) 3,000,000 shares of common stock (par 5 cents). **Price**—10 cents per share. **Proceeds**—For drilling expenses. **Office**—Room 801, 215 W. Seventh St., Los Angeles 14, Calif. **Underwriter**—None.

● **Western Light & Telephone Co., Inc. (11/28)**
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 about Nov. 26; rights to expire Dec. 9. **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.

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, he 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.

★ **Duke Power Co.**
Nov. 10 the FPC authorized company to split up common shares on the three-for-one basis. The company said this stock split will be advantageous in raising the additional new capital which will be necessary for the continuation of its postwar construction program. Costing more than $250,000,000.

● **East Tennessee Natural Gas Co.**
Nov. 13 the FPC authorized the company 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. (11/24)**
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.

★ **General Public Utilities Corp.**
Nov. 15, A. F. Tegen, President, announced that its domestic subsidiaries may spend around $80,000,000 for new construction in 1953. Of this total, $15,000,000 will be provided internally leaving about $65,000,000 to be financed by the sale of securities. Subsidiaries expect to sell around $49,000,000 of bonds, debentures and preferred stocks and GPU will furnish about $16,000,000 to them. GPU expects to obtain the funds from bank loans, the sale of debentures, the sale of common stock or a combination of these. If present conditions continue well into next year, GPU would expect to offer additional shares to stockholders rather than resort to borrowing.

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.

★ **Indiana & Michigan Electric Co.**
Nov. 6 it was reported company plans to issue and sell in 1953 some bonds and/or preferred stock. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—May be determined by competitive bidding. Probable bidders: (1) for bonds—Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Union Securities Corp.; Harriman Ripley & Co., Inc. (2) for preferred—Lehman Brothers; The First Boston Corp.; Smith, Barney & Co.

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

Continued on page 46

Continued from page 45

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.

★ **Macy (R. H.) & Co.**
Nov. 13 it was reported company may do some financing in 1953 in the form of debentures or long-term bank loans. Previous financing was done privately through Lehman Brothers.

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.

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 Central RR. (12/17)**
Nov. 14 it was announced company expects to receive bids on Dec. 17 for the purchase from it of $11,625,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

Northern Indiana Public Service Co.
Sept. 18 it was reported company may issue and sell shortly after the close of this year some additional preferred and common stock. **Underwriters**—May be Central Republic Co. (Inc.), Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane.

Northern Natural Gas Co., Omaha, Neb.
Sept. 17 company sought FPC authority to construct pipeline facilities to cost an estimated $69,826,000. This would include about 442 miles of main pipeline additions; installation of a total of 73,600 h.p. in new and existing compressor stations; and numerous branch line additions. Probable bidders for debentures or bonds; Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First mortgage pipeline bonds, and preferred and common Boston Corp. and Kidder, Peabody & Co. (jointly). Common stock financing will probably be done via rights.

● **Northern Pacific Ry. (11/20)**
Bids will be received by the company up to noon (EST) on Nov. 20 at 14 Wall St., New York, N. Y., for the purchase from it of $6,375,000 equipment trust certificates to be dated Dec. 16, 1952 and to mature in 15 equal annual installments. 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.

★ **Oklahoma Gas & Electric Co.**
Nov. 13 it was announced company plans to issue and sell additional common stock at about a one-for-ten basis (2,411,945 shares of common stock outstanding). **Proceeds**—For new construction. **Underwriters**—May be determined by competitive bidding. **Probable bidders**: Lehman Brothers; The First Boston Corp.; Smith, Barney & Co. and Harriman Ripley & Co., Inc.

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.

★ **Rockland Light & Power Co.**
Nov. 12, F. L. Lovett, President, announced company expects to raise about $24,000,000 in the next two years through sale of bonds, and preferred and common stock, viz: $5,500,000 of first mortgage bonds and $5,500,000 prefererd stock in 1953 and $6,000,000 bonds, $6,000,000 preferred stock, and $1,000,000 common stock in 1954. **Proceeds**—For expansion program. **Underwriters** — For bonds and preferred stock may be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; First Boston Corp. and Salomon Bros. & Hutzler (jointly); Stone & Webster Securities Corp.; Lehman Brothers, Bear, Stearns & Co. and A. C. Allyn & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Estabrook & Co. (2) For preferred—Stone & Webster Securities Corp.; Lehman Brothers; W. C. Langley & Co.; Estabrook & Co. and Kidder, Peabody & Co. (jointly). Common stock will probably be offered for subscription by stockholders.

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 will be received up to noon (EST) on Dec. 2 at office of Willkie, Owen, Farr, Gallagher & Walton, 15 Broad St., New York 5, N. Y., for the purchase from the company of $5,700,000 equipment trust certificates, series M, to be dated Dec. 1, 1952 and to mature in 30 equal semi-annual installments. 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.

● **Texas-Ohio Gas Co.**
Nov. 7 FPC denied company's application to build a 1,406-mile pipeline extending from Texas into West Virginia at an estimated cost of about $185,000,000. **Underwriter**—Kidder, Peabody & Co., New York.

Toledo Edison Co.
Oct. 3 it was reported company plans issue and sale of $7,500,000 first mortgage bonds and 500,000 shares of common stock. **Proceeds**—For construction program. **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp. and Salomon Bros. & Hutzler (jointly); Carl M. Loeb, Rhoades & Co.; Kidder, Peabody & Co.; The First Boston Corp. The common stock offering may be underwritten by The First Boston Corp. In 1950, the following group bid for common stock issue: Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc.; Smith, Barney & Co. and Collin, Norton & Co. (jointly); Lehman Brothers, Harriman Ripley & Co., Inc., Bear, Stearns & Co. and Carl M. Loeb, Rhoades & Co. (jointly); W. C. Langley & Co. **Offering**—Of bonds, probably in November; and of stock, later in 1952.

Union 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.

Harold Marache

Harold Marache, associated with Cohu & Co., New York City, passed away at the age of 61.

DIVIDEND NOTICES

LOEW'S INCORPORATED

MGM PICTURES • THEATRES • MGM RECORDS

November 19, 1952

The Board of Directors has declared a dividend of 20c per share on the outstanding Common Stock of the Company, payable on December 19, 1952, to stockholders of record at the close of business on December 9, 1952. Checks will be mailed.

CHARLES C. MOSKOWITZ
Vice Pres. & Treasurer

Atlas Corporation

33 Pine Street, New York 5, N.Y.

Dividends on Common Stock

A regular quarterly dividend of 40¢ per share has been declared payable December 20, 1952 to shareholders of Atlas Corporation of record at the close of business November 29, 1952.

A special dividend of 1/50th of a share of Common Stock of Airfleets, Inc. has also been declared to shareholders of Atlas Corporation distributable January 5, 1953, to holders of record at the close of business on November 29, 1952. Scrip Certificates will be issued in respect of resulting fractional shares.

WALTER A. PETERSON, *Treasurer*
November 17, 1952.

Manufacturers of AE WALL & FLOOR TILE

AMERICAN ENCAUSTIC TILING COMPANY, INC.

Common Stock Dividend

The Board of Directors has today declared a quarterly dividend of 12½ cents plus an extra dividend of 5 cents a share on the Common Stock, payable November 28, 1952, to stockholders of record on November 24, 1952.

G. W. THORP, JR.
Treasurer

November 14, 1952.

AMERICAN WOOLEN COMPANY INCORPORATED

"THE GREATEST NAME IN WOOLENS"

AT the meeting of the Board of Directors of American Woolen Company, held today, the following dividends were declared:

A regular quarterly dividend of $1.00 per share on the $4 Cumulative Convertible Prior Preference Stock payable December 15, 1952 to stockholders of record December 1, 1952.

A regular quarterly dividend of $1.75 per share on the 7% Cumulative Preferred Stock payable January 15, 1953 to stockholders of record December 31, 1952.

Transfer books will not be closed.

Dividend checks will be mailed by the Guaranty Trust Company of New York.

F. S. CONNETT,
November 19, 1952. *Treasurer.*

Revel Miller Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Miles B. Larson has become affiliated with Revel Miller & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange. He was formerly with Daniel Reeves & Co.

DIVIDEND NOTICES

BRIGGS & STRATTON CORPORATION

BRIGGS & STRATTON

DIVIDEND

The Board of Directors has declared a quarterly dividend of twenty-five cents (25c) per share and an extra dividend of one dollar and ten cents ($1.10) per share, on the capital stock (without par value) of the Corporation, payable December 15, 1952, to stockholders of record November 28, 1952.

L. G. REGNER, Secretary.
November 18, 1952.

CSC

COMMERCIAL SOLVENTS
Corporation

DIVIDEND No. 72

A dividend of twenty-five cents (25c) per share has today been declared on the outstanding common stock of this Corporation, payable on December 19, 1952, to stockholders of record at the close of business on December 1, 1952.

A. R. BERGEN,
Secretary.
November 17, 1952.

COLUMBIA PICTURES CORPORATION

The Board of Directors has this day declared a dividend of twenty-five (25¢) cents per share on its Common Stock and Voting Trust Certificates for common stock, payable December 18, 1952 to stockholders of record December 4, 1952.

There was also declared a stock dividend of two and one-half per cent (2½%) on the Common Stock and Voting Trust Certificates for common stock of the Corporation, payable in common stock on January 19, 1953 to stockholders of record December 5, 1952. Cash will be paid where fractional shares of Common Stock are due.

A. SCHNEIDER,
Vice-Pres. and Treas.

New York, November 18, 1952.

AMERICAN
Cyanamid
COMPANY

PREFERRED DIVIDEND

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of eighty-seven and one-half cents (87½¢) per share on the outstanding shares of the Company's 3½% Cumulative Preferred Stock, Series A and Series B, payable January 2, 1953, to the holders of such stock of record at the close of business December 3, 1952.

COMMON DIVIDEND

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of fifty cents (50¢) per share on the outstanding shares of the Common Stock of the Company, payable December 23, 1952, to the holders of such stock of record at the close of business December 3, 1952.

R. S. KYLE, *Secretary*

New York, November 18, 1952.

With King Merritt Co.

(Special to THE FINANCIAL CHRONICLE)

VENICE, Fla. — Franklin N. Mulhern is connected with King Merritt & Co., Inc.

DIVIDEND NOTICES

CITY INVESTING COMPANY

25 BROAD STREET, NEW YORK 4, N. Y.

The Board of Directors of this company on November 19, 1952, declared the regular quarterly dividend of $1.375 per share on the outstanding 5½% Series Cumulative Preferred Stock of the Company, payable January 1, 1953, to stockholders of record at the close of business on December 15, 1952.

The Board of Directors of this company on November 19, 1952, declared a dividend of 20 cents per share on the outstanding Common Stock of the company payable December 15, 1952, to stockholders of record at the close of business on December 1, 1952.

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of $1.00 per share and an additional dividend of 75 cents per share on the Company's capital stock, payable December 15, 1952, to stockholders of record at the close of business November 24, 1952.

E. F. VANDERSTUCKEN, JR.,
Secretary

CONSOL

The Board of Directors of

PITTSBURGH CONSOLIDATION COAL COMPANY

at a meeting held today, declared a quarterly dividend of 75 cents per share on the Common Stock of the Company, payable on December 12, 1952, to shareholders of record at the close of business on November 28, 1952. Checks will be mailed.

CHARLES E. BEACHLEY,
Secretary-Treasurer
November 17, 1952.

INTERNATIONAL SALT COMPANY

DIVIDEND NO. 154

A dividend of ONE DOLLAR a share has been declared on the capital stock of this Company, payable December 18, 1952, to stockholders of record at the close of business on December 4, 1952. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN
Exec. Vice Pres. & Sec'y.

IRVING TRUST COMPANY

One Wall Street, New York

November 13, 1952

The Board of Directors has this day declared a quarterly dividend of 25 cents and an extra dividend of 10 cents (total 35 cents) per share on the capital stock of this Company, par $10, payable December 19, 1952, to stockholders of record at the close of business November 21, 1952.

STEPHEN G. KENT, *Secretary*

DU PONT
REG. U.S. PAT. OFF.

150TH ANNIVERSARY

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E. I. DU PONT DE NEMOURS & COMPANY

Wilmington, Delaware, November 17, 1952

The Board of Directors has declared this day regular quarterly dividends of $1.12½ a share on the Preferred Stock—$4.50 Series and 87½¢ a share on the Preferred Stock—$3.50 Series, both payable January 24, 1953, to stockholders of record at the close of business on January 10, 1953; also $1.00 a share on the Common Stock as the year-end dividend for 1952, payable December 13, 1952, to stockholders of record at the close of business on November 24, 1952.

L. DU P. COPELAND, *Secretary*

Louis A. Vila Opens

WESTMINISTER, Colo.—Louis A. Vila is engaging in the securities business from offices at 7618 Raleigh Street.

DIVIDEND NOTICES

Newmont Mining Corporation

Dividend No. 97

On November 18, 1952, a dividend of One Dollar ($1.00) per share was declared on the 2,658,230 shares of the Capital Stock of Newmont Mining Corporation now outstanding, payable December 12, 1952 to stockholders of record at the close of business November 28, 1952.

WILLIAM T. SMITH, *Treasurer*
New York, N. Y., November 18, 1952.

Reeves makes the fabric

REEVES BROTHERS, INC.

DIVIDEND NOTICE

A quarterly dividend of 30c per share has been declared, payable December 12, 1952, to stockholders of record at the close of business December 2, 1952. The transfer books of the Company will not be closed.

J. E. REEVES, *Treasurer*
November 17, 1952.

Tennessee Gas Transmission Company

DIVIDEND NO. 21

The Board of Directors has declared a quarterly dividend of 35¢ per share on the Common Stock, payable January 2, 1953 to stockholders of record on December 8, 1952.

W. D. WALSER,
Secretary.

TGT

DIAMOND ALKALI CHEMICALS

Dividend Number 4 on 4.40% Cumulative Preferred Stock

Regular Quarterly Dividend on Common Stock

The Directors of Diamond Alkali Company have on November 10, 1952, declared a dividend of $1.10 per share for the quarter ending December 15, 1952, payable December 15, 1952, to holders of 4.40% Cumulative Preferred Stock of record November 25, 1952, and a regular quarterly dividend of 37½ cents per share, payable December 10, 1952, to holders of Common Capital Stock of record November 25, 1952.

DONALD S. CARMICHAEL,
Secretary
Cleveland, Ohio, November 11, 1952

DIAMOND ALKALI COMPANY

DIVIDEND NOTICES

UNITED FRUIT COMPANY

214th

Consecutive Quarterly Dividend

A dividend of seventy-five cents per share on the capital stock of this Company has been declared payable Jan. 15, 1953 to stockholders of record Dec. 12, 1952.

EMERY N. LEONARD
Secretary and Treasurer
Boston, Mass., November 17, 1952

The UNITED Corporation

The Board of Directors has declared a semi-annual dividend of 10 cents per share, plus an extra dividend of 5 cents per share on the COMMON STOCK, both payable December 18, 1952 to stockholders of record at the close of business November 26, 1952.

WM. M. HICKEY,
President
November 13, 1952

UNITED GAS CORPORATION

SHREVEPORT, LOUISIANA

Dividend Notice

The Board of Directors has this date declared a dividend of thirty-one and one-quarter cents (31¼¢) per share on the Common Stock of the Corporation, payable January 2, 1953, to stockholders of record at the close of business on December 15, 1952.

B. H. WINHAM
November 19, 1952 *Secretary*

Public Service Electric and Gas Company

NEWARK, N. J.

QUARTERLY DIVIDENDS

Dividends of $1.02 a share on the 4.08% Cumulative Preferred Stock, $1.17½ a share on the 4.70% Cumulative Preferred Stock, 35 cents a share on the $1.40 Dividend Preference Common Stock, and 40 cents a share on the Common Stock, have been declared for the quarter ending December 31, 1952, all payable on or before December 23, 1952 to holders of record at the close of business on November 28, 1952.

GEORGE H. BLAKE
President

NJ PUBLIC SERVICE
CROSSROADS OF THE EAST

CITIES SERVICE COMPANY

Dividend Notice

The Board of Directors of Cities Service Company on November 6, 1952 declared a quarterly dividend of one dollar ($1.00) per share on its $10 par value Common stock. The board also declared a year-end dividend of one dollar ($1.00) per share on such stock. Both dividends are payable December 15, 1952 to stockholders of record at the close of business November 21, 1952.

W. ALTON JONES, *President*

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Of the major pillars of the New Deal-Fair Deal, the one which it already may be suspected will be under a most serious attack is the Reciprocal Trade Agreements Act. This key Democratic enactment must be considered by Congress next year unless it is to be allowed to die, for it legally expires June 12, 1953.

Curiously enough, it is likely to come under attack despite the probability that there is potentially a majority in Congress favorable to moderation in tariff matters. For those mid-Western Republicans opposed to reciprocal tariff in almost any form, there will be replacements from Southern Democrats. Probably the dominant elements in the GOP would go along with a modified trade agreements program.

Over the long period of years the State Department has developed an approach toward the reciprocal trade agreements program which has kept kindled a hostility toward that program. That State Department attitude may be more important than "protectionist" sentiment in putting the future program in jeopardy. In particular:

(1) Congress resents the "one-sided" attitude of the State Department on the question of tariffs and trade.

Regardless of monotonously successive increases in the restrictions which the British Government has placed upon imports from the United States, the voice of the State Department has never been heard audibly, at least, in protest. Britain's successive strictures upon America's trade have been taken, actually or ostensibly, to protect her exchange position. The State Department has confined itself to inquiring diffidently to ascertain that the degree of the restrictions were commensurate with the objective of avoiding an exchange crisis.

Canada Threatens Retaliation

Canada's relations with the United States present a sharper example of this "one-sided" State Department attitude.

Canada proclaims herself as the champion of multilateral trade and perhaps the outspoken critic of the nasty Republicans in Congress who now and then take a swipe at imports, such as Sec. 104 of the Defense Production Act, the so-called "cheese amendment." Canada's sentiments against a GOP victory in the United States were all but unanimously recorded in the press of Canada, stopping short of an official, on-the-record endorsement of Stevenson by any responsible official of the Canadian Government. The chief ostensible reason was "Republican tariffs."

Nevertheless, Canada maintains a generally high tariff upon completely manufactured goods. Canada is the one country in the world which has worked the "infant industry" protective tariff scheme to its maximum, placing tariffs high where U. S. manufacturers attempted to ship completed consumer articles, and low upon semi-manufactures where the U. S. manufacturer would establish a branch plant in the Dominion to assemble and partly manufacture the U. S. product in Canada. Canada also is careful to keep the tariff low on not only semi-manufactures, but on the machinery and equipment which she cannot produce but must purchase from the United States for her capital expansion.

Besides never calling attention to Canada's high tariff wall against completed American manufactures, the State Department has likewise neglected to give Congress any credit for appropriating funds to provide enormous markets for Canadian products under economic aid.

For example, according to the report of the Mutual Security Administration, the U. S. purchased $490,700,000 of Canadian bread grains, almost all wheat, during four years of the Marshall Plan. This wheat was paid for with U. S. dollars and given to European clients of the Marshall Plan.

Including the $490,700,000 of bread grains, the U. S. has purchased and given away an aggregate of $603 million of Canadian food and agricultural items and $687 million worth of other Canadian materials, chiefly the metals, minerals, pulp, paper, etc., which make up the preponderance of Canada's exports.

What arouses the irony of some Congressmen is the fact that in the face of this generous effort Canada, before the Nov. 4 U. S. election, was threatening to retaliate against the United States for the so-called cheese amendment, which is only a matter of a few millions.

At a recent meeting of officials of the General Agreement on Tariffs and Trade, several nations threatened retaliation because of this cheese amendment. The State Department figuratively hung its head in shame and said, yes, yes, the Congress had violated GATT. Canada indicated her retaliation would come sometime after the U. S. election.

(Canadians at the time bet on Stevenson as a sure winner and planned to "retaliate" against the U. S. after his inauguration, collaborating with Stevenson to thereby put the heat on Congress. In view of the developments of Nov. 4 it is possible the "retaliation" may be sometime coming.)

The Canadian situation, however, illustrates, as one opponent of reciprocal trade said privately, a glaring incident of how the State Department can see only the ungenerous acts of Congress toward imports but not of foreign countries toward U. S. trade.

Say Trade Should Be Multilateral

(2) Another criticism of reciprocal trade as it has been operated by the State Department, say critics of the Department, is that the U. S. Administration has seemed to be pre-occupied with attempting to solve the "reciprocal trade" problem only in terms of promoting U. S. purchases of foreign goods.

Actually, they point out, the purpose of the Reciprocal Trade Agreements Act was to promote **multilateral trade** rather than access to the rich U. S. market alone. There has been too much concentration upon trying to force U. S. purchases. It has been the whole world allied with State against alleged U. S. trade restrictions.

Instead, it is asserted, the State Department if reciprocal trade is to be continued under the Republican Administration, should pay at least as much attention to demanding that adherents to trade agreements and GATT promote trade among one another. The pre-occupation with the U. S. market is tending to disturb what should be normal patterns of trade among all the nations, now in the quest of U. S. dollars.

(3) Critics of reciprocal trade will harp upon the idea that tariffs are not the only impediments to trade. Some will assert that the abolition of all U. S. tariffs cannot cure the ills of the high-cost economies of the socialist countries of Europe, that perhaps if there were more work and less loafing by the labor of England and France some of their trade problems might be less acute.

(4) Finally, there is widespread skepticism among both proponents and opponents of the reciprocal trade program that the State Department is truly wedded to competitive, free international trade. The prime example they cite was the late "International Trade Organization," widely construed in Congress as a program to support cartelization, and now a truly dead duck.

Believe Public Housing Will Survive

While reciprocal trade will be under attack because a decision must be made next year if the program is not allowed to die, many other pillars of the New Deal-Fair Deal may escape a brush with Congress in 1953 simply because there will be such a press of business.

Among other things, the new Congress and Administration will be pre-occupied with what to do about lapsing taxes, if anything, with an attempt to work toward a balanced budget, with dealing with the expiring Defense Production Act, with shaping a new mutual security program, with revisions of the Taft-Hartley Act, and with some lesser problems.

There will be virtually no possibility of debilitating T-H beyond any amendments which Senator Taft himself will accept. As a matter of fact, a substantial majority of Congress, unless stopped by the White House and by Senator Taft, is very likely to make a serious effort to ban industry-wide bargaining. With White House support this could probably pass.

Public housing is likely to be held down rather than abolished. Some of the more zealous conservatives would like to wipe this program off the statute books. Neither the construction industry, nor the majority of conservatives, both of whom oppose this program, however, are likely to ask that this fight against public housing be taken on in 1953.

The chief question will be the number of new units to be authorized in 1953. Guesses range from a minimum of 5,000 to a maximum of 35,000.

When the frontal attack upon public housing does come, it is more likely to take the form of modification, it is said, rather than abolition. Modification might reduce somewhat the subsidy cost.

(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

With Granbery, Marache

(Special to The Financial Chronicle)

WINTER PARK, Fla.—James L. Richmond has become associated with Granbery, Marache & Co. Mr. Richmond was formerly with Craigmyle, Pinney & Co.

With Johnston E. Bell

(Special to The Financial Chronicle)

BRADENTON BEACH, Fla. — Robert L. Kramer is now associated with Johnston E. Bell & Co. in their recently opened Bradenton Beach office.

COMING EVENTS

In Investment Field

Nov. 21, 1952 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual Sports Night at the Lincoln Room of the Union League.

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

Dec. 12, 1952 (Pittsburgh, Pa.)
Pittsburgh Securities Traders Association annual election and dinner at the William Penn Hotel.

Dec. 19, 1952 (San Francisco, Cal.)
San Francisco Security Traders Association annual Christmas party at the St. Francis Yacht Club.

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

Sept. 14, 1953 (Sun Valley, Idaho)
National Security Traders Association 20th Annual Convention.

Business Man's Bookshelf

Planning for Freedom and other Essays and Addresses—Ludwig von Mises—Libertarian Press, 99 West 163rd Street, South Holland, Illinois—cloth—$3.00.

Credit Manual of Commercial Laws: 1953—Henry H. Heimann, W. Randolph Montgomery, and Richard G. Tobin, Editors—National Association of Credit Men, 229 Fourth Avenue, New York 3, N. Y.—cloth—$10.00.