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EDITORIAL

As We See It

Evidently there is really going to be a change in Washington. The "time-for-a-change" argument so often heard during the recent campaign apparently was not "just campaign oratory." This much seems to be clear from the choices that the President-designate is making for key posts in his Administration. Not one of them is a "crony." Neither do the appointments appear to have been used to pay political debts. With few, if any, exceptions, Mr. Eisenhower has chosen men with long and impressive records of real achievement in their chosen fields. Their selection seems to "make sense" in a practical way.

Naturally, some of them will find themselves working in an atmosphere that is not altogether familiar to them. It has become a common saying, commonly accepted as a fact during the past two Administrations, that good businessmen do not make good government officials, and certain it is that few if any of the numerous successful businessmen who took their turns in Washington in those years were able to leave a record comparable to that they had made prior to taking up residence on the banks of the Potomac. The trouble was, however, that Government was being conducted by crafty politicians and scheming reformers, and the business executive was expected to conform to their ideas and their modes of doing business—and when they did not do so it was quite possible for their detractors to get the ear of the Chief Executive.

It will take real courage, real diplomacy, real ability and real independence of petty politics to weld this team that Mr. Eisenhower is putting

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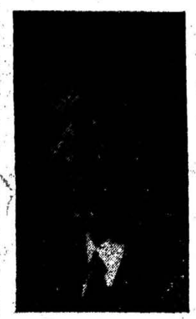
An Inviting Stock Market!

By KENNETH WARD*
Partner, Hayden, Stone & Co., Members, N. Y. S. E.

Market analyst cites following factors now making for a bullish market: (1) liberal dividend and earning yields; (2) increased book values; (3) investors' recession-consciousness; (4) continuing high industrial activity; (5) stable commodity prices; (6) Washington Administration friendlier to business, and (7) swelling investible funds. Expects stock averages to go into new high ground by February, with more two million-share days. Believes market will be selective, and lists relatively favorable groups and specific issues.

The role of prophet on the market is dangerous business and I feel a little like I did when I was a youngster and Zane Grey made the dreadful mistake of writing a book entitled "Ken Ward in the Jungle," and all my young pals kept reminding me of the many dramatic escapes I experienced from the clutches of the wild beasts. Today I find myself in a very realistic and terrifying jungle, and I often wonder, like my namesake in Zane Grey's book, whether this time I can escape with a whole skin.


Kenneth Ward

Most of us here are concerned with the problems of determining security values as part of our everyday jobs, but there are others, not in the security business, who are sometimes called upon to determine security values and I think you will be interested in the opinion of the court in a recent stock valuation case in which I was called as a witness and where the claimant sought to establish the actual value of a stock at over four times the average price at which the stock had been selling for a period of about a year and a half. In rendering his decision the Judge in this case made this summation: "In the opinion of informed buyers and sell-

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*An address by Mr. Ward before Second Eastern Regional Conference of the New York Society of Security Analysts, Inc., New York City, November 24, 1952.

Basis For a New Foreign Economic Policy

By WINTHROP W. ALDRICH*
Chairman of the Chase National Bank, New York

Contending old efforts toward world peace and economic recovery must, under the new Administration, be supplanted by a sound, long-range program, prominent New York banker warns we cannot decisively win the cold war on basis of superior productive capacity and military power alone, nor can we indefinitely sustain the endless arms race and grants-in-aid to allies. Outlines principal world economic problems and concludes these problems must be solved realistically, before we have a foundation for a new foreign economic policy.

The 39th National Foreign Trade Convention which draws to a close tonight has met at a tremendous moment in history. Twenty years of rule of the affairs of this country by the Democratic Party will end next January as a result of the verdict of the largest number of voters who have ever gone to the polls.


Winthrop W. Aldrich

During these 20 years the second World War has divided events in the field of international economic policy into two periods. Prior to the second World War, in an effort to combat the effects of the great depression of the early 'Thirties on their own individual economies, the nations of the world moved progressively towards state socialism, managed currencies, exchange controls, import quotas, and other devices which, taken together, spelled economic nationalism, and which had the effect of severely restricting the role of private enterprise in world commerce and of greatly reducing the volume of world trade.

Since World War II, the foreign economic policy of the

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*An address by Mr. Aldrich at the World Trade Dinner of the 39th National Foreign Trade Convention, N. Y. City, Nov. 19, 1952.

ON THE INSIDE—A glance at the Index on page 3 vividly shows the wealth of information of vital importance to the securities field, investors, and businessmen which is available in the Thursday "Chronicle" every week throughout the year.

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 Forum Participants and Their Selections

Warren Petroleum — August Huber, Spencer Trask & Co., New York City. (Page 2)

Pittsburgh Metallurgical Co., Inc. —Harold S. Munroe, Jr., Partner, Hay, Fales & Co., New York City. (Page 2)

AUGUST HUBER

Spencer Trask & Co., New York City
Members, New York Stock Exchange

Warren Petroleum

Since this suggestion represents one among others, which I have been privileged to outline briefly in this column, I shall take the liberty of labeling it "among the securities I like better," rather than the pinpointed "Security I Like Best."


August Huber

I believe Warren Petroleum has the necessary attributes of high level earnings, adequate income return, strong underlying growth, and capable, aggressive management to place it among the more attractive issues in the semi-investment category.

At the latest dividend meeting held recently, Warren increased the quarterly dividend rate to 40c per share from 30c. At the current price of about 30, the shares yield 5.3% on the present $1.60 annual dividend rate.

Earnings for the fiscal year ended June 30, 1952, rose to $4.80 per share, compared with $3.80 the previous year. If earnings from the now wholly-owned subsidiary, The Devonian Company, are included, net for the 1952 year was $5.06.

The Devonian Company, a crude oil producer, was fully acquired on Nov. 1, 1951. Warren, along with this subsidiary, now holds substantial acreage in the Williston Basin area in addition to that held in Texas, Oklahoma, Louisiana, Kansas, Mississippi, and New Mexico. As of June 1951, crude reserves totaled 45,500,000 bbls., along with 191 billion cu. ft of gas. Since that time substantial additions have been made to both crude reserves and potentials. The number of acres of potential oil and gas land increased from 475,000 acres to 869,000 acres during the past year.

More importantly, Warren is the leading independent enterprise specializing in natural gasoline and liquefied petroleum gases. There has been a strong growth trend in these products due to their increasing uses in many different fields and the new applications in established lines. Since 1946 Warren's natural gasoline sales increased from 300 million gallons to 647 million gallons and liquefied petroleum products from 218 million gallons to 651 million gallons. In 1948 the company had 1,899 tank cars in operation and now has 3,424.

In the marketing of liquefied petroleum gas, Warren has continued its program for the construction of underground storage and the acquisition of additional facilities for marketing these products. Installations of underground storage in substantial quantities have now been completed and other installations are in progress or are contemplated. These storage facilities will constitute important contributions to the equalizing of supply to the seasonal demand for these products.

The expanding uses and growing demand for liquefied petroleum gases in major fields—utilities, transportation, chemicals, etc. — promises to continue and Warren Petroleum is regarded as a favorably situated "growth" issue.

Profits for the first quarter of the new fiscal year—three months ended Sept. 30, 1952—increased to $1.35 per share from 94c a year ago.

With current $5 earnings, the shares at 30 are selling at a conservative ratio of six times, while the increased dividend rate of $1.60 per share provides a yield of 5.3%. This is a relatively attractive return for an issue in the "growth" category.

Although earnings are running at a higher rate, the dividend has been raised, and the potential of oil and gas properties has increased, the shares at 30 are still selling under the high of 33 reached earlier this year and a top of 34¾ in 1951.

HAROLD S. MUNROE, Jr.

Partner, Hay, Fales & Co., N. Y. City
Members, New York Stock Exchange

Pittsburgh Metallurgical Company, Inc.

This year as my selection for the excellent feature "The Security I Like Best," I am picking an exceptionally strong growth stock within a strong growth industry. As is customary with my selections, this stock is not one of the better known companies in American industry, but on the contrary, is a relatively obscure situation traded on the New York Curb Exchange. The name of the company is Pittsburgh Metallurgical Company, Inc., engaged in the business of producing ferro alloys which are used not only in the production of ordinary carbon steel but, more importantly, in the production of stainless and other alloy steels.


Harold S. Munroe, Jr.

As of June 30, 1952, which is the end of the company's latest fiscal year, its capitalization consisted of 249,346 shares of common stock, and notes payable to bank aggregating $2,000,000 due in equal annual installments over a 10-year period. According to the company's annual report, on Aug. 1, 1952, it borrowed an additional $2,000,000 on a short-term basis. This borrowing was necessary to permit the carrying of larger inventories, to protect increased production facilities and sales volume and to meet a portion of the costs of the modernization and construction programs mentioned below. In connection with the capital structure of the company, it is interesting to note that according to the proxy statement for the annual meeting of the company which was held on Oct. 14, 1952, directors and immediate members of their family held approximately 65,000 shares, or 26% of the total capital stock outstanding.

That this is indeed a growth situation is attested by the following figures which are taken from the company's latest annual report. In 1932 the company's net sales aggregated $225,418.00. By 1936 sales had passed the $1,000,000 mark, by 1942 they had passed the $5,000,000 mark and by 1951 they had passed the $20,000,000 mark. For the fiscal year ended June 30, 1951, net sales totalled $20,564,548. Net income for that year, after provision for Federal Income Taxes of $2,960,000, or almost $12 per share, aggregated $1,834,184, or $7.35 per share of common stock. In the fiscal year ended June 30, 1952, net sales totalled approximately $20,477,000 and net income declined to $1,114,424, or $4.47 per share of common stock. The reasons for the decline in sales and net income in 1952 fiscal year are many, including the following: The steel strike of mid-1952 resulted in curtailed operations and seriously affected sales output, and second, during that fiscal year the company was engaged in a large construction program at all three of its plants which are located at Niagara Falls, N. Y., Calvert City, Ky., and Charleston, S. C. It is a well known fact that a construction program infringes upon the efficiency of an operating plant if construction and operation are carried on simultaneously.

There are other reasons which space does not permit delving into at this time, although it may be said that the squeeze between an inflexible retail price (unchanged since Jan. 1, 1951) for the products and sharply mounting raw material, labor and other costs was an important contributing factor. However, there are grounds for expecting some relief in the matter of price in the near future. In connection with the construction program, the company's annual report states, "For the first time in 13 years our expansion, modernization and construction programs are practically completed and our plants are in the best physical condition in our history."

Pittsburgh Metallurgical Company, despite its relatively obscure status, is one of the largest producers of ferro alloys in this country. Under the guidance of Mr. Charles F. Colbert, Jr., Chairman of the Board, President and General Manager and who has been a director of the company since 1939, the company has assumed its rightful place as a strong, aggressive and progressive company in the corporate scheme of things in this country. Through exhaustive research the company is endeavoring to develop new alloys and new uses for existing alloys, and it is my opinion that with the continuation and expansion of the jet-powered and atomic age with its concomitant requirements for high heat and corrosive resistant materials this company will continue to grow and prosper.

In the fiscal year ended June 30, 1952, dividends on the common stock of this company aggregated $2.50 per share, duplicating that paid in the previous fiscal year. The latest dividend of 50c per share was paid in September and the next dividend will be due in December of this year. Making a conservative assumption of a continuation of the 50c quarterly rate, dividends for the fiscal year ending June 30, 1953, will aggregate $2.00 per share, affording a yield of 5.6% at the current price of

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Growing Importance Of Foreign Trade

By ROBERT F. LOREE*
Chairman of the Board
National Foreign Trade Council, Inc., New York

Mr. Loree calls attention to increasing volume of world trade and the magnitude of American investment in foreign trade activities and enterprises. Calls attention to U. S. increasing dependence on foreign raw materials, and lists as important matters for Congressional consideration: (1) constructive tariff adjustments; (2) international allocation of raw materials; (3) avoidance of double taxation; and (4) new treaties relating to commerce and navigation. Cites work of National Foreign Trade Council.

The growing importance of foreign trade, I am sure, is apparent to all of you. For more than six consecutive years American exports have averaged well above a billion dollars a month. Sales of such magnitude are one of the basic elements contributing to the maintenance of a high volume of production and of a resulting high prosperity for both capital and labor. Besides, a fine American car or typewriter or any other American product which gives better than good service abroad must do more to win respect for the United States and our free enterprise system than thousands of words of propaganda broadcast to foreign lands.


Robert F. Loree

More than $15 billion of private capital is now invested directly by Americans in wholly or partially owned enterprises in foreign countries. This capital benefits not only the people of the United States but also the peoples of the lands where it is invested. Much of it is used to provide the United States with raw materials essential to the maintenance of our standard of living and to the strategic strength of the whole free world. It gives employment to those living in the areas where it is invested and provides the means for development of resources which otherwise would remain unavailable and have little or no value. Too often this mutuality of advantage is forgotten when the receiving countries begin to feel that capital is getting too large a share, although these same countries were glad enough originally to receive the investment and the resulting enterprise.

The increasing dependence we must place on foreign sources of raw materials is of highly dramatic importance to our growing foreign trade. The Materials Policy Commission, in its report, "Resources for Freedom," states that of the more than 100 mineral materials essential to our standard of life, only about one-third such things as sulphur, coal and phosphate, but including only two metals, can be fully supplied from our own resources. Another third is composed of materials we obtain partly from our own resources and partly from abroad, such as iron ore, petroleum, copper, lead, zinc, and bauxite. The proportion of these items part of which we must acquire from abroad increases annually as our own reserves and production provide a diminishing percentage of our growing requirements. The other third of the list consists of materials which we do not produce at all, and which we must get entirely from abroad. This latter third has assumed greater and greater importance as advances in technology and high-temperature alloys and electronics have brought into greater prominence such items as columbium, cobalt, high-grade quartz crystals, etc. Of the 72 strategic and critical materials listed by our Munitions Board, more than 40 must be provided entirely by imports and the balance partially by imports.

International trade and the problems surrounding it cause those interested to support the National Foreign Trade Council, which seeks to further and protect our international commerce. The Council's activities cover the whole range of foreign business: exports, imports, investments, transportation, communication, finance, insurance, travel, etc. As in every year since its founding in 1914, the Council throughout the past twelve months has devoted its efforts to the maintenance and improvement of conditions for the conduct and expansion of American foreign trade.

Matters for Congressional Consideration

Congressional committees have been informed by the Council of the constructive views of foreign traders regarding tariff questions; the issue of international allocation of raw materials through government direction rather than through the operation of a free market; treaties of friendship, commerce and navigation; conventions for the avoidance of double taxation; and many other subjects affecting foreign trade and investment. Proposals and criticisms of policies respecting many of these matters have been offered to executive departments and agencies of the Government, and have been reported to Council

*Address by Mr. Loree at the First General Session of the 39th National Foreign Trade Convention, New York City, Nov. 17, 1952.

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Wools in a Bear Market

By IRA U. COBLEIGH

Author of "Expanding Your Income"

While dull earnings and soggy inventories have wrapped the woolen share market in a blanket of gloom for months, better quotes may now be in order.

In the spectacular stock symphony generally referred to as the Bull Market of 1952, certain instruments have been playing low and flat—among them the woolen shares. They're just another division, along with the movies, the distillers and a dotting of chemicals, to drive home the necessity for continuous selectivity; and if someone asks "How's the market?", more than ever are you entitled to jibe "What market?" True, the rails, electrics and electronics are good, but when will the wools get out of the dog house (sheep dog, that is)?

Ira U. Cobleigh

American Woolen

Let's look at two or three woolen companies; and let's straighten out at once the fact that woolly bears are fuzzy caterpillars that tell the weather, and not short sellers in American Woolen! This is as nice a lead line as we'll get to limn for you the largest manufacturer of woolen and worsted fabrics on this planet, and producer of 15% of total American output in these divisions.

If you like volatility in your investments, American Woolen is your boy! Common sold at 3½ in 1942, 70¾ in 1946 and 23½ today. Earned $21 a share for 1946, $9.22 last year; and, as it did for some years prior to 1939, it will show a deficit this year. From 1924 till 1946 the 978,342 shares of common were without benefit of dividend, although $40.50 per share, in total, has been paid since that time. You'll have a tough time finding a $100 million company with such wide swings in fortune.

Actually, it seems WY racks up its big earnings only when demand is roaring, and big inventory profits can be sheared from rising wool prices. In times between, the cost of maintaining 26 mills, with a big percentage of idleness, strains the earnings statements; and then, of course, if you carry a big inventory, as does American Woolen, heavy losses are, at times, inevitable. WY uses roughly 100 million pounds of raw wool a year, a staple that has varied over $2 a pound in a single year!

Even with some stabilization in the wool markets, the current projection on WY is not too optimistic. Deficit per share for the first nine months of this year was $4.66 (against $10.22 earned for same 1951 period), and on Nov. 21, the company announced that it was closing its mills in Lawrence, Mass., and in Dover, N. H., normally employing 2,000, and 400 workers, respectively. The announcement stated that the company "can't conceive of business getting good enough to require us to operate the mills." Thus 2 out of the 26 mills owned and operated appear out of business for good, leaving 22 (some of these, too, not presently operating) in New England, and two in the South. Working capital position is strong and per share book value at 6/30/52 was placed at $74.55. With WY common within a point of its year's low, you may, on thorough delving into the facts, conclude that perhaps this enterprise has already encountered its full share of the adverse factors native to its industry.

Bachmann Uxbridge

A much smaller company but one with a quite impressive record of uninterrupted earning power is Bachmann Uxbridge Worsted Corp., with 1,050,000 outstanding shares of common, preceded by $1,867,000 of preferred stock and a bank loan at the end of September of $11.5 million—down from $18 million 12/31/51. Here's a stable, well managed property which has operated at a profit in every year since 1924 even though 1951 results were a squeaky net of only $120,714, down from a fat $3,150,000 in 1950.

1951 was a dreadful year for wool, however. Egged on by fears of shortages, engendered by the Korean outbreak (July 26, 1950), and, a few months later, by panicky government orders for uniforms, and stockpiling, the standard grade of raw material—wool top—zoomed from $2 a pound in July, 1950 to a fabulous $4.80 a pound in March of 1951. And, anticipating sustained demand, Bachmann bought a lot of wool. Then what happened? The government stopped buying and the retail trade ditto. And to the journeyman economist, it was merely standard operating procedure for the wool price to plummet, as it did, to a low of $1.80, in September, 1951. Then a market stabilization, of sorts, occurred between that figure and $2.10. It would now appear that this lethal market shakeout in wool is at an end.

So Bachmann Uxbridge in 1951 (and on into 1952) had to work out an inventory loss; and at the same time finance a rather ambitious program of buying 100 Warner & Swasey Sulzer Weaving Machines to replace certain old and outmoded looms. Where these new machines are in service, important gains in operating efficiency have been noted.

The company manufactures woolen, worsted and blended fabrics for lower priced men's and women's clothing; military uniforms and automobile upholstery. About 60% of sales total (1950) was from men's clothing, 20%, women's and 13% automobile fabrics. At the peak of World War II, sales to Armed Services were ⅓ of total sales.

Because Bachmann has already surmounted most of its inventory headaches, is improving in efficiency, has 55% of its loom capacity in the South and West, and has proved for two decades an ability to earn money under all sorts of business conditions, there are those who feel that this company, with its common at an all-time low of 6¾ (1951 high, 13¾), has been harshly treated marketwise. A company that can knock off $6½ million in bank loans in nine months must be making some sort of progress.

The Bell Company

Most of the uncertainties of the raw wool market, discussed a few paragraphs back, apply as well to a third entry we'll now touch upon, The Bell Company. Bell has for some time beamed its production and sales programs to reach effectively the luxury clothing trade. To that end, it has created a broadly diversified line of distinctive fabrics merchandised under the brand name "Miron." These are sold to a limited group of manufacturers, and certain patterns are offered as yard goods for distribution by prominent stores in a number of large cities, such as Marshall Field, Lord & Taylor, Strawbridge & Clothier, etc. This policy of keeping "Miron" as one of the top names in fabric, is further implemented by an extensive advertising program, with a big slice of it ($665,000 in 1951) paid for by retail stores.

Because Bell has sought to turn out high-quality woolens and worsteds, in quantities less than full demand, and importantly on order, its inventory problems have not been as acute as those of others; and the company has shown a loss in but one year (1932) in the last 21 years. That's a pretty fine record for a textile! Net for 1951 was $490,000 even after a thumping million and a quarter inventory depreciation. Book value at the 1951 year-end was $22.70. For the first six months of 1952, a net loss of $405 thousand was shown, primarily from non-recurring markdowns on inventory carried over from last year; and the management apparently feels that a last-half earnings upturn is a real possibility.

Intensive research, and some important new developments in the blending of wools and synthetics give some promise of better days ahead. Meanwhile, Bell common (only 335,620 shares outstanding) is at 8⅛, down 50% from its 1951 high of 16⅛. A lot of devaluation has taken place here—perhaps enough.

In all three of these situations, the shares are not on a dividend basis currently. Probably the heaviest inventory debits have already been seen, greater efficiency is being sought, and some turning to synthetics as an offset to gyrating wool prices is evident. Bachmann is already one of the largest users of spun nylon.

Further, as has been noted in cotton textiles, there's an important trend among woolen companies to southern locations.

These three selections may serve to give you a current picture of wool manufacture, and refer to your own analysis and judgment, an answer to the question. "Are wools still in a bear market?" Perhaps they're now ready for a market U (pronounced ewe) turn!

Long-Term Outlook for Equities

By BENJAMIN GRAHAM*

President, Graham-Newman Corporation (a Mutual Fund); Visiting Professor of Finance, Columbia University

Investment analyst, in assaying future of stock prices, reviews history of stock market trends from 1871 to present. Examines basic factors that make for stock values and discusses effect of corporation taxes on dividends and net earnings. Concludes, despite adverse conditions, the long-term trend of common stocks will continue in future, as in past, to be irregularly upward, and an equity investment, when made at a reasonable price, is a promising one.

The subject assigned to me for this afternoon is one about which, precisely speaking, I know nothing. When it comes to statements about the future in the economic realm, none of us actually have knowledge in the scientific sense of the term. What we have is opinions and surmises—let us hope, based upon adequate reflection and study.

Benjamin Graham

This subject would best be approached by referring first to the long-term past history of equity prices to see whether that will give us a guide to conclusions about the long-term future of equity prices; and then by raising questions as to the differences, if any, that exist between the situation for the future and that which has obtained in the past.

The history of stock prices in record form goes back, I would say, to 1871, the beginning of the Cowles Commission's figures; and that history appears to divide itself pretty well into three parts.

The first period would run from about 1871 to 1925. There we find that the index of stock prices, starting at 37 in 1871, reached about 90 in 1925. You had in that entire 54-year period a well-defined, underlying, upward movement, punctuated and sometimes almost disguised by wide fluctuations between bull market tops and bear market lows.

However, the record as it unfolded over the decades was sufficiently clear so that Edgar Lawrence Smith, was able to form an imported conclusion in his small book, "Common Stocks as Long-Term Investments," published in 1924. He saw that there was an inherent tendency for equity values to increase over the years, and he related that tendency to the basic fact that corporations build up their book values by the reinvestment of profits not disturbed as dividends.

The actual effect of reinvestment of profits is somewhat controversial. The Cowles Commission figures, in their study published about the middle of the 1930's, indicated that the rise in average prices did not parallel fully the increase in book values, but reflected about two-thirds on the whole of the reinvestment of earnings. However, the underlying thesis that average prices increased over the years because the assets and resources of the corporations increased over the years, seemed to be quite a sound one.

Shortly following Edgar Lawrence Smith's thesis, which was adopted with too much enthusiasm in Wall Street, you had a series of events which called that point of view completely in to question. There was the tremendous bull market—the "New Era" market—culminating in 1929; then the tremendous collapse of stock prices after 1929, and then a partial recovery running up to 1940 or thereabouts. If you look at the situation between 1925 and 1942, you would feel that equity prices had entered upon a different era, in which they were still subject to wide fluctuations, but there was no clear-cut indication of an underlying advance. It appeared the central level of prices would be more sideways than up. Note that the adjusted price index for 1939 was 89 against 90 for 1925—both reasonably "normal" stock-market years.

Then we have had the third period, which began either in 1940 or 1942. It was marked by World War II and its aftermath, and gave us not only a resumption of the upward movement of stock prices (a virtual doubling of the averages from 1939, say, to today) but also an unusual phenomenon in the absence of any very severe setback of the market leaders in that entire 10-year period.

Those of you whose business experience is limited to the years from 1940 to 1952 might very well get an entirely different picture of the inherent nature of stock markets than those of us here. (Mr. Roosevelt and myself, perhaps) who have seen things developing since 1914, or even before that time.

Pre-1929 Ideas Back

As a result of the rise that has taken place since 1939, some of the pre-1929 ideas are back in circulation. It is now customary to publish charts which show the movement of the averages—say from 1897, when the Dow-Jones record started—and indicate a quite definite long-term rise of the middle value, the upper value and the lower value.

Most of you, I suppose, have seen the Keystone Chart which shows the three lines. If you study it, you will find something rather interesting, namely that the average market values seem to increase at the rate of one-third every ten years. What that means is that the gain in stock values indicated there is at precisely the same rate as the increase in the value of series E bonds, which are bought at $75 and are worth $100 ten years later.

The vital difference, of course, is that not only did the stock buyer get the 33⅓% increase in ten years, but he received the dividends as well; whereas you do not get a corresponding interest income on the bonds.

I might add that there is also a similarity to the chart showing the annual increase in overall efficiency, or productivity per man-hour in the country's economy. It would not be too difficult to work out some cause-and-effect relationship between the increase in stock prices and the increase in man-hour efficiency running somewhat at the same rate.

The resumption of the rise in stock prices after 1941, or the return to the old pattern (whichever you want to call it), is attributable to two basic causes: First, the war and the postwar business activity with the earnings generated thereby; and, secondly, the

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*Stenographic report of a lecture by Mr. Graham 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. 12, 1952.

The State of Trade and Industry

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

The over-all total for the nation's industrial effort in the period ended on Wednesday of last week reflected a slight advance to a new record level since the close of World War II. Increasing for the third consecutive week, total output was placed at about 5% higher than the year before, but was still about 7% under the all-time record attained during World War II.

Unemployment remained slightly over one million, or the lowest point since the end of the above conflict. It should be noted that defense materials displayed a steady rise.

According to the Federal Reserve Board, United States production of goods and services this year will be the highest in history. Figured at market value—without adjustment for price increases —the Board estimated 1952 output at $345 billion—up 5% from 1951. Factors in the upturn, its survey said, were increases in defense production, consumer spending and outlays for plant and equipment.

The Board also forecast a rise in income receipts of individuals this year to a record $267 billion—up 5% from the previous high in 1951. Disposable income — income after taxes — will be 4% higher this year than last, it noted, adding, a 2% increase in consumer prices and 1.7% climb in population will hold disposable income per capita to the 1951 level.

Living costs inched up 0.1% in the month ended Oct. 15, carrying the Bureau of Labor Statistics' consumer price index to 190.9% of the 1935-39 average—1.9% higher than a year ago. The rise, however, was too small to offset previous declines in the quarter ended in mid-October, resulting in close to a million auto and aircraft workers whose wage scales are geared to living costs taking a one-cent hourly wage cut, effective Dec. 1.

Food prices dropped 0.3% in the latest month. The biggest increase, 0.5%, took place in utility charges—for fuel, electricity and refrigeration. Residential rents were up 0.4% and miscellaneous goods and services 0.3%. The Bureau said the climb in rents was led by a 2.1% rise in Detroit, where rents were decontrolled Sept. 30. Detroit workers, of course, will bear the brunt of the one-cent wage reduction by all major auto companies.

Steel companies in the United States are adding more than 7,250,000 net tons of ingot capacity this year, a survey just completed by "The Iron Age," national metalworking weekly, reveals. When this is added to their capacity at the beginning of this year (108.6 million tons), year-end capacity will be close to 116 million tons, it states.

Completion of several large additional projects early in 1953 will raise the industry within reaching distance of its 120 million-ton goal established unofficially in early 1951 under the spur of defense requirements, fast tax amortization, and industry confidence in continuing civilian demand for steel.

Of the 1952 expansion total, more than 6 million tons is represented by new openhearth capacity. Balance of the new capacity, over 1 million tons, is due to electric furnace expansion.

When final figures for 1952 are in, openhearth capacity will be over 101 million tons, an increase of 6.3% over capacity at start of the year, and 11% over capacity at Jan. 1, 1951. Electric furnace capacity will be over 9 million tons, up 13.5% from start of the year and 24% over capacity at Jan. 1, 1951, it further discloses.

Geographically, over 3 million tons of new 1952 capacity is being brought into production in the Midwest, while over 2.5 million tons is scheduled for the East.

Included among capacities to be added early next year will be 1.2 million tons at the new Fairless Works of U. S. Steel in addition to the 600,000 tons scheduled to be added before the end of 1952, the survey shows.

New capacity, completed and in the offing according to the above trade authority, is a potent factor in industry arguments for decontrol of steel. A steel industry task force supported its decontrol recommendation with the following market forecast for 1953:

(1) The industry can produce as much as 118.8 million net tons of ingots—if needed.

(2) No more than 14 million tons will be required for military and atomic energy uses, as now planned.

(3) This will leave as much as 104 million tons for all other purposes—one-third more than the estimated 80 million tons which will have been available for non-defense uses during 1952.

An open-end Controlled Materials Plan now seems likely in the near future. There is a good chance that all controls, except for military and atomic energy priority, will be lifted by April 1. The present system of directives will probably be continued for some time to assure that defense production needs of tight products be met, states "The Iron Age."

Model changeovers last week made United States auto output decline 8% from last week, but production was still a good 59% above the like week a year ago, states "Ward's Automotive Reports."

Auto production so far this year is 3,828,500, a drop of 22% from the like period a year earlier.

"Ward's" warned that this week auto output may drop to about 88,000 units—the lowest since early September. Production will be "erratic through the year-end" because of changeovers and holiday shutdowns, it said.

Despite such setbacks, though, the makers already producing 1953 models "will persist" with vigorous output," this agency forecasts.

"Ward's" believes the appointment of Charles E. Wilson, of General Motors, as Secretary of Defense means that decontrol of

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Ike's Headaches

By ROGER W. BABSON

Mr. Babson lists among the new President's headaches: (1) Korea; (2) the weather; (3) labor unions; (4) foreign imports; (5) excess manufacturing capacity; (6) high mortgage indebtedness; (7) inflation; (8) declining stock and commodity markets, and (9) a likely unfriendly Congress. Urges putting good of nation ahead of our own selfish wishes.

Headache No. 1—Korea

The sad feature of the Election is that his landslide may have come from parents and young people who dreaded Korea. If so, may not this be a sign of fear or cowardice which may likewise show itself in other problems?

Roger W. Babson

Headache No. 2 The Weather

Certain states are now severely suffering from drought. This was one factor which brought on the Hoover depression of the 'Thirties, following several bountiful years under President Coolidge. When Ike reads the 41st Chapter of Genesis his headache must become worse.

Headache No. 3—Labor Unions

Ike realizes that wageworkers should receive their share of the profits—but they should do so by increasing production — not by striking. During the past 10 years Labor Leaders have usurped the powers of government. They will not give up this power without a struggle. Yet, Ike will consider it his duty to curb this dangerous situation. We must back Ike up in his efforts.

Headache No. 4—Foreign Imports

Ike knows that to keep Europe and Japan from going Communistic we must accept their goods graciously. To raise tariffs would be suicidal, he believes. Yet U. S. manufacturers will make a concerted drive upon him for higher tariffs.

Headache No. 5—Excess of U. S. Manufacturing Capacity

Fear of World War III has caused a great expansion in manufacturing space. This has greatly stimulated the building trades—lumber, steel and the other 27 industries which go into building. Barring World War III, this expansion is ending. Accompanying unemployment appears inevitable.

Headache No. 6—Real Estate Outlook

Last year five times as many houses were built as during a year 10 years ago. This would be encouraging if these houses were paid for; but they were built on a shoestring. When unemployment comes a million of these houses could be vacated and come back on the market. This could ruin the market for houses, as well as throw millions of carpenters, bricklayers, painters and others out of work.

Headache No. 7—Inflation

Ike has promised to stop inflation and he won millions of votes thereby. But can inflation be stopped without deflation? Does anybody want deflation? Solving

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Observations . . .

By A. WILFRED MAY

On Market Double-Talk

John L. Lewis, in a private discussion a few nights ago, broached his fears of prospective disastrous depression on two grounds. First the United Mineworkers' head (following Keynes and now Slichter) believes that the Republicanized Administration's tendency to suppress wage demands will curtail consumption and aggravate overproduction; and second, that apparent relaxation of international political tension, through a Korea truce or otherwise, would unwarrantedly entail irresistible popular demand for armament curtailment.

A. Wilfred May

This reasoning, the first representing the self-interested argument of a labor leader to prove his thesis, and the second the selection of one coordinated set of arguments selected from a mass of imponderables, well typifies prevalent basic foibles in forecasting.

Time and again we see selective emphasis centered on a few of the visible factors, and a "double-standard" interpretation of the traditionally relevant elements, to support a preconceived forecast.

Fitting the News to the Market's Behavior

This twin process is constantly seen also in interpretation of the financial news—in rationalizing market action to fit it *ex post facto*. With the recent reversal of the stock market's course we are being treated to good demonstrations of this. Exemplifying the selective-emphasis foible were the "explanations" of the recent declining markets on the grounds of expected "Republican deflation" resulting from curtailment of spending (following the British market pattern), and of prospective decline in armament activity, with or without armistice.

Conversely, now that sizable advances have replaced market declines, we see cognizance of the aforementioned economic "explanations" of previous market action replaced by attribution of the reverse bull movement to "causes" as these:—

"The tremendous confidence in the ability of the incoming Administration to contend with the vast problems being presented in the foreign sphere" [illustrating both foibles],

"Technical considerations suggesting a usual year-end rally" [in contrast to the preceding preponderating emphasis on year-end tax selling]. Significantly, another popular market letter now comes up with this *ex post facto* discovery: ". . . the best proof that tax selling of itself has no effect upon the market is the action of the market itself,"

"Wall Street's renascence after 20 long years,"

"The new Administration's friendliness toward business including the utopian ending of the long assault on investment capital, in a capitalistic climate."

"The new outlook for generous extra dividends,"

"Relaxation of price controls" (conceived of midst falling stock price periods, as manifestation of declining commodity prices and glutted consumer markets),

"A stabilized commodity price level" (similarly regarded as bearish during a bear market),

"Prospective relief from the awful tax burdens and injustices, as 'Excess Profits' taxation, the confiscatory liquor tax, and the capital gains' six-month holding period."

And the suddenly realized concrete fact that stocks are reasonable on the basis of hard-boiled value.

One leading brokerage house's current letter—clearly demonstrates this rationalizing process cat-out-of-the-bag in reporting: "*the action of the market* also supports the theory that the favorable economic outlook is a dominating factor." [italics mine]

The "Double-Standard" in Interpreting News

Manifesting the "double-standard" of economic interpretation, time and again we see the directly contradictory construction successively put on a single external event. For example, high corporate taxation (including EPT) is sometimes conveniently construed as bullish because of its inflationary stimuli, at other times as bearish because of its deflationary attributes, incentive-dampening, etc.—all following the action of the stock market, or perhaps to fit a forecast. We have seen the same with production controls: for a bearish construction they are restraining, for a

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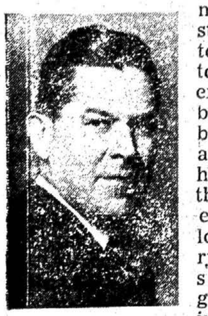
Lower Interest Rates Ahead!

By HAROLD S. CHERRY*
First Vice-President, Lionel D. Edie & Company

Laying down principle that interest rates tend to rise when the economy expands faster than money supply, Mr. Cherry predicts softening of the rates next year. Bases this belief on substantial rise in non-producing consumer population. Says bond market is basically healthy, but is threatened by fantastic rise in corporate and individual debt. Forecasts, however, slower rise in corporate debt and downward trend in personal borrowing, which will halt interest rate rise. Lists classes of bonds in order to their attractiveness.

It is easy to say that the bond market has been weak. I would rather state the case differently and say that it has proven itself to be fundamentally strong. It had to be strong to carry the extraordinary burdens it has borne and do as well as it has. It follows that any lightening of the load it is carrying, even a small marginal change in the demand for money, should be reflected promptly in the bond market and more gradually in the whole interest rate structure.


H. S. Cherry

The basis of reasoning rests on the rather simple proposition that interest rates tend to rise in an economy which is expanding faster than the money supply. Traditionally, good business and bad bond markets are likely to go together. The reverse is true also. My associates and I expect a change in the trend of general business conditions and a softening of interest rates next year.

In 1945, suppose you had known that in the coming seven years the population of the United States would increase 17,000,000, or more than that of New York and New Jersey combined. You would have been shocked by any estimate of the amount of money which would be required to furnish the equivalent of such a new country with complete facilities and at the same time foster a higher standard of living for the whole Nation than it had ever enjoyed before.

Furthermore, suppose you had foreseen the great changes in the nature of the population and had known that the consumers who would be too old or too young to be producers would rise 22%, while the age group constituting the producing labor force would increase only 6%. You would have agreed that greater hourly productivity would be required of the relatively static labor force if it were to support the enlarged consumer group in an ever rising standard of living. You would have agreed that the machine age would need to be utilized to the nth degree. You would have known that enormous sums would have to be spent for more efficient productive plant and machinery.

It takes money to build suburbs where people with babies want to move. Once there, they must have shopping centers, cars, schools, streets, television, etc. Growing children consume inordinate amounts of clothing, food, drugs, etc. You do not have to be an economist to know that the birth of children in a family increases the rate of turnover of money. All you need to do to know that is to have children. The enlarged group of aged requires expanded retirement centers, larger hospitals, more drugs, etc.

Suppose you had known that at the end of five years there would be a Korean Invasion which would superimpose a boom on an economy which was already expansive. Suppose you had known that for a while after the Korean Invasion the actual and threatened loss of purchasing power of the dollar would increase the public's willingness to spend rather than to save. Suppose you had known that a stupid tax law would give many of the large companies such a strong incentive to borrow that they could do so and leave the proceeds of the loan idle and still earn over 1% net to stockholders on it. Suppose you had known that the gold stock would cease to rise as foreign countries spent their dollar credits and could no longer buy from us on balance. To cap the climax, let us assume that you knew that the Federal Reserve would practically free itself of the necessity of supporting the bond market after which the Federal Government would float a large loan without more than fleeting Central Bank support.

Bond Market Nourished by Savings

If even as late as 1945 you had realized some of these things and had foreseen others which were to develop, I think you would have said that government bonds should sell at 60 cents on the dollar to yield 5.3%. I think this market is basically strong to be selling at 97. The personal savings rate, as reflected through pension funds, savings banks, insurance companies, etc., has nourished the market well.

Of course, the bond market looks bedraggled. It has been fighting a hell of a war. But, basically, it is healthy. There is nothing wrong with it that a little less heavy artillery fire would not cure. A little less fire, a little time to rest, and I think the bond market would counter-attack and much ground would be gained. The enemy is showing signs of weakness.

The population increase is expected to continue at a high level. But expansion eras get ahead of themselves and must often stop to digest the growth. The excess profits tax, which puts a premium on debt creation and spending in general, will probably be abolished. The gold stock may not rise, but one is unable to hope that foreign countries have the ability to get on their productive feet to the point where they will sell us enough goods to cause a reduction in our gold stock. Foreign governments will do well enough if they can hold the gold which is newly mined outside the United States.

The outlook is for reasonable stability in the Cost-of-Living Index and most other commodity indices and fears of inflation should decline further. The Federal Reserve is not depressing the bond market. It is only letting economic factors take their course. The amount of Federal deficit financing is uncertain for the longer period. We do know that January budget addresses have a habit of predicting a certain cash deficit figure which is revised downward about 30% at mid-year and finally ends up at perhaps half as much as the original estimate. As a more practical observation, we do know that the season of government cash surplus is just around the corner.

But government financing has not been the principal enemy of the bond market. Since 1945, the great inflater of the economy and deflater of the bond market has been the fantastic rise in corporate and individual debts. Net Federal debt has declined $31 billion while corporate debt is up $78 billion, individual and non-corporate debt up $77 billion, and municipal debt up $12 billion. Total non-Federal debt is up $166 billion.

While the Korean Invasion stimulated a fresh rise in both Federal and non-Federal debts, the rate of rise has been declining. The increase in total net debt declined from $39 billion in 1950 to $33 billion in 1951, to an estimated $24 billion this year, and may be as low as $16 billion next year. This estimate for next year allows for an $8 billion rise in Federal debt, as compared with $2 billion this year. It also allows for $3.5 billion more state, local, and authority debt. The deceleration of the rate of increase is important. While debts are still piling up, they are doing so at a much lower rate. The personal savings rate and other demand factors may be large enough to absorb them on a rising market soon. We are in the advanced stages and in a declining phase of one of the great credit cycles of history.

Look for a Lower Rate of Debt Increase

How can we believe that total debts will increase at a lower rate than this year? The answer lies in the civilian economy, especially the inventory, plant, and equipment requirements of industry. I believe farm debt, including farm mortgages, probably won't rise more than about $300 million in 1953, as compared with about $1.5 billion this year. Individual and other non-corporate debt, other than farm debt, may rise about $9.5 billion this year, but we are expecting a rise of only $5 or $6 billion in 1953. This estimates that non-farm mortgages will rise $6.8 billion in 1953, as compared with about $7.5 billion this year, and that other types of loans to individuals will remain unchanged or perhaps decline $1 billion. But we estimate that the total corporate debt will rise $7.3 billion this year and actually decline by possibly $1 billion or more next year. At any rate, it seems that the great rise in business debts is petering out.

Except for the Federal issues, corporate debts are the largest segment of the national debt structure. For the past six years the rise of corporate long debt to $70 billion and corporate short debt to $93 billion has been largely responsible for glutting the bond market and keeping bank loan officers busy. It has also sparked the general prosperity. Corporate short debts are a volatile segment.

The theory that the rise in corporate debt is about over for this era rests on several observations:

First the time element. We have been in the credit cycle for most of seven years, the last three of which reached the boiling point in credit expansion.

Second, surveys which indicate that many businesses intend to slow down plant expansion next year. It looks as if the steel industry will practically end its expansion during the first half of 1953. Ten million tons of new productive capacity will come in during the first half of next year, and 5,000,000 now going into the expansion of steel itself will cease to be needed and will mean plenty of steel.

Third, the fact that overexpansion has already threatened an increasing number of businesses,

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*An address by Mr. Cherry at the Conference of the New Jersey Bankers Association, Asbury Park, N. J., Nov. 20, 1952.

Why American Companies Made Investments Abroad

By JACK L. CAMP*
Vice-President, International Harvester Co.

Commenting on recent government efforts to increase private investment abroad, executive of leading farm machinery producer refers to studies being made of foreign investment possibilities and problems. Stresses principal reason why American companies put capital abroad is "to make money," and holds this fact should be understood by government and public. Gives as other reasons: (1) getting raw materials; (2) attractive profits; and (3) protecting markets open to U. S. manufacturers. Lists requirements for sound foreign investment.

For several years our government has encouraged private investment abroad, but there are recent indications that the tenor has changed to what seems to be in effect an urgent appeal. I have been unable to discover just why the topic has suddenly become so prominent. Are these government departments hoping to replace with private capital a large part of the public gifts and loans which have been made for developing the economies of foreign countries? If we knew the answer, we could better gauge how to explain our position. There are very basic reasons why American money is invested outside this country, and it is highly desirable from the businessman's point of view that these be thoroughly understood by everyone concerned. Possibly those of us who have been fighting the battle of satisfactory investment climate for years are like the forgotten man, who all at once finds himself in the limelight and does not know quite what to make of it.


J. L. Camp

You are probably aware of the fact that several government agencies are at present doing their best to get American investors to go abroad. The International Development Advisory Board, of which Mr. Eric Johnston is Chairman, held a conference in San Francisco on Sept. 24th and 25th on the subject of "Private Capital Investment in International Development." Indications are that similar meetings will be held in other large cities around the United States. It so happens I attended the San Francisco conference and can report to you that strong salesmanship was exerted by government spokesmen in trying to convince the representatives of American business that foreign investments are highly desirable.

Getting a Picture of Investment Possibilities

It is public knowledge that Secretary Sawyer with representatives from the Business Advisory Council and the Committee for Economic Development is in Europe at the present time for the purpose, as I understand it, of getting a general picture of private investment possibilities and problems in that part of the world. MSA, which until recently confined its guarantee program to Europe, is now extending this to Latin America and other areas with the hope that much new money will be invested abroad, if there is an American government guarantee against expropriation and currency devaluation. Even the International Bank for Reconstruction and Development is reported to be studying the formation of an International Investment Corporation, which could participate with private capital on an equity basis.

To take more time in discussing the different aspects of this government interest in private investment abroad would require that I neglect the subject which was assigned to me. Of course, I have been talking about what is being done in Washington today. Unfortunately, I am not in a position to predict whether or not this government interest in private investment abroad will continue at this same tempo after the 20th of January.

Before starting to list the reasons why American companies put capital abroad, please permit me to sum up all of these reasons in one short sentence—and that is that the principal purpose of all private business investments in the United States or anywhere else is to make money. You would be surprised how many people in this world apparently do not understand that fact. Our government may give as reasons for its foreign aid program such things as "helping under-privileged people," "assisting good neighbors," "stamping out communism," etc. Much as we approve of these objectives, never forget that when you or I put our hard earned money into a proposition, other than charity, we want the assurance that the principal can be recovered, if we so desire, and that there will be a reasonable return in the form of profits and dividends.

Three Principal Motives

I believe we may say that there are three principal motives behind foreign investments: first, those who go to develop sources of raw material; second, those who follow the call of attractive profits; and third, those who seek to protect markets previously open to U. S. manufacturers. The first group includes oil and mining companies, agricultural and forestry enterprises, such as bananas, other fruits, food products, vegetable fibers and oils, rubber, lumber, etc. The most prominent in the second group are the utilities, transportation companies and American banks. Third are the American manufacturing concerns, which have had to build foreign plants and/or marketing organizations in order to protect their name and percentage of sales participation in foreign countries.

Requirements for Sound Foreign Investments

All of these groups have in common certain basic requirements, which must be met before serious consideration can be given to putting money in a foreign country. Placed together these requirements are referred to as a "satisfactory investment climate." Separately they could be listed as follows:

(1) Assurance against confiscation and expropriation of the original investment, accumulated profits and profits put back into the business.

(2) Assurance that if the in-

*An address by Mr. Camp at the Foreign Investments Session of the 39th National Foreign Trade Convention, New York City, Nov. 18, 1952.

vestment is liquidated at some future date, the proceeds in local money could be converted to dollars and returned to the United States. Please understand that when I refer to investment, I mean not only the original capital, which was sent from here, but actually the full value at which the business or property could be sold. This requirement has been much discussed, and some foreign governments consider it to be a major problem, fearing that it could become a terrific drain on their foreign exchange. Actually it is not as serious as it might seem to them. Most of us who have large foreign investments certainly don't expect to repatriate these a short time after they are made, and most larger firms consider their foreign investments to be permanent. Actually what is involved is the principle that the owner of capital should be permitted to dispose of it as he sees fit.

(3) It is very fundamental to expect that one's investments will yield reasonable returns in the form of dividends or profits. This is true whether such investments are made in the United States or elsewhere. The term "reasonable," of course, is subject to a considerable difference of opinion. One person might consider 8% per annum to be acceptable, while in someone else's opinion 15% would be thought reasonable. Actually, these days, income and excess profits taxes limit profits in most countries to a point that makes extortion by investors an impossibility. Therefore, any limitation placed on the remittance of profits and dividends is considered an obstacle to a satisfactory investment climate.

(4) Reasonable and non-discriminatory local taxes, sound labor and social legislation, and stable governments are a few of the other factors going to make up an attractive investment climate.

If the politicians and statesmen of these countries wanting foreign investment only understood the importance of creating these general conditions, there would be no need for American government guarantees, such as those offered by MSA.

Inasmuch as we have briefly covered the theme of a generally favorable investment climate, it may be well to go back to the three American groups most active in the foreign investment field and examine some of the specific reasons for their entering this field and a few of the requirements which undoubtedly have to be met in deciding whether the investment is advisable. As regards the first group, it is common knowledge that many raw materials, such as minerals, petroleum and certain forestry products, can no longer be obtained in this country in sufficient quantities with which to meet domestic demand and maintain export markets of manufactured goods.

An oil or mining company, once having determined that the product they seek is available in a given country, would first examine the general investment climate in that country and then analyze numerous other factors, such as transportation facilities, specific laws affecting that particular type of business, availability of labor, attitude of unions, etc. They would also want definite assurance that once the project was established, there would not be new rules and regulations constantly changing the original proposition. In my judgment one of the most serious of these changes is where a firm is first permitted by a government to develop the raw material and later is forced to build refineries or processing plants instead of being allowed to export the material in its original form. This practice of some governments has undoubtedly been very expensive and unsatisfactory to companies engaged in producing abroad rubber, vegetable fiber and oil, petroleum, minerals and forestry products. Apparently these days, every country wants to be a manufacturing power whether or not it is economic and to the best interests of its people.

You will remember that we included in the second group transportation and utility companies. While I am not familiar with all of the things which attract this group to a foreign country, it can be presumed that among the things they would look for would be sufficient population and industry to permit a profitable volume of consumption. They would also want assurance that rates could be increased in proportion to higher costs. It is a pretty well-known fact that many firms in this category, which went abroad years ago at a time when profits were satisfactory, are today operating at a loss because of government competition or legal red tape, which prohibits charging rates for services consistent with the tremendous inflation in commodities and the decrease in the value of currencies. It can be imagined that the firms which have had this experience would be very cautious about again investing in such an enterprise, unless the authorities of a particular country have demonstrated understanding and good will.

Quite naturally, I am more familiar with the third group of foreign investors, namely: manufacturers, such as my own company. Investments made by these firms usually start in the form of credit extended to foreign jobbers and distributors who sell American made goods. Such credit is in itself an investment on the part of the manufacturer, the exporter or the banker, as the case may be. Foreign marketing subsidiaries or branches generally result from the belief that better participation could thus be achieved than by selling to independent importers. In many cases these marketing subsidiaries and branches have been forced to local manufacture, because of high import duties, exchange restriction, embargoes, etc.

My company's experience has taught us much about manufacturing in foreign countries, and I can tell you that it is no picnic. Regardless of how carefully you might have analyzed a situation beforehand, there are always numerous unforeseen problems popping up daily. If American manufacturers are to continue building foreign plants, they will probably do so only in those countries where government controls over private business are kept at a minimum, because experience has taught that controls, even though they may be well intentioned, have far reaching repercussions. For example, because of a law in Australia requiring wage adjustments every three months, the basic wage in that country has risen from 4 pounds 2 shilling per week in 1939 to 10 pounds 12 shilling per week in 1952. A manufacturer has no option about increasing wages regardless of whether his business is profitable. A couple of years ago Mexico passed a law leveling a 16% export duty, which I am sure is a terrific handicap on firms manufacturing products intended for shipment outside that country. This export tax can be reduced in the case of certain commodities, but the process of obtaining such reduction is long and tedious.

Another serious problem, brought about through exchange controls and import licenses as well as by export licensing from the United States, is that your foreign factories may require certain parts and materials from America in order to combine these with local collateral in making up a finished machine. Many times in recent years large factories have been entirely closed down because of the impossibility of obtaining import licenses or dollar exchange for a small percentage of the things that factory needed in its operation.

We, in this country, are not in a position to point the finger of scorn at foreign nations because of government controls. All of us know that our own government has been the father and mother of many of these ideas. The fact remains, however, that American manufacturers, everything else being equal, will establish plants in those countries having the least number of restrictions and controls.

In summing up why American companies invest abroad, I would like to repeat that they do so principally to make money, and in order to achieve this end they go to countries in which the general investment climate is most attractive, in which their particular requirements can best be met, and where government controls and restrictions are the least burdensome.

Dealer-Broker Investment Recommendations & Literature

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

Food Chains — Analysis of the industry in Canada — Ross, Knowles & Co., 330 Bay Street, Toronto 1, Ont., Canada. Also available is special review of **Dominion Stores Limited.**

Foreign Exchange Quotations—Folder listing 144 quotations of the currencies of various countries throughout the world—Foreign Department, Manufacturers Trust Company, 55 Broad Street, New York 15, N. Y.

Gas & Electric Utility Stocks—Discussion—S. A. Sandeen & Co., Talcott Building, Rockford, Ill.

Low Priced Issues—Analysis of their future—Francis I. duPont & Co., 1 Wall Street, New York 5, N. Y.

Oil Companies — Study of those likely to benefit from new legislation affecting the off-the-coasts tidelands—Greene and Company, 37 Wall Street, New York 5, 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.

Railroad Securities—Bulletin—Vilas & Hickey, 49, Wall Street, New York 5, N. Y.

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Allis-Chalmers—Analysis—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Alma Trailer Co.—Card memorandum—Baker, Simonds & Co., Buhl Building, Detroit 26, Mich.

Aro Equipment Corporation—Analysis—McLaughlin, Reuss & Co., 1 Wall Street, New York 5, N. Y.

Bank of California—Memorandum—Pacific Northwest Co., Exchange Building, Seattle 4, Wash.

Carborundum Company—Analysis—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Chicago, Rock Island & Pacific Railroad Co.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available are memoranda on **Interchemical Corp. and International Paper Co.**

Cluett, Peabody & Co. — Memorandum — Loomis, Petersen, Noyes & Hemenway, 231 South La Salle Street, Chicago 4, Ill.

Deferred Profit Sharing For Retirement Income—Booklet—Pension Fund Department, Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

E. I. du Pont de Nemours & Co.—Memorandum—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **Great Plains Development Co. of Canada, Ltd.**

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

Federated Department Stores—Analysis—Dreyfus & Co., 50 Broadway, New York 4, N. Y. Also available is an analysis of **Convertible Bonds.**

First National Bank of Akron—Analysis—McDonald & Company, Union Commerce Building, Cleveland 14, Ohio.

(Robert) Gair Co. — Memorandum — Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Hoffman Radio Corporation—Revised report—Conrad, Bruce & Co., of Los Angeles, 530 West Sixth Street, Los Angeles 14, Calif.

Lehigh Valley Railroad—Analysis—Oppenheimer & Co., 25 Broad Street, New York 4, N. Y.

Maryland Casualty Company—Analysis—The First Boston Corporation, 100 Broadway, New York 5, N Y. Also available is a memorandum on **Duquesne Light Co.**

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.

Russell-Miller Milling—Report—Uhlmann & Latshaw, 111 West 10th Street, Kansas City 6, Mo.

Southern Railway—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y. Also in the same bulletin are discussions of **Chesapeake & Ohio Railway, Great Western Railway, Chicago, Rock Island & Pacific, Norfolk & Western Railway, and Reading Company.**

Torrington Company—Analysis—White, Weld & Co., 40 Wall Street, New York 5, N. Y. Also available is an illustrated booklet on **Wisconsin Public Service Corporation.**

Wilcox Oil Corporation—Bulletin—H. E. Herrman & Cohen, 14 Wall Street, New York 5, N. Y.

First Post-Effective "Identifying Statement" Published on Commonwealth Ed. Co. Offering

A form of securities advertisement which may be the forerunner of an entirely different approach to new issue advertising is being used by Glore, Forgan & Co. and The First Boston Corp. and associates in connection with the underwriting of an offering to shareholders of Commonwealth Edison Co. of 1,155,730 additional shares of the utility's convertible preferred stock.

Jas. Coggeshall, Jr.

Representing a departure from the customary "tombstone" type of advertisement which long has been associated with the offering of securities, the Commonwealth Edison advertisement, based on the revised regulations of the Securities and Exchange Commission regarding advertising of securities offerings, marks the first use of a comprehensive Identifying Statement following clearance of the offering by the SEC.

Discussing the advantages of the new type advertisement, James Coggeshall, Jr., President of The First Boston Corp., said:

"Before this action by the SEC most advertising of new securities issues simply named the issue and stated the price. With adoption of the new rule by the SEC, underwriters can now present in brief form certain pertinent information which will help investors to determine their interest in the proposed security offering.

"The Commonwealth Edison Identifying Statement makes use of the new opportunity and includes a statement about the nature of the company's business and the areas in which it operates, information on the conversion privilege of the preferred stock, provisions for redemption, the status of the stock as a legal investment, facts about the offering, and price of security, as well as information about its listing on securities exchanges."

Rights to subscribe to 1,155,730 shares of Commonwealth Edison Company $1.40 convertible preferred stock, par value $25 per share, are being offered to the company's common stockholders at a price of $31 per share at the rate of one share of preferred for each 12 shares of common stock held of record on Nov. 24, 1952. Glore, Forgan & Co. and The First Boston Corp. head a nation-wide group of 158 investment firms which will purchase from the company the unsubscribed balance of the issue at the close of the subscription period at 2 p.m. (CST) on Dec. 10, 1952.

The new preferred stock will be convertible into the company's common stock on and after Dec. 31, 1952, on a share for share basis, and will be redeemable at the company's option initially at $32.50 per share scaling down to $31 per share on and after Nov. 1, 1964, plus accrued dividends. Quarterly cash dividends on the company's stock and that of its principal predecessor companies have been paid since 1890 and are currently at the annual rate of $1.80 per share.

Proceeds from the financing will be added to working capital for ultimate application toward the cost of gross additions to the utility properties of the company and its subsidiaries during the four-year period 1953-1956. Calling for expenditures of approximately one-half billion dollars, the construction program will be financed to the extent of $220,000,000 from internal sources and funds in hand at the end of 1952, including the proceeds of this financing, leaving the balance to be provided from additional financing. Principal projects of the program call for the installation of six new generating units with a combined generating capacity of 840,000 kilowatts which will increase the system's capacity to 3,900,000 kw.

Commonwealth Edison Co. is a public utility supplying electricity in Chicago, and its subsidiary, Public Service Company of Northern Illinois, is a public utility supplying electricity and gas in the northern part of Illinois outside of Chicago. The combined service area totals approximately 11,000 square miles having an estimated population of 5,600,000. For the 12 months ended Sept. 30, 1952, operating revenues of $298,225,000 were derived to the extent of 87% from electric sales and 13% from gas sales. For the similar period, consolidated net income before preferred dividends amounted to $33,066,000.

Continued from page 5

Ike's Headaches

this problem will be a real headache, but here again we must stand behind our new President.

Headache No. 8—Stock Market

Unfortunately, a steadily declining stock market, commodity market and real estate market will give millions of people—as well as Ike—a headache. Most bankers believe that such declining markets will come in 1953 and/or 1954. However, these bankers may be wrong.

Headache No. 9—Congress

For real progress Ike must have a friendly Congress. He will start with one as did Herbert Hoover in 1928. But too many Congressmen think only of themselves, rather than the nation's good. Ike could lose the Congressional Elections in 1954 unless we fight for him from now on. His election will not be definite until November, 1954.

Headache No. 10—Corruption and Inefficiency

Ike will try to clean house and increase efficiency at Washington; but every government employee has many Congressional friends who will beg Ike to retain these friends—especially if general unemployment is increasing. Taxes cannot be decreased without mass discharges of government employees. This will cause unemployment. President Hoover tried it. It started his collapse and the depression which followed.

Headache No. 11—Religion

Ike well says that America's greatest need is for a spiritual awakening; but thus far in the past only "hard times" have brought such about. This, however, may not be necessary if we all work for the New Administration and willingly put the good of the nation ahead of our own selfish wishes.

Boston Inv. Club Christmas Party

BOSTON, Mass. — The annual Christmas party of the Boston Investment Club will be held at the University Club on Wednesday, Dec. 10, at 5:30 p.m. Wallace Strathern, director of training for Eastern Gas & Fuel Associates will be principal speaker. Some informal entertainment is also planned.

N. Y. Inv. Ass'n to Hold Second Annual Dinner

The Investment Association of New York will hold its second annual dinner at the Waldorf-Astoria Hotel on Dec. 4. Major General William J. Donovan will be Guest of Honor and will discuss the Free World's Fight Against Communism.

The Investment Association of New York is a group of approximately 300 younger men in the investment banking and brokerage business carrying on an intensive program of education in cooperation with The New York Stock Exchange.

With Francis I. Du Pont

CHICAGO, Ill. — Francis I. du Pont & Co., 208 South La Salle Street, have announced that Edward Flannigan has become associated with them.

Reducing Your Investing Risks

By G. M. LOEB*

Partner, E. F. Hutton & Co., Members N. Y. Stock Exchange

Market expert cites following risks to be avoided: (1) victimizing by promoter, (2) salesman high-pressuring, (3) paying over exchange market price, (4) over-trading, (5) buying more than one can safely finance, (6) listening to too many people, (7) buying the wrong issue or the wrong industry, (8) buying at wrong time, (9) incorrect information, (10) failing to notice balance sheet weakness, (11) underestimating general market situation, (12) unexpected news, and (13) effects of inflation. Stresses importance of planning before buying, including setting of maximum loss to be taken.

The title of this talk is "Reducing Your Risks." I don't know any more important subject. There is an old saying that goes something about "If you watch your losses, the profits will take care of themselves," and I think that that is perhaps one of the most correct sayings that has to do with investment.

G. M. Loeb

A sub-title, given to me as a subject, is termed "The Calculated versus the Involuntary and Unnecessary Risk." Anyone who takes involuntary or unnecessary risk without knowing how much it is or how much she or he are willing to take is not doing very scientific investing. I think you start investing by judging how much can you make and how much you can lose. Of course, there's no exact way of knowing. It's just a sort of an appraisal, but an apprasial is better than nothing at all. You can go through the stock lists and take positions and think, "Well, I can lose so much and make so much, and it's very necessary that you feel that you can make considerably more than you can lose. In other words, if the odds aren't in your favor, you haven't very much chance to begin with.

Now when I say "make," I mean what you might make from an advance in the price of a stock plus what you might make from any dividends you might collect while you own it—everything that comes in, less taxes. And when I say what you might lose, it is of course always a market loss. It doesn't do much good to buy a stock for a 5% or 6% return and hold it a couple of years and have it drop 2 or 3 times the amount of dividends collected.

In any event, every stock purchase ought to be considered from the standpoint of what you might lose. For instance, from now till the end of the year, a great many stocks are under pressure because of tax selling. That will go on right until the last day of December. And you can look at all the stocks that are near their lows and all those stocks with this technical pressure on them. Then you can try to pick out those that may have some reason to come back in January or February of next year when the tax selling is over. You have a good risk there, because the chances of them going down after the tax selling is lifted is less.

The program says that there are two schools of thought. It says, "trading versus investing," "speculation versus gambling in the stock market." I have an idea that I'm tagged as the trading man and I hope I'm not tagged as the gambling man because I don't believe in gambling at all. The question of trading versus investing probably means buying and selling for the short term, this used to be a few hours, and then a few days, and later weeks, and now I think most people believe that any stock that is bought and sold inside of six months and is a short term capital gain is trading. That is because of the less active markets that we've had. Investing, I imagine, in most people's minds, means buying something they think is safe for the dividend return. Trading is something for the professional. I don't think anybody who has any other duties can make much of a success in trading. I think you have to look at the stock tape from 10 o'clock to 3:30 o'clock every day, so I don't think it's really a matter of discussion in this auditorium.

*Transcript of extemporaneous remarks by Mr. Loeb before the Federation of Women Shareholders in American Business, Inc., New York City, Nov. 17, 1952.

Speculation Versus Gambling

Now when it comes to speculation versus gambling, I don't think that calls for much comment because anyone who gambles in the stock market, using the dictionary explanation of the word, is just going to lose their money. So the real difference here is speculation versus investing and there is a difference there because the speculator, the successful speculator, tries to buy a stock at a cheap price or at a low price before it's considered an investment by most people. In other words, they buy some issue that people don't think has much merit or where they feel the dividend isn't safe or where it isn't paying a dividend. Then they hope one or two or three years later to sell it to people after its status has been raised and it has become an investment. In my opinion, intelligent speculation is very much safer than what I think most people mean when they talk about investment. There is such a thing as an investment stock selling at a speculative price. General Electric, for instance, as far back as I can remember, has been an investment stock, but if you bought it in 1929, you paid a speculative price for it, so if you call it an investment when you bought it, you were probably putting the wrong tag on it. On the other hand, you might have bought a stock of much less quality at a low point in the market and it might have been called a speculation and yet it would have been a good investment.

Take Losses to Reduce Risks

Now I think that taking losses is the key to reducing risks and personally, I think for most people, a little planning before they buy something as to how much risk they want to run, or how much loss they want to take, makes quite a lot of sense, and I think it works out very well. There are a lot of different ways of doing that. I've seen various textbooks which often say "always take a three point loss." Anything you buy, if it goes down three points, take the loss. I don't believe in anything so arbitrary. I think that the best system is to take a loss when something occurs that alters your reasons for buying it. In other words, going back to the trading, supposing you bought a stock simply because it was moving up and you thought it was moving higher. Well, if it stopped moving, I'd take my loss. Most people here would buy a stock because it's paying a good dividend return or because they thought the dividend was going to be raised. They might buy because they felt that earnings were going to be larger. Another reason might be their idea that a stock was going to gain in investment stature. Stocks bought for reasons such as this should not necessarily be sold just because they temporarily run against one. If an objective valuation suggests that nothing is changed and that the criginal premises still hold good, one should wait and give the stock a chance to come back. If you find out you're wrong, and the picture has changed, then the quicker you take the loss, the better.

In all the thousands and thousands of accounts that I've looked at in the 30-odd years I've been in the brokerage business, I think the biggest mistake has been a lack of willingness to take losses. In fact, I've looked at a lot of portfolios with 20 or 30 stocks that people say "Shall I buy this, sell this, what shall I do." I couldn't possibly look up each of the stocks individually, and many of them I wasn't familiar with, and yet I could have done a pretty good job just by selling the ones that showed losses and keeping the ones that showed profits. It's not a scientific approach and yet it works.

Now speaking about losses, I suppose everybody here knows that they are only partly deductible, taxwise, as far as regular income is concerned. You're only allowed $1,000 a year against your regular income for five years.

That about covers what I had in mind as to the general subject. I have about 20 different kinds of risks listed on cards but before I get into those, I want to mention a peculiarity, I think of the securities business, through which a professional advisor may be unfairly judged. Naturally, most everybody goes to somebody for advice. It might be a stockbroker, a banker, a friend who is a successful investor. Sometimes they go to two or three people for advice. Then very often if one person tells them to buy a stock and it goes up, and another person tells them to buy a stock and it goes down, they take it for granted that the one who told them to buy the stock that went up is the better advisor of the two. Well, the fact is that the element of risk has to be considered. It may very well have been that the purchase of the stock that went up involved six or eight or 10 chances out of 11 or 12 of losing and the one that went down might have been a much safer situation even though it resulted in a loss. I think that is something someone should think about very carefully in trying to decide who's giving them good advice and who's giving them bad advice.

Now I didn't write these risks down in order, but just as they occur to me. The first risk of losing comes from being the victim of a promoter. There is nobody here who has to be the victim of a promoter. Anybody ought to be able to recognize a promoter—someone that offers something brand new, something that is not listed, something that promises $10 or $100 for $1. I think that type of thing ought to be completely ruled out.

The second risk is a risk of being high-pressured by a salesman. The difference between the promoter and the salesman is that the promoter might take all your money or 75% or 50% and a salesman might take what you might call legal rates. It is much better to be a buyer of a security than it is to have someone sell them to you. Perhaps I'm prejudiced, being a stock broker, which may be the reason I think one does pretty well on the whole with a broker who gets the same commission on the New York Stock Exchange than with a salesman who gets a varying commission.

Risk of Paying Over Market Price

The next risk is paying over the market price. I don't think that's a risk in New York City, but outside of New York City, I've seen securities sold for way over what the price was on the stock exchange. I've seen people out of town buy a $1,000 bond for $950 which was selling for $850 on the stock exchange. Anybody who buys a stock ought to look and see that they're paying the right price and if they deal with a reputable broker, they will.

The next risk is against the stock broker—overtrading—which means getting a customer to buy and sell unnecessarily just for the sake of making a commission. It's up to the customer to see that he's not the victim of it.

The next risk is the risk of buying more than you can safely finance. Well, of course, in the old days, margins as we call them were fixed by the houses and all they were interested in was to see that they wouldn't lose any money, but now the Federal Government tells you how much you can borrow and things are on a much safer basis, but just the same, I think that buying on margin or buying on credit or buying on borrowed money is something for the expert rather than for most of us.

The next risk is a peculiar one —listening to too many people. I've had a great many customers come into my office and this person has told them this is a good buy, this is a good sale and there's been so many cooks spoiling the broth that it was just impossible to know where they were at. All it did was to confuse them.

Now the next risk, of course, is fundamental—buying or selling at the wrong time. Of course any of us who know the right time would have the key to becoming millionaires right away. You can write a book on this subject. In fact, there have been many books written on the subject of buying and selling at the right time. All I can say about that is that for the inexperienced person, there is a certain safety in not buying everything all at once. You can't do it on the basis of saying, "Well, it looks high or looks low," because one never knows beforehand. In 1929, there were good stocks that sold at 200 and when they went to 100, they looked low and then they went to $6 or $7 a share. Going the other direction, you see stocks that start at 10 or 20 and they go to 35 and they look high, but they might go to 75 or 100 so the answer isn't there. The answer, of course, is having a good slant at things, and not doing everything all at once.

Now the next risk is buying the wrong issue or the wrong industry. Strangely enough, that is a much lesser risk than the one of buying at the wrong time. I just think the most expert people

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What Can Be Done About The Payments Problem

By IVAR ROOTH*

Managing Director, International Monetary Fund

Asserting solution of the Payments Problem cannot be found in continuation of U. S. aid, International Monetary Fund executive, expresses belief progress is being made toward its solution, since there is a steady improvement in European exchange position. Holds payments problem is not confined to Europe, and it is not exclusively a dollar problem. Points to increased raw materials production and economic improvement in backward areas as indication problem may be approaching worldwide solution. Contends persistence of dollar payments problem is natural consequence of excess emphasis on full employment and rapid development. Urges more U. S. imports.

The International Monetary Fund and the National Foreign Trade Council share a common interest in expanding the volume of the world's trade. This is in your interest as businessmen, it is in the national interest of every member of the Monetary Fund, and it is essential to the peace, the prosperity, and the social and political stability of the world.

The Fund's interest is primarily in the world payments problem and the exchange policies that govern world trade and payments. I shall direct my remarks this afternoon principally to the most important single problem which stands in the way of restoring a payments system based on convertible currencies. This is the persistent balance of payments surplus of the United States and the persistent dollar deficit of the rest of the world. This problem has been held at bay throughout the postwar period by extremely generous aid from the United States Government, especially to those countries which suffered severely in the war and are now cooperating in the restoration of the economic structure of the Free World. It is clear, however, that the solution to the problem cannot be found in the continuation of United States aid. This aid is at best a scaffolding to assist in the erection of a permanent structure. Let us see then what has already been done in the erection of this structure and what tasks still lie before us.

Opinions on this differ sharply. On the one hand, there is an extreme attitude that there is no good reason why the world should not put its dollar payments in order. Those who take this view cite the fact that United States imports now pay for about twice as much exports from the United States as before the war. Under such circumstances, the deficit countries ought to be able to earn enough dollars, directly and indirectly, to pay for a volume of imports suited to their economies. The implication is that the payments problem persists because they, the deficit countries, refuse to take adequate measures to solve it.

On the other hand, there is an extreme attitude that the payments problem is intractable and can never be solved. The dollar problem is said to have existed in one form or another since the first World War. And its persistence is variously attributed to such factors as the rapid increase in productivity in the United States, the recurrent recessions and depressions in the United States, the recurrent booms in the United States, the development in the United States of substitute products for major imports, as nylon for silk, and synthetic rubber for natural, erratic stock-piling policies in the United States, too low a dollar price of gold, excessive protectionism in the United States, or the unwillingness of Americans to invest abroad. And the conclusion is that the dollar problem will persist because you, the surplus country, decline to take effective steps to solve it.

*An address by Mr. Rooth, at the International Finance Session of the 39th National Foreign Trade Convention, New York City, Nov. 17, 1952.

The Correct View on Causes of Payments Problem

I believe that these extreme views are unjustified and that they do positive harm. The pessimists say that as the dollar problem will not be solved, there is no reason for taking unpleasant measures to try to solve it. The fact is a great deal has been done to meet the problem. In 1947, the world's dollar deficit on goods and service transactions was almost $12 billion. The indications are that, excluding military aid shipments from the United States, the dollar deficit in 1952 will be about $2½ billion. And the import restrictions in deficit countries are now considerably less severe than they were in 1947. It should not be expected, of course, that the goods and service gap will be completely closed, as part of it is more or less permanently covered by capital outflow from the United States plus private donations. Moreover, a substantial proportion of the remaining deficit is attributable to increased defense expenditure in Europe and to the disruption of East-West trade. Each of these elements is part of the cost of the common defense of the Free World. Let us hope that a separate solution will be found for them. I believe that the greater part of the problem has been met, and I see no reason for assuming that the remainder cannot be met by the right measures.

Let us consider what has been done by the United Kingdom, the second trading country of the world and the heart of the sterling area that accounts for more than one-fourth of total world trade. Two major factors have been responsible for most of the British postwar payments problem. In 1938, the net earnings of the United Kingdom from overseas investments (excluding oil, shipping and insurance) paid for a volume of imports that would at present prices cost about £750 million. In 1951, the net earnings of the United Kingdom from overseas ivestments paid for less than £100 million of its imports. Here is one single factor that caused a deterioration in Britain's current payments of £650 million, or about $1,800 million.

A second major factor has been the great rise in the prices of foodstuffs and raw materials, Britain's principal imports, relative to the prices of manufactured goods, Britain's principal exports—that is, the change in the terms of trade against Britain as compared with the prewar period. If between 1938 and 1951 the prices of United Kingdom imports had only risen in the same proportion as the prices of United Kingdom exports, their cost in 1951 would have been less by nearly £1,050 million, or nearly $3 billion. Allowing for £200 million of duplication between them, these two factors, both beyond Britain's control, have together involved a deterioration of £1,500 million, or over $4 billion, in its payments between 1938 and 1951.

What has Britain done to face this problem? Its most significant action is found in an increased volume of exports. These exceeded the prewar volume by 80% in 1951 — that is, by an amount valued at over £1,200 million, or $3½ billion.

In much the same way European countries have met a considerable part of the payments problem. In 1947, the volume of exports of France, Belgium, the Netherlands, Norway and Denmark was below the 1937 volume. These same countries are now exporting between 60 and 70% more than before the war. In 1947, the dollar deficit of Western Europe was about $5½ billion on goods and service transactions. In 1951, omitting military aid shipments, it was about $2 billion.

Improvement Is Progressive

The improvement in European payments is not a temporary phenomenon. It reflects a real improvement in the whole economic environment of Western Europe. Industrial production in Western Europe is between 40 and 50% greater than in 1947. I believe that it could be increased further, and without the addition of new capital equipment, by the more intensive application of known techniques and perhaps a further shift toward incentive systems for remunerating labor. The structure of prices in Europe is also more competitive now than it was five years ago, due principally to the 1949 devaluations. And now, monetary policy in most European countries is better directed toward avoiding inflation and restoring a balanced payments structure.

So far, I have spoken of the world payments problem as if it were a European dollar problem. In fact, the payments problem is not confined to Europe. Nor is it exclusively a dollar problem. My reason for emphasizing Europe's dollar payments is that this problem is so complex. The payments difficulties of other regions, no less than Europe's, must be solved if balance is to be restored in world payments. Their problems, however, would be easier to solve if a solution had been found in Western Europe.

Even before the war the payments situation was unsatisfactory. It was kept in tenuous balance by tolerating unemployment in some industrial countries — especially the United States—and stagnation in the raw materials countries. It was a frail structure shored up by devaluations, exchange controls, bilateral clearing arrangements, and in some instances by default on international obligations. The war brought about vast disruptons that further weakened the structure of international payments. There has, however, been a great expansion in production and trade in the postwar period. But, unfortunately, we have not yet got a strong and stable pattern of international payments.

Changes in National Economic Policy

The most important reasons for this, I believe, will be found in the great changes that have taken place during this generation in the objectives of national economic policy. Throughout the years there has been a great increase in the degree of responsibility which nations have assumed for their domestic incomes and employment, and full employment policies have been pushed particularly hard in some of the deficit countries of Europe. In many of the raw materials producing countries, rapid development, with emphasis on industrialization, has become a political and social necessity which governments must heed. Too little attention has been paid to encouraging domestic savings in either industrial or raw material producing countries. The objectives of full employment and economic development are good in themselves, but the policies designed to achieve them have sometimes been pushed so far that they have served, not so much to contribute to the attainment of the objectives themselves, as to promote inflation.

It is now generally recognized that inflation tends to result in payment deficits. When demand is inflated beyond what can be met by current production for the home market or from imports financed by current exports or foreign loans or assistance, the excess demand will be used to bid away goods from export markets. It will also spill over into larger imports than the country can pay for. If the inflation persists, it will unbalance the structure of prces and make it difficult for the country to compete in world markets. Inflation may even reduce home employment opportunities by cutting off the means of payment for raw materials. Fortunately, many countries are now aware of the fact that a sound financial policy is an indispensable condition for a strong payments position and continuing high-level employment. The recent improvement in the payments positions of certain European countries is largely attributable to the renewed emphasis on credit policy.

In the raw materials exporting countries, the policy of rapid development has often been supported by inflationary finance, which here also has had the effect of attracting resources to home markets and discouraging exports. The supply of foodstuffs and raw materials for export from non-dollar regions has generally not increased commensurately with demand. Sometimes it has not increased at all. On the other hand, with increased production in the United States and Canada, the dependence on dollar sources of supply has increased, and this dependence has been accentuated by the falling off in East-West trade.

This persistence of the dollar payments problem is a natural consequence of excessive emphasis on full employment and rapid development. The payments problem, in turn, has led to exchange restrictions. Some persons are even willing to accept as permanent a situation in which the demand for imports is continually swelled by inflationary domestic policies and is continually held in check by exchange restrictions. I believe that we should not accept such policies as permanent.

I believe, on the contrary, that we should aim at a system of balanced international payments at a high level of trade, carried on under competitive conditions, free from restrictions and discriminations, and with prompt remittance of import payments and current earnings. Under such a system, the currencies of the great trading countries would be freely convertible. Countries could export, say for sterling, and know that they could use the proceeds to import from any part of the world. Traders could export to any country and know that they would be paid promptly in accordance with the credit terms that they have agreed upon.

Solution Some Way Off

We are still some way from achieving such a payment system. Yet I believe that we shall achieve it. As examples of its advantages let us look at the United Kingdom and some countries in Latin America. I believe that it is in the interest of the United Kingdom to work for the restoration of the convertibility of sterling. The higher prices which must be paid in inconvertible sterling raise the cost of its imports and handicap its producers in competing in world markets. With inconvertible sterling, the traders and financiers of the United Kingdom cannot fully perform their customary role as merchants and bankers to the world.

Some countries in Latin America are in substantial arrears in paying for their imports. These countries pay a heavy price for this delay and uncertainty in remitting for their current obligations. Exporters add a large premium in the prices they charge to cover interest and risk. Foreign investment in such countries is also discouraged and their economic development is slowed down.

Many of these countries are now seeking ways of putting their houses in order. This can not be done by setting up new machinery and devising new gadgets. It can be done only through wise national and international policies. The International Monetary Fund will make its resources available when necessary to member countries pursuing such policies.

National policy in all countries must start with eliminating and avoiding inflation through strong budgets and tight credit. Obviously, this is not consistent with the extreme view that there must not be any unemployment at any time in any sector of the economy. On the other hand, I do not believe that a sound financial policy need involve widespread or persistent unemployment. It should prevent a persistent rise in costs. But there must also be sufficient flexibility in the economy to allow resources to be moved to the production of the goods which the country needs for its own use and for its exports. This seems to me consistent with a moderate policy directed to maintaining high-level employment without inflation.

In the underdeveloped countries there must be some moderation in their policy of rapid development at any cost. Many of these countries would welcome a policy of balanced development that would enable them to produce efficiently for the export and the home markets. Such a policy would require them to limit investment to the amount that they can finance by foreign capital and home savings without inflation. If foreign capital is available on a generous scale, a policy of balanced development can be made effective. It would enable the underdeveloped countries to import on a larger scale, widen the sources of supply for foodstuffs and raw materials, and make it possible for industrialized countries to earn dollars in third markets.

What U. S. Should Do

So far I have spoken of what they, the deficit countries, should do. I must supplement this with what you, the surplus country, should do. First, large as your imports are, they are still too small for your own best interests and too small for the needs of a world driven by circumstances to be much more dependent on the exports of the United States. It is true that half of your imports, mainly foodstuffs and raw materials, are duty-free. But some raw materials and foodstuffs and most manufactured goods are still burdened by tariffs and other impediments. In particular, some agricultural goods that your consumers want and which your producers are unable to supply adequately are wholly or partly excluded from your market by prohibitions or quantitative restrictions. It is encouraging to know that so able and public spirited a group as the Public Advisory Board for Mutual Security is now re-examining the trade and tariff policy of the United States for consideration by the new Administration. We look forward to their report.

There is one other field in which the United States can take the lead in restoring balance in the world economy. The European countries, which were large foreign investors in the past and which still invest abroad, will not be in a position to increase their foreign investments until they secure a surplus in their payments. In the meantime, if the underdeveloped regions are to have an opportunity to expand their productive capacity without resorting to inflation, it will have to be through a larger capital flow from the United States than at present. I recognize, of course, that the real barriers to international investment are the political uncertainties and the economic risks, some of them the consequence of unwise policies in the countries seeking foreign capital. I believe, nevertheless, that constructive steps can be taken jointly by the United States and these countries to encourage investment on a sound basis and on a larger scale than at present.

There is one further point I should mention. The level of gold and dollar reserves of many members of the International Monetary Fund is too small to allow an adequate margin of safety for payment fluctuations when exchange restrictions are relaxed. These countries, therefore, often hesitate to allow a gerater measure of freedom in trade and payments, even when their payments position becomes stronger, because of concern for their reserve position. Of course, no level of reserves is adequate unless members are prepared to adopt policies which will bring their payments into balance within a reasonable period. Whenever members do adopt such policies and desire to relax restrictions, it will be the policy of the Fund to assist them.

Conclusion

In brief, this is what I believe can be done on international payments: It is possible, by proper measures in both deficit and surplus countries, to meet the hard core of the payments problem that persists. As international payments become better balanced, we can gradually approach the convertibility of currencies. In the meantime, a prompt remittance system can be established in those countries in which arrears in remittances for current transactions tend to be accumulated.

What can be achieved will depend principally on sound financial policies in the deficit countries. The greatest contribution the United States can make to achieving balance in the world economy is to increase its imports and join in a larger program of foreign investment for the balanced development of other regions. The Fund will do all it can do to encourage countries to follow the right policies and it will not hesitate to use its resources to help countries with balance of payments difficulties that are striving to achieve its objectives. In these ways we may hope to move forward to the achievement of the goal of this Foreign Trade Convention, "A better world through increased production and wider consumption."

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ST. PETERSBURG, Fla. — Mrs. Patricia T. Lyons is now with Goodbody & Co., 218 Beach Drive, North.

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How Banking Is Affected By Vicissitudes of Railroads

By DAVID C. BEVAN*
Vice-President in Charge of Finance
Pennsylvania Railroad Company

In stressing importance of railroad welfare to banking, Mr. Bevan points out banking and railroad prosperity are closely linked, and if railroads are nationalized, banking will follow. Says railroads are over-regulated, thus hampering their progress. Cites low return on railroad investment, and says railroad borrowing is depleting working capital. Advocates: (1) railroads receive equal treatment with other forms of transportation; (2) elimination of rate adjustment delays; (3) abolishment of the Long and Short Haul Clause of ICC Act; (4) right of appeal to ICC from decisions of State authorities; (5) that ICC consider effects of rate adjustments on railroad finances.

David C. Bevan

The railroad industry, while admittedly not constituting our entire transportation industry, is a very large and important segment. Therefore I think it is perfectly obvious, and not subject to debate, that it is not only essential but imperative that the railroads be kept financially sound, vigorous and dynamic to assure a strong national transportation system. I believe it is self-evident that if our transportation system deteriorates and becomes weak and inefficient, dry rot will permeate our entire economic structure and it in turn will gradually wither and virtually die on the vine.

So much for the economic standpoint. Let us further consider the dire tragedy which will befall us in the event of war if the transportation industry in general, and the railroad industry specifically, becomes crippled. I think the thought itself is so terrifying that I will not labor this point further, other than to point out that in the last war 96% of all organized military traffic was handled by the railroads.

Problems of Railroad Industry

Now let us examine for a few moments the railroad industry, certain of its characteristics and problems. In one sense the railroad industry is similar to the banking business. We both have the same product to sell, namely, service. The railroads have an investment in plant of over $25 billion. Total resources of all our banks of course far exceed this figure. The railroads employ one and a quarter million people, exclusive of the thousands of additional employees in outside industries which supply them with materials. As against this one and a quarter million, it is estimated that there are approximately five hundred thousand employees in the banking field. Last year railroad revenues grossed over $10 billion but net income amounted to slightly less than $700 million. 1951 net income of the banks was in the neighborhood of $800 million, to $900 million, or slightly in excess of that of the rails. The latter earned 4.8% of their net worth as contrasted to about 7½% by the banks. Having as yet to meet a banker who would admit that his earnings were adequate, I wonder how any of you would feel if you were in our position. However, I must admit when we examine the records of other industries we have a perfect right to use the crying towel jointly. Last year manufacturing companies as a whole averaged 14.4% return on their net worth, and looking at a few of the specific industries making up that average we find that paper products earned 15.1%, industrial chemicals 17.3%, petroleum refining 15.7%, motor vehicles 17.9%, office machinery 16.6%, and so on. In other words, many industries obtained a return on their net worth of about twice that of the banking industry and three to four times that realized in the railroad industry.

Sometimes, strange as it may seem, I think we become so involved in the everyday statistics of our own companies we fail to keep them in the proper perspective in relation to figures for industry in general. While all types of investment have their particular characteristics and values, certainly the figures I have just quoted do not make a good introduction for a sales presentation to solicit equity funds for either of our industries.

Banking and the Railroads

Now let us consider for a moment how the welfare of your industry is affected by the vicissitudes of the railroad industry. The very fact that you so kindly invited me to come here today is ample evidence not only of your recognition of this existing relationship, but far more encouraging, your manifest concern. One of the most serious problems with which we are confronted is not regulation but over-regulation for the railroads, and lack of uniformity of regulation for all forms of transportation.

As I see it, there are two important effects of railroad regulation on banking. First, the day-to-day effect, and there is no need to point out to you that as the railroads prosper there are direct benefits to banking, or that as the reverse situation prevails, there are adverse banking effects.

The second effect goes byond the rather simply first analogy. I think it is more important and bears closer scrutiny because it can have a long-term detrimental impact on banking beyond the scope of day-to-day comparisons. It is the problem of regulation which has grown to such proportions that in the manner of a Frankenstein it is more powerful than its creator. When it is present in one large industry, all others which at the time have a measure of it, should stand up and take notice.

I say to you that your situation will follow ours, and if excessive regulation, which holds the threat of nationalization over the railroads, is allowed to continue, then sooned or later, the railroads, then other regulated industries, then other essential industries will be ripe plums for the social planners. To me there is no question about the ultimate result — the only doubt in my mind is the extent of time it will take to go from one stage to another and finally to complete the cycle.

The railroads have had regulation for over 65 years and I suppose it should be said for part of that time it was necessary and perhaps in the public interest, and it should truthfully be said that any monopoly allowed to operate without any regulation can bring upon other industries, and society in general, undue hardships and misfortunes. However, today's problem is not whether the regulation when imposed was desirable or not, but the extent to which it has been increased far beyond present needs and the extent to which the present rules represent an excess of regulation which hampers the progress, and threatens the survival, of an important segment of privately managed American business.

You cannot imagine the free economy of this country flourishing without a healthy and privately managed banking system. To be sure, some rules are necessary to see that the game is played in such a way as to make sure that the banking business is kept sound and operated for the benefit of all. Likewise, as I have previously mentioned, I cannot see the economy of this country functioning, either in peace or war, without a strong railroad transportation system, and here again to the extent that it benefits our transportation economy as a whole, regulation may be necessary, but it should be geared to present day conditions.

You can, I think, appreciate our position at the moment when you consider how upset you get when you see some of the prime responsibilities of banking management taken out of your hands. I have heard some of your comments on rulings of the Federal Reserve Board, or the United States Treasury Department, or activities of the Reconstruction Finance Corporation, or the Federal Savings and Loan Associations.

Railroads—Drastic Example of Over-Regulation

The railroad industry present a drastic example of over-regulation. I am here today to seek your help to get some changes made in some of the worst features of this over-regulation. The railroads are seeking the attention and support of the leaders in business, finance, agriculture and labor, for the reform program which will turn back the tide of nationalization which is flowing all too strongly towards all business. In facing this tide I believe I can make it clear to you that the railroads are presently holding the beachhead.

Let me pinpoint for you, if I may, our principal difficulty. With over ten years of unprecedented business for the railroads, we are up against the fundamental difficulty of an inadequate spread between income and outgo which does not produce a proper return on the investment in our property. So many times people are inclined to think of return on investment as that which is available for dividends or that which accrues to the benefit of the stockholders. While it is true that this is an important part of it, we must not overlook the fact that there must also be included in net return enough margin to enable the railroads to function in such a way as to keep them modern and operating in a fashion necessary to do the principal transportation job required by the country and, at the same time, give them real financial stability.

The railroads — except for a mere handful of exceptionally favorably situated companies—have not had sufficient earnings for improvements and necessary replacement of worn-out property. Earlier I mentioned some comparisons of various industries on the basis of earnings against net worth. Let us now, if you will, compare the return on investment for the railroads last year, which amounted to 3.69%, with that of

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*An address by Mr. Bevan at the 24th Annual Trust and Banking Conference of the New Jersey Bankers Association, Asbury Park, N. J., Nov. 19, 1952.

Needed: More Trade and Less Import Restrictions

By RT. HON. C. D. HOWE, M. P.*
Minister of Trade and Commerce and
Defense Production, Canada

In hailing increase in Canada's foreign trade, particularly with U. S., Canadian Cabinet official holds world is moving toward higher level of international commerce, despite postwar trade restrictions. Says main objectives should be, first, to bring about further trade expansion, and, second, to get rid of restrictions. Cites Canada's removal of trade and exchange restrictions, and calls for lower U. S. tariffs on Canadian manufactures. Deplores shrinkage of trading areas due to "Communist enclosures."

C. D. Howe

I am here today to express a Canadian point of view on some current problems of world trade, and it is particularly gratifying to be able to express these views to such a distinguished and influential group. The impressions and reports which go out from the National Foreign Trade Convention are of much more than local interest and influence. At these annual meetings, if anywhere, is to be found the authentic voice of that part of American business concerned with trade relations between the United States and the world at large.

Canadians and Americans do not always see eye to eye on matters of trade. But the differences which sometimes arise between us should not be permitted to obscure the fact that the area of agreement on fundamentals is greater than at any time in the past. This is true of our mutual trade relations and it is true of our respective trade relations with the rest of the world.

The best evidence that we are working along much the same lines and along the right lines is that we are trading with each other on a tremendous scale. More trade is carried on between our two countries than between any other two countries in the world. The United States is our best customer. Canada is your best customer. Nor is this simply a matter of proximity and convenience. We have always been in the same geographical position, but I can remember only too well when goods moved a good deal more freely to markets thousands of miles away than across the Canada-United States border.

In part, the great increase in trade between our two countries —some 7 times in value and 3 times in volume since pre-war years—is attributable to the high level of demand and to the fortunate circumstance that both countries have been increasingly in need of what could be produced efficiently in the other. But that is by no means the whole story. However high the demand, however fortunate the circumstances, such a great increase in trade would not have taken place had there not been a mutual willingness to facilitate trade.

U. S.-Canadian Trade Obstacles

I know that serious obstacles to Canadian-United States trade still exist, obstacles detrimental to the best interests of both countries. The members of the National Foreign Trade Council know that too. If I may particularize for a moment, I would be even happier about the present state of trade between our two countries if you in the United States were as ready to admit manufactured goods and agricultural products as you are to admit our metals and other raw materials. I venture to hope that you deplore those continuing obstacles as much as I do. Nevertheless, when I look at the state of trade between our two countries today —when I compare the attitudes towards trade with what they were 15 or 20 years ago—I can only marvel at the progress that has been made.

This progress has been made, I believe, because there has been in both countries a determined effort to avoid, if at all possible, a return to the "beggar-my-neighbor" policies that led to disillusionment in pre-war years. The world learned a sharp lesson in those years. It learned that prosperity, like peace, is indivisible.

It is sometimes said that the great post-war effort to reconstruct world trade has produced little result, since trade is today more beset with restrictions than ever before. It is unfortunately only too true that trade barriers around some countries have multiplied at an alarming rate. This fact, however, by no means justifies the view that the efforts to reconstruct trade were wrongly conceived, or that they have failed.

On the contrary, had it not been for the series of tariff reductions undertaken since the end of the war, and the acceptance, in principle by many countries, and in fact by some, of non-discriminatory trading practices, there would today, I have no doubt, be even more barriers to trade and less trade. We have not failed; we may, however, have underestimated the magnitude and, in some ways, misjudged the nature of the problem.

At the end of the war there was a deeply seated fear of depression, a fear that nations would, in their anxiety to prevent unemployment at home, attempt to export unemployment abroad by restricting imports, as they had done in prewar years. This was the kind of situation the world most feared, and made preparations to avoid. As things turned out, the problem throughout most of the post-war period has been excessive demand, not deficient demand. Most countries have found themselves grappling with inflation and shortages and not with unemployment. What we have witnessed, therefore, is a multiplication of trade restrictions, not for the purpose primarily of protecting domestic producers against foreign competition, but rather for the purpose of protecting national reserves of foreign exchange, particularly dollars.

Detriments of Trade Restrictions

True enough, this is a regrettable development. Trade restrictions, whatever their origin, and however temporary they are

*An address by Mr. Howe at the America's Session of the 39th National Foreign Trade Convention, New York City, Nov. 17, 1952.

intended to be, have a tendency to become inbedded in the structure of a nation's economic life. Quantitative restrictions, introduced for balance-of-payments reasons, do afford particularly effective protection against foreign competition, and the longer they are continued the more difficult they are to abandon.

We know something about this problem. Just five years ago today Canada was forced to impose quantitative restrictions in order to conserve U. S. dollars. There was strong pressure to continue those restrictions when the need for them disappeared. But the government, from the outset, made it quite clear that they would be removed when they were no longer needed, and within a comparatively short period they were completely swept away. We followed the same policy with respect to foreign exchange controls. That is one of the reasons why Canada today is in a strong competitive position on world markets.

But, when we are inclined to look on the dark side of postwar trade developments, let us not overlook one highly significant fact. That is that international trade, as a whole, both in volume and value, is greater than ever before. Surely this does not indicate a collapsing system of international trade, nor does it indicate that we have been on the wrong track.

We may often feel that the plans which the free nations drew up and launched seven or eight years ago for the revival and expansion of world trade have in many respects fallen far short of succeeding in what they set out to do. Admittedly that is so. In certain directions the headway that we have made has been disappointingly small and slow. Nevertheless, it is a fact that, in the last half dozen years, the free nations have done far more in the way of getting together and working together for the purpose of putting the commercial world back on its feet than has ever been done before. There has literally never been a period when so much has been undertaken collectively and cooperatively.

On this side of the water we may occasionally question whether our part in this joint effort has not been rather costly in terms of money. On that score I have no doubt or misgiving whatever. If we had failed, either in Canada or in the United States, to give the kind of help which in these recent years the circumstances have required, and have required without delay, I am certain that both the immediate and the ultimate costs to our pockets would have been infinitely heavier than they have been.

International Trade Moving To All-Time High

All of the free nations, that have worked so closely and so energetically together, can claim some credit for the fact that international trade is now moving at an all-time high level. That fact, however — extremely important in itself—is only part of the story. We have succeeded in reaching a unique position—one which, I believe, is without precedent. We have a high level of trade, coupled with a high level of trade restrictions. That is not what we have been aiming at. What we really want is to have the former without the latter—the high trade *without* the high restrictions.

As matters stand now, we have gained one material part of our post-war commercial objective. The other part, almost equally important, we have still to win. The target that was set several years ago—and set very largely in terms that were written or inspired by the United States—is that of a commercial world characterized not only by expanding trade, but also by the greatest measure of freedom from restrictions. The part of this objective that has already been realized has not been easily gained. It has called for unselfish, co-operative work on an enormous scale. The part that still remains to be accomplished may prove to be even more difficult to attain. It will certainly not be accomplished if there is any letdown, either in the cooperative nature of the attack upon the problem, or in the readiness of each of the free nations to make the kind of contribution that will serve best to promote the common purpose.

Two Main Objectives

Our two main objectives from this time forward are: first, to bring about a further expansion of trade; and second, to get rid of the restrictions that prevent the free world from making the most effective use of the resources available to it.

I do not suggest that the two can be regarded as being independent of each other. To some extent, however, they lend themselves to separate considerations, and I wish to say something *first* with special reference to some of the factors that have a major bearing on the prospects for the expansion of trade.

Increased trade is rooted in increased production. International commerce had its most spectacular period of growth during the 19th century. In a very real sense that was the golden age of commercial expansion. It wasn't simply a matter of the development of immense virgin areas, such as those of North and South America, Australia and Africa. The whole structure of world production and world trade was being enlarged, in the older countries as well as the new. It was a century of economic growth in every quarter of the globe.

Part of the expansive power of the 19th century, but not all of it, has carried over into the present century. Looking at North America alone, we can, no doubt, claim that the momentum has been well maintained—and even increased. The same might be said of other regions, but it is very questionable whether it can be said of the world at large. It is not merely that we have suffered the disastrous setbacks of two world wars, or that there has been an inevitable shrinkage in the areas of virgin territory that are now available to new enterprise. A third factor, and a very formidable one, must also be taken into account. The opening up of new frontiers to international trade is now being offset—perhaps more than offset—by the closing off of huge areas and populations from what we look upon as normal commercial intercourse.

About one-quarter of the world's land area, and something more than a quarter of the world's population, is now fenced in by communist control. The area involved is almost equal to that of North and South America combined, and its population is twice as great as that of North and South America. Those facts con-

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The Personal Side of Investing

By LUCIEN O. HOOPER*

W. E. Hutton & Co., Members, N. Y. Stock Exchange

Market analyst asserts it is investment adviser's duty to match proper security and investor "personalities"; to choose issues for the investor as a tailor fitting clothes. Citing frequency of "mortality" in capital management, Mr. Hooper urges behaving as an investor in contrast to speculator for infinitely improving chances of survival.

I make my living advising investors and executing orders for them—and casualties among them, even wounds, to say nothing of "killed in action," are most unpleasant to contemplate. While there often has been a high rate of more serious and fatal financial casualties among speculators, the wounds suffered by the real investor tend to be superficial and not "unto death."

L. O. Hooper

If you are an investor, and practice reasonable prudence, there is no reason why you should not continue to be an investor all of the days of your mortal life. If you are a speculator, you may be forced to disassociate yourself from owning securities, and not "survive" in this avocation because of your own imprudence.

Some speculators, however, seem to have as many lives as the proverbial cat. I know several who have been alternatively broke and rich several times during their lives—and at least one of them is a famous woman now pushing toward 90 years of mortal endurance. Lifting a few words of Kipling:

"If you can make one heap
of all your winnings
"And risk it all on one throw
of pitch and toss,
"And lose, and begin again
at your beginnings,
"And not breathe a word
about your loss,"

then you are a born speculator, or gambler, a person who wants to live dangerously and not be bored always either by the monotonies of wealth or by the discomforts of poverty.

Most of us do not have personalities adjustable to the extreme ups and downs of life; and this type of personality is not the one that the investment counselor usually can help.

If you are looking for a chance to get rich quick, this course probably has not helped you. It was not designed for such a purpose.

Speculation Promises, a Fake

Anyone who tells you he can assist you in the process of getting rich quick through speculation in securities either is ignorant or a faker.

Beware of the commercial charlatans, and near charlatans, in this business who sell the equivalent of alcohol flavored and tea-colored water patent medicine. Usually their advertising infers what they dare not say. A gullible public jumps for the bait because people dearly love the inferences and want them to be true.

That leads me to the problem of preparing investment literature for the masses of investors, and herein I am provided with a convenient jumping-off place for the serious message of this lecture.

When an investment commentator sits down to write such things as my twice-a-month magazine column for "Forbes" magazine, or twice-a-week Stock Commentary for my firm, he faces a heterogeneous readership. He must recognize that what he writes may, and probably will, be read both by the financially literate and by the financially illiterate. It will be read by speculators as well as by investors. It will be read by people who can afford to take risks, and by people who cannot. It will be read by those who have idle money to invest and by those who already are fully invested. It will be read by investors who should buy the type of securities discussed and by those who should not. Some readers will interpret what you say as optimistic, because they want it to be optimistic; and others will say the very same thing is bearish because they want it to be pessimistic. Worst of all, not a few will half-read what you say and go off with impressions you never intended to give.

Limitations of Mass Readership

I have been writing this mass readership type of investment literature since 1919, and I know its limitations as well as its usefulness. When you read it, just ask this question: Is the writer talking to me, or to someone else?

What I want to lead up to is this: Investing is a very personal business.

Every investor has an investment personality—a peculiar objective; he also has an investment capacity often different from the investment talent or bent of any other; and furthermore, every investor has some definite and specific financial problems, peculiar to himself and no one else.

Likewise, every vehicle of investment, whether it is a bank deposit, a mortgage, a government bond, a corporation bond or a corporation stock, has a "personality" all its own. Each one fits some need of some investor, but not one fits the needs of every investor.

It is the business of an investment counselor, or an advisor, or a broker, to bring the proper security "personality" to the proper investor personality. It is the function of the advisor to tailor securities to the investor, just as it is the province of the fitter of clothing to tailor apparel to the physique and personality of the one who is to wear it.

A Personal Business

Investing, therefore, is a very personal business. In my estimation, too, it is a most complicated business. It demands professional, not amateur knowledge, arts and skills.

An investor's relationship to his advisor should be as personal, as professional, as confidential, and as conscientious as a patient's relationship with the physician.

I suspect that much of the material of this course has been the characteristics of different types of securities, and that you are surfeited with information regarding specific issues, types of issues, industries, programs and even systems of trading. I shall not attempt, in the very few minutes allotted to me, to add to your fund of knowledge about securities themselves. Permit me, however, to illustrate.

The share of a mutual fund may be ideal for a physician who is in position to invest $500 or so every month, dollar-average his costs, obtain diversification, and derive the benefit of prudent management of which a busy doctor invariably lacks time and usually lacks the talent to supply for himself. The same mutual fund shares may be a poor investment for a businessman who can put money to work to much greater advantage in his own business. Fully taxable U. S. Treasury bonds certainly are a very bad investment for people in high tax brackets who should buy tax-exempts. American Telephone stock may be just the thing for a retired school teacher who needs a large and dependable income and can afford to assume only a small risk. It surely is not the type of stock for a person to own who seeks capital appreciation. Lincoln National Life Insurance stock which sells around $150 a share and has paid $1.50 a share in cash dividends this year, may be a grand thing for the estate builder to freeze on to for the purpose of making his principal grow (from reinvestment of earnings not paid out in dividends), but it would be a sorry stock for the widow who must make her money work hard to put food on her table and clothes on her back now rather than tomorrow.

Never think that there is any stock, or any bond, which is the right investment for every investor. Sometimes the very security that should be bought for one investor quite as properly should be sold out of the portfolio of another.

Your chances of "investment survival" are infinitely better if you think of yourself as an investor rather than as a speculator.

Investor vs. Speculator

But, you ask, how do you distinguish between an investor and a speculator?

Is there not a degree of speculative risk, if you look for it, in almost any type of investment commitment?

Are not all investors speculators, all speculators investors?

The best way for setting the investor apart from the speculator is to look into his state of mind, inquire into his attitudes.

An investor buys to keep; a speculator buys to sell.

An investor buys values; a speculator buys prices.

An investor is serene; a speculator is worried.

An investor looks for earnings and dividends, and regards appreciation as incidental; a speculator looks for appreciation, and regards earnings and dividends as incidental.

An investor bases his commitments on facts and probabilities; a speculator bases his commitments on hopes and possibilities.

An investor investigates, and then invests; a speculator invests and then investigates.

An investor always is patient; a speculator usually is in a hurry.

You should study your investment personality. Try objectively to determine your points and strength, and capitalize on them; and to locate your points of weakness and avoid permitting these weaknesses to lead you into a trap.

Here are a few simple questions. Try to answer them for yourself, honestly, objectively, impersonally, as an outsider would answer them for you. Think, and don't cheat!

(1) What are my investment objectives? Why do I want to invest? Do I seek income? Security? Peace of mind? Capital appreciation? Adventure? Absolute safety? Amusement? (Do you know some people really just seek to be amused by financial adventure!)

(2) Am I going at this business of investing hit-or-miss, or do I have a plan, and a philosophy?

(3) In the past, in what way has my investment experience been successful and in what way

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*Remarks of Mr. Hooper before the Federation of American Shareholders in American Business, Inc., New York City, November 21, 1952.

What of New Labor Relations Legislation?

By HAROLD KING, Ph. D.

Dr. King, in calling attention to Republican Party victory over opposition of organized labor, holds Taft-Hartley Act is 80% pro-labor, and falls short of effecting a balance in bargaining power. Says it is likely the new Congress will "duck" the issue of national interest vs. labor monopolies, but as long as Taft-Hartley Act provision requiring employers to bargain collectively with legally designated representatives of employees stands, labor monopolies will persist.

Ominous signs on the horizon, cast by the Republican victory, have caused organized labor to start digging in for the battle in which it hopes to retain as many of its gains as possible. Interestingly enough, though, the yielding by its offensive squad to the defense has not caused organized labor to cease calling the plays. One might expect to near at this time from the management team regarding potential areas of attack, but not so. Instead, labor leaders are listing the fields in which they expect attempted onslaughts. They tell us they anticipate efforts to curb industry-wide bargaining, to broaden the anti-trust laws to include the activities of unions, to narrow the scope of bargaining (by excluding certain issues previously fought over), and to lengthen to "indefinite," the 80-day injunction period which the Taft-Hartley Act provides for disputes affecting the national interest. They should take care in lengthening the list, lest management pick up some ideas not previously considered.

Harold J. King

In any event, it will be most interesting to see what the Eighty-third Congress comes up with in the field of labor relations. Ironically, the previous Republican Congress (Eightieth) left management in the incongruous position of defending, ever since, the Taft-Hartley Act, which is at least 80% pro-labor monoploy, and not more than 20% pro-management. This, because the Wagner Act was incorporated into the Taft-Hartley Act, along with some additions, which fell far short from effecting a balance in bargaining power.

There was one provision in the Wagner Act, which far outshadowed all the others put together, in economic effect. The same may still be said for this one provision, which stands as the economic foundation stone for the entire Taft-Hartley Act. Should this one stone be removed, the entire structure would crumble. The provision is the one which makes it an unfair labor practice for an employer to refuse to bargain collectively with the legally designated representative of his employees.

On the surface, this clause may appear quite innocuous. But it is the one which has made the labor monopolies the powerful instruments they are today. And, should management choose to center an attack on this point, the public would soon hear, from organized labor, of what great economic moment this particular provision is. For it involves nothing less than the age old argument ordinarily phrased as "property rights versus human rights."

Until the advent of the New Deal it was commonly supposed in the United States that the right of private property vested owners with the choice of doing virtually as they pleased with their factories, tools, and other assets, so long as they did not use them to inflict harm on others. This meant that they could withhold them from production, or could bargain with workers individually, or collectively (as a good many employers did, either by choice, or because they could not otherwise enlist, or hold, a labor force) to operate the factories, and use the tools in production. Employers had a legal choice to bargain collectively, or not, as they saw fit. The pressure to which they were subjected on this score originated with the unions, and not the Federal government. But with the passage of the Wagner Act the power of the government was brought into the conflicted on the side of unions. Owners no longer had the right not to bargain collectively in those cases in which a union, through the prescribed procedure, became the legally designated representative of employees. To refuse to so bargain collectively has meant (ever since the passage of the Wagner Act) that the employer, if he chooses to carry the battle far enough, subjects his property to confiscation, and himself to any penalties contempt of court may entail.

It was contended by the proponents of the Wagner legislation that human rights take precedence over property rights. This oversimplification allows no room for the possibility that property rights may constitute an integral part of human rights. But, be that as it may, there can be no doubt that the Wagner Act cut deeply into the property rights of employers.

Being politically conscious, the new Congress very likely may choose to duck the prime issue—whether it is in the national interest to foster labor monopolies. It may find it much more palatable to engage in further haphazard attempts to control the monopolies, rather than remove the cause of their tremendous power. But, in counting labor votes, the politicians should bear in mind that only one-fourth of the labor force of the nation is organized. Three-fourths of the workers are not union members, and do not engage in collective bargaining.

The Congressmen will realize that some of the arguments for collective bargaining have great appeal. But they may also recognize that most of these arguments do not go so far as to contend that powerful labor monopolies are in the national interest, or that in industrial relations government should be an ally of unions, rather than a neutral. As long as the above mentioned provision stands, it is naive to think, all trappings notwithstanding, that the Federal Government is a true neutral in industrial relations, or that continued industrial strife of significant magnitude shall not continue to be the order of the day.

More Trade—Less Aid!

By J. P. SPANG, JR.*

President, The Gillette Company, Boston

Mr. Spang, advocating more trade and increased foreign investment, holds these developments would do more to advance world peace and progress than U. S. gifts and other forms of foreign aid. Holds government's role should be limited to treaties providing protection to investments abroad and elimination of discriminatory taxation. Points out private capital flows where opportunities exist, and it is essential that we secure ample supplies of foreign raw materials. Recommends furnishing foreign countries our own "show-how," and reducing tariffs to extent of not injuring our own industries.

Our best hope for world peace, for the better world we all desire, must come from the increasing strength of friendly nations. Their strength must derive from their own self-created, sound internal economy. We cannot and should not continue pouring out U. S. dollars, either for our own good or the good of the recipient countries.

J. P. Spang, Jr.

No! Dollars alone are not the answer. While our system of financial blood transfusions may have kept the patient alive, they have not brought about a cure. And the donor himself must constantly guard against his own economic anaemia.

Our efforts must be re-directed. Two courses are open to us, one complementing the other. They are, first, a sharp increase in foreign investment, and, second, the intensified export of our industrial and technological skills.

There are a number of reasons why our foreign investment has not risen to the value we had hoped for, or expected. Some of these are internal. One is the unprecedented capacity of our own economy to absorb new capital. Another is the blind, uninvestigating fear of many American businessmen that the industrialization of other countries would constitute a threat not only to their foreign markets, but also would invite unrestrained invasion of their American markets. This is a timidity alien to our past. We have grown strong as a nation—yes, and as world leaders—through free enterprise. We have established the record for accepting the challenge of free competition. Better our record, and we demonstrate in honest figures before the world the advantages of our system over the police state.

By no means, however, do I say that increased domestic investment by private capital should be lessened. With so much at stake, it is imperative that our productive economy be held strong and dynamic.

There are other deterrents which have caused the sluggishness in the flow of foreign investment monies. As we have noted, one of them is the threat of war and political uncertainty abroad. Others are economic disruption, inconvertible currencies, unfavorable legal and political atmosphere, with increasing governmental controls, and, in some cases, the risk of expropriation. We must still buck nationalistic tendencies and discrimination against foreign investment. Then too, it is difficult to erase the impression existing in many capital-importing countries that public lending agencies will make public funds available at specially low rates of interest.

Despite these formidable factors, we all recognize the importance of foreign investment both to the United States and to countries of potential investment. Only through a substantial international flow of capital can the aspirations of the less-developed countries for economic improvement be realized. In addition, foreign investments should not be regarded only as a flow from developed to less-developed countries; international investments between developed countries are both normal and mutually advantageous.

Private initiative can do the job of increased production and greater consumption more effectively and economically than any form of government operation or control. This is true abroad as well as at home. Further, I believe that private enterprise alone can furnish capital investment on a scale adequate to the needs of world-wide economic advance.

The Government's Role

Our government, on the other hand, can do much toward forming an effective partnership to assure this advance. It should increase its efforts to enlarge the network of bilateral treaties providing for equitable treatment of foreign investment on a basis of equality with domestic investment. It should work toward extending opportunities for the remittance of earnings and the repatriation of capital, and for prompt, adequate compensation in the event of expropriation. Efforts should be accelerated for the elimination of discriminatory taxation of American citizens and business enterprise through internal legislation and international treaties.

I would like to suggest — if you will — a "now-see-here" program beamed at countries which want to attract foreign investments. They must realize more fully that often their own policies hold back the inflow of such investment. Certain countries need some healthy introspection. They cannot beckon foreign capital and, at almost the same time, discriminate against foreign citizens or enterprises; attempt to dictate managerial policies; prescribe the percentage of domestic participation in ownership; restrict earnings or the remittance of profits; limit the availability of exchange of profits; and impose confiscatory taxation.

It is also up to United States enterprise to demonstrate to less-developed countries that much of their apprehension to admitting foreign capital is groundless. We must show that modern foreign investment is a far different institution from the exploitative adventures of a half century ago. We must, by example, show that United States enterprises are good citizens in the countries in which they operate, contributing to the social and economic improvement of the community as well as to government revenues.

To illustrate the benefits and greatness that can come from foreign investment, our own country is the outstanding example. It was not too many years ago, as man measures time, that these United States of America was an undeveloped country. Yet so swift was our development that we have long ago forgotten our wastelands which now shine with golden wheat; our virgin forests which have given way to towering cities.

These accomplishments would not have been possible without the powerful financial assistance of Great Britain, of Switzerland, and other countries. Our great railroads, our banks, our manufacturing establishments, our mines, our life insurance — all, all had part of their inception in monies which came from Europe.

The "sensational" success of foreign financing of the Erie Canal was one of the reasons for the willingness of foreign investors to buy stocks and bonds in United States companies. The Pennsylvania Railroad is another outstanding example. In 1852, six years after its founding, Pennsylvania needed to borrow $3,000,000 for the needs of its fast-expanding system. A large share of the bonds were sold to foreign investors (principally British, but also Swiss) through such English banking firms as Baring Brothers, the Rothschilds, and others. With the help of foreign capital, the Pennsylvania achieved a high degree of standardization and efficiency relatively early in the "steam dynasty." This fact doubtless had a great bearing on Pennsylvania's ability to maintain an unbroken dividend record during the depression for some 190,000 stockholders owning over 13,000,000 shares of stock. The largest railroad today in terms of operating revenues, the Pennsylvania

Continued on page 32

*An address by Mr. Spang at the First General Session of the 39th National Foreign Trade Convention, New York City, Nov. 17, 1952.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF PORTLAND, ORE.

The Portland Security Traders Association held its monthly get-together in the French Room of the Old Heathman Hotel on Thursday, Nov. 20. Dan V. Bailey, manager of the trading department for Foster & Marshall, President of the Association presided. Mr. Bailey announced the Association's plans to continue their visits to industrial plants in the territory.

Dan V. Bailey

The Portland Association also voted unanimously to invite the 1953 NSTA Convention group to visit them next fall.

During a tense contest of skill between John Galbraith, Camp & Co., and Bob Pitt, Blyth & Co., Inc., at the Nov. 20 party, Dick Adams, manager of the trading department of Donald C. Sloan & Co., offered a notable forfeit if Pitt won, in view of his dim position. Bob won, and Dick paid his forfeit—for pictures and the complete inside story, contact George F. Patten, Jr., George Patten Investments, Portland, who recorded the event for posterity with his handy camera. Also available are prints of Dick Campbell of the First National Bank of Portland, who revealed, all six feet four inches of him, a remarkable terpsichorean ability.

SAN FRANCISCO SECURITY TRADERS ASSOCIATION

The Nominating Committee of the San Francisco Security Traders Association, consisting of Thomas Price, McAndrew & Co., Chairman; Elmer Weir, J. Arth & Co., and Emmett Whitaker, Davis, Skaggs & Co., have nominated the following slate of officers for 1953:

Earl Thomas

Walter Vicino

President—Earl Thomas, Dean Witter & Co.

Vice-President—Walter Vicino, Blyth & Co., Inc.

Secretary-Treasurer—Maury Kessler, Wells Fargo Bank & Union Trust Co.

Directors: John C. Hecht, Jr., Brush, Slocumb & Co. Inc.; William J. Bailey, Wilson, Johnson & Higgins; William G. Faulkner, Wulff, Hansen & Co.; and Frank Bowyer, Schwabacher & Co., the retiring President.

The Association announces that its annual Christmas party will be held Dec. 10 at the St. Francis Yacht Club. Cocktails will be served at 6:00 p.m., with dinner at 7:30. Reservations should be made not later than Dec. 5 with George Kammerer, J. S. Strauss & Co., Chairman.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League standing as of Nov. 20, 1952 are as follows:

Team—	Points
Donadio (Capt.), Demaye, Whiting, O'Connor, Rappa, Seijas	39
Hunter (Capt.), Klein, Weissman, Sullivan, Murphy, Searight	38
Murphy (Capt.), Manson, D. Montanye, O'Mara, Pollack, Gavin	37
Meyer (Capt.), Kaiser, Swenson, Frankel, Wechsler, Barker	35
Serlen (Capt.), Gersten, Krumholz, Rogers, Gold, Young	34½
Goodman (Capt.), Smith, Valentine, Meyer, Farrell, Brown	34
Mewing (Capt.), Bradley, Weseman, Hunt, Gronick, Huff	31
Leone (Capt.), Greenberg, Tisch, Werkmeister, Leinhard, Corby	30
Bean (Capt.), Frankel, Strauss, Nieman, Bass, Krassowich	23
Burian (Capt.), G. Montanye, Voccoli, Siegel, Reid	22
Growney (Capt.), Craig, Fredericks, Bies, McGovern	19½
Krisam (Capt.), Ghegan, Jacobs, Gannon, Cohen	17

200 Point Club		5 Point Club
Hank Serlen	231	George Leone
Arthur Burian	220	Hank Serlen
Jack Barker	210	Hoy Meyer
Richy Goodman	208	Richy Goodman

Thanksgiving prizes were won by the following in our annual handicap:

Hank Serlen 433	Ernie Leinhard 406
Jack Valentine 431	Jack Barker 401

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York will hold its annual meeting on Nov. 5 at 5 p.m. at the Antlers, 67 Wall Street, New York City. A buffet dinner will be served.

SECURITY TRADERS ASSOCIATION OF DETROIT AND MICHIGAN

The Securities Traders Association of Detroit and Michigan, held its annual fall dinner at the Detroit Boat Club the evening of Nov. 18.

The group was honored by the presence of Harry L. Arnold of Goldman, Sachs & Company, New York City, who is the newly elected President of the National Security Traders Association.

Also attending the function were H. Russell Hastings of S. R. Livingstone, Crouse & Company, Detroit, who is the immediate past-President of the national organization, and Mr. Edward H. Welch of Sincere & Company, Chicago, Ill., who is also a past-President.

SEATTLE SECURITY TRADERS ASSOCIATION

The Seattle Security Traders Association will hold its annual Christmas party on Friday, Dec. 5, at the Olympic Bowl. The festal occasion begins at 5:30 p.m., with dinner at 7, followed by the tops in entertainment at 9.

Reservations, and checks, should be sent to Sidney J. Sanders, Foster & Marshall, 802 Second Avenue, Seattle 4, Wash. Tariff is $15 per plate.

Securities Salesman's Corner

By JOHN DUTTON

Some years ago a very successful investment broker in New York City said to me, "I am sure that most of the people who do business with our firm actually do not understand what it is they are trying to do." I asked him to explain exactly what he meant by this. And this is the way he put it, as clearly as I can recall the gist of his remarks.

The average broker and security dealer is almost like a man who runs a hardware, a grocery, or any other kind of retail establishment. We have a door open, we invite customers to come in and buy stocks, we send them advertising literature, we put ads in the papers and we employ salesmen to call on those who have shown an interest in investing. We also have customer's representatives who are hired for their ability to meet the public, and they render courteous and prompt attention to the requests for information and other services which we offer.

We hold customers' securities in safe-keeping, we send them statements monthly, we collect dividends and send them out when received, we furnish special reports for tax purposes, we have comfortable air-conditioned offices in the summer, and they are well heated in the winter. All this we do and more. If we are successful in attracting a good following of investors we go ahead rather nicely; we run our store and the public comes in, browses around, and sometimes they buy.

Now, we have all kinds of buyers. We have bargain hunters who are looking for a special sale. We have those who sit here day after day watching chalk marks chase each other up and down. When they have a few points profit they feel good, and when the paper profits evaporate they don't feel so well. Yet they keep coming back, and occasionally they make a change or two in their list of stocks, and we make a commission. We have other customers that only invest when they have some surplus money. They call us and we give them some suggestions. We also have a few very substantial speculators who never come near the office. They buy and sell according to their own views and need very little in the way of special service. Then we have those who expect us to know just when a stock is going to advance, and they expect to be told about it within an hour or two before the move. These people are quite difficult to please. There are others who desire special inside information that they believe will help them to make some money without working very hard for it. You see we are serving the public—just like any other merchant.

But There Is Something Wrong With This Picture

Then he went on to tell me: This is all O. K. as far as it goes, but there is one thing wrong with this whole set-up. Many of our customers do not understand what it is that they really want from their investments. They live from day to day. They have never sat down with anyone who could give them an objective, honest, and unbiased diagnosis of their financial needs and their investment situation as it actually exists. After all, we are not in the same position as other merchants. We can't leave things to the untrained judgment of people who are liable to make some mistakes that will be very costly to them—not unless someday we care to go through another period of censure and criticism such as we did in the 'thirties. This may be carrying things a bit too far but sooner or later, if you give the public its head, you will see excesses in the securities markets once again. It may not be caused by over-reaching of credit, such as was the case in 1928 and 1929, but it could well be that people who have no idea of what they want and **need**, may some day get something else than that for which they bargained.

People who continue to overbuy in the securities markets—people who buy too many speculative stocks—people who say they want income but try for capital gains—people who try to have their cake and eat it too—people who indulge in wishful thinking regarding securities—people who just jump in and buy this and that on meager information or tips—people without a plan for watching their securities after they have bought them—these are the things that are unsound in our business.

This was the way he put it—not his exact words but such was the intent of his thoughts. There may be many who disagree. But one thing is certain—if we run a store and we leave it up to the public to buy what they wish, we may find that someday many of our customers will not be too happy with the goods they purchased **and then they will blame us, the merchants, for their plight.**

Beginning next week this column will start a series of articles that will attempt to explore this whole subject. Certain suggestions will be offered relative to the development of closer relationships between investment men and their clients.

COMING EVENTS

In Investment Field

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

Dec. 4, 1952 (New York City)
Investment Association of New York Second Annual Dinner at the Waldorf-Astoria.

Dec. 5, 1952 (New York City)
Security Traders Association of New York annual meeting at The Antlers.

Dec. 5, 1952 (Seattle, Wash.)
Seattle Security Traders Association annual Christmas party at the Olympic Bowl.

Dec. 10, 1952 (Boston, Mass.)
Boston Investment Club annual Christmas party at the University Club.

Dec. 11, 1952 (San Antonio, Tex.)
Investment Women of San Antonio Annual Christmas Party at the Party House on San Pedro Avenue.

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.

May 7-8, 1953 (San Antonio, Tex.)
Texas Group Investment Bankers Association of American Spring Meeting at the Plaza Hotel.

Sept. 14, 1953 (Sun Valley, Idaho)
National Security Traders Association 20th Annual Convention.

Blodgett Officer of Stone & Webster

The directors of Stone & Webster Securities Corporation, 90 Broad Street, New York City, have appointed Emmons W. Blodgett as an Assistant Vice-President of the company. Mr. Blodgett, who has been with the organization for eight years, is with the New Business Department in New York.

San Antonio Inv. Women's Xmas. Party

SAN ANTONIO, Tex.—The Investment Women of San Antonio will hold their Christmas party on the evening of Dec. 11, at the Party House on San Pedro Avenue. This year's party, which has become an annual affair, will be a dinner dance. Besides the 40 members of the club, invited guests include all other employees of investment houses in San Antonio.

New York Stock Exch. Weekly Firm Changes

The New York Stock Exchange has announced the following:

Transfer of the Exchange membership of Albert P. Hinckley to Stanley M. Roth will be considered by the Exchange on Dec. 11.

Transfer of the Exchange membership of Thomas L. Perkins to Robert G. Howard will be considered by the Exchange Dec. 11.

From Washington Ahead of the News

By CARLISLE BARGERON

In the nature of things, if General Eisenhower and Senator Taft go for a year without an open split it will be a miracle. And it is not in the disposition of either man to bring it about.

But our press has tended more and more in recent years to put the accent on personalities rather than principles, at least in the news columns. Herbert Hoover, when he was President, used to complain that the Washington correspondents were more interested in the competitiveness among politicians and political parties than on the issues at stake. He had reason to feel strongly on the subject. He could advance a proposition of international importance, but within 24 hours chief interest among the Washington correspondents would focus on whether Borah or some of Hoover's other opponents would be able to kill it. Such an attitude, needless to say, encouraged obstructionist tactics rather than cooperation.

Carlisle Bargeron

You have only to observe what has gone on in the selection of the General's Cabinet to see what is in store for him and the Senator. There seems to have been as much news interest in whether the appointee was a Taft man or a Dewey man as there was in the appointee's ability or standing. The Senator was represented as being pleased, displeased, ignored or slighted, every time an appointee was announced. It came to the point that he felt it incumbent to say that while he had recommended at the General's request a man for every Cabinet post, at the time of his statement, only one recommendation, that of Secretary of Agriculture, had been accepted. At the same time he made it plain that he considered all of the appointments satisfactory. He was not in the slightest miffed.

The plain fact is that the Senator fully recognized the right of the General to name his own official family. Every President is allowed wide freedom on that. He did not consider his much publicized understanding with Eisenhower at Morningside Heights during the campaign that Taft supporters would not be discriminated against in patronage, as denying the General the right to name his own official family. The agreement was understood to cover the broad field of patronage. As a matter of fact the Senator was surprised when he received a request for recommendations for the Cabinet and it is doubtful if he took this request too seriously, as anything more than a nice gesture. Thus it was that he recommended Senator Harry Byrd for the Treasury post only to see it go to a man about whom he had not been consulted, but who nevertheless was a "Taft man," a close personal friend and a man of outstanding ability.

It can be easily understood that his feelings would have been aroused had Eisenhower loaded up his Cabinet with Dewey men but the General has not done this.

Taft is not a small man and there is not the slightest doubt that he has every desire to cooperate with the new President. It is a fact, too, that he has never seen any fundamental political differences between the two. To picture Taft as an isolationist, one who would cut this country off from the rest of the world, and Eisenhower as just the opposite, a world cooperationist, was one of the greatest pieces of bunk of the pre-convention campaign. On domestic affairs, Taft is probably more liberal or he has come to bend more in domestic affairs than Eisenhower, and in international affairs the growing indications are that Eisenhower has just about as realistic views as Taft.

I think the General's selection of General Motors' Charlie Wilson to be Secretary of Defense as indicative of this. Mr. Wilson is not a garrulous man, not given to going around the country making speeches at the drop of a hat. Two of the few times he has spoken in recent months he uttered one of those "whither are we going" warnings in the matter of foreign spending. I do not claim to be quoting him exactly but on each of those occasions he spoke about "Colonialism in Reverse" and said that while other nations had exploited their colonials for the benefit of their own citizens, we were the first nation in the world to exploit its citizens for the benefit of the colonials.

This sort of realistic thinking should be most healthy in the new Cabinet. If the General doesn't realize that the issue in this country has not been one of isolationism versus internationalism but, instead, one of using some common sense in our international spending, Mr. Wilson is going to be out of place in his official family. I believe the General does have this realization; furthermore, I think the Europeans realize the gravy train has passed.

But to get back to the Eisenhower-Taft relationship, if there is going to continue to be the effort to analyze each statement or action of one as to how it rests with the other, it will only be a time before their tempers get loose and we have a first class party split. And I expect there will continue to be this effort.

Joins Schirmer, Atherton

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Edward Fitzgerald has been added to the staff of Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges. He was previously with Blair, Roilins & Co., Incorporated.

With Chace, Whiteside

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Henry R. Newitt has become affiliated with Chace, Whiteside, West & Winslow, Inc., 24 Federal Street, members of the Boston Stock Exchange. He was previously with Ballou, Adams & Co., Inc.

Lest We Forget!

By HARRY S. BULLIS*

Chairman of the Board, General Mills, Inc.
Vice-President, Chamber of Commerce of the United States

Mr. Bullis warns businessmen, in viewing the more favorable climate due to the outcome of the election, they should not look only to their selfish interests, but should work to prove that aims of business and public welfare are one. Suggests as program: (1) a pledge to stop inflation; (2) gradual reduction of taxes; and (3) institution of sound credit policies.

The voters have put General Eisenhower in the political saddle. As a result and after a long wait, businessmen can look forward to a more favorable climate for the Risk System of Profit and Loss. But the voters did not say, "We believe you fellows have all the answers." No, their attitude was simply—"Now let's see what you fellows can do about the things that worry us. We'll give you four years to improve the economic and international situation. Fail, and we will drag you out of this saddle and you can go back to walking for the rest of your lives."

Harry A. Bullis

Let's not sell ourselves down the river by getting too self-interested. We are not the main economic factors of the country. Our factories, our laboratories, our companies, etc.—vital as they are to national economic strength—are not the deciding factors. The all-powerful source of strength to any Administration is not these things, or us. The American workingman and the workingman's family and the white collar worker and his family constitute the dynamic economic units of this country. These people have given the General a vote of confidence. They like him personally. They respect him. But he has to face the downbeat music of their mass economic doubt. They want to know what about their jobs, their homes, their savings accounts and their sons of draft age. To check these doubts, the next President must have in his Council of Economic Advisers eminent economists and in other key positions industrial leaders who are acutely sensitive to the things that trouble millions of voters — namely, insecurity, mass unemployment, instability of the business cycle, and failure to contain Communist aggression. These millions of workingmen and their families and white collar workers and their families suspect that the situation is ripening for a recession during the next year or two; but I believe, and obviously they believe too, that if Ike surrounds himself with men thoroughly conversant with the best economic know-how on technical procedure, men who have the daring to sustain a high level of employment and enough foresight to mitigate drastic economic fluctuations, their fears will be proved unfounded.

Know-how, foresight, daring—those three words spell American destiny. Certainly American business has proved to the country that it knows the meaning of those pulsating words.

Yet 20 years ago a ground swell of doubt banished business ideas from Government. The masses suspected businessmen of being reactionary, against social progress, tarred with standpat philosophies, being isolationists in a time of need for world-wide thinking, and subscribers to their own selfish version of the profit system.

Responsibilities of Business

Let's face the facts of our new opportunity. Some businessmen think everything now is hunkey-dory, just because Ike is moving into the White House. Those men reason that all we have to do is to get back to the job in our offices and factories. They think we can shut the economic window that looks out on the world. They forget that the millions of people who wanted a change and put their hopes in our great leader—the same millions who decide whether our annual statements will be red or black—indirectly elected us business leaders to help the new President carry out their hopes for that change for the better.

Never in recent history has American business been given such a clear-cut public mandate. Now we have a free hand to prove false the former public suspicion of our short-sightedness. Today we have our greatest opportunity to prove that the aims of business and the welfare of the American public are the same thing.

How are we going to do it?

How Business Must Act

By making the moral climate of the business world better than it has ever been. By realizing that the windows of our factories today look out on the entire world and its alarming confusion. By saying to the workingman and the white collar worker and their families that American industry and American business are as much in this fight as they are—the fight to make, not only our own country, but the entire world free.

The most practical way to prove ourselves is to get behind our new President to strengthen his hand as he tries to solve the terrifying problems facing him. But if businessmen are going to relax into being a group of "Agin-ers" — stubborn Tank Traps along Ike's path to international harmony and to more stable economic security for all, not for just a few Americans—then look out for the time four years from now when those same hopeful millions, who have just given business its greatest opportunity, will turn from us in disillusionment, and will vote us out again.

Now what should be the total economic program of a big business organization such as the Chamber of Commerce of the United States in relation to the new Administration?

I think there are three desirable steps in that program.

First, Business and Administration should pledge, unequivocally, without qualification, to stop inflation, now that we know how to do it. We know that very serious inflation resulted from the loose fiscal policies of the Roosevelt-Truman Administrations, but there has been no inflation recently, and we know the methods used to stop it. General Eisenhower's Republican Administration should pledge this without reservation, and the Chamber should pledge its full support of the necessary measures to see that inflation and the cheapening of the dollar are ended once and for all. This has always been the policy of both the Republican Party and the National Chamber.

The next step should be the lowering of taxes, slowly, carefully, prudently, so as to make certain that employment and total business activity are kept at those high levels which will assure high productive employment—without inflation—for all who wish to work.

Only by this method can the budget be balanced. It will expand the tax base more than enough to offset cuts in tax rates. Expanding the tax base is equivalent to the maintenance of high, productive employment for all.

In contrast, trying to keep the budget balanced in the face of a slight recession will only make the recession worse. We saw that in 1937 when we almost had a balanced budget, yet we had over eight million Americans unemployed and our productive plant was operating at only 67% of its capacity.

Sound Credit Policies Essential

The final step in this three-part program is to keep credit policies sound and to offer a rate of interest which is compatible with that reasonable control of credit which will assure that we will not have further inflation. This possibly slightly higher rate of interest will attract the funds of savers and saving institutions into government bonds. In that way, we can soundly finance any needs of the Federal Government in the period when defense expenditures are declining and we are endeavoring to build up the national income and total productivity to keep employment high.

These are the three policies that I think we should seek.

They meet the public's wishes that we stop inflation and have full employment. By adequate tight credit policies we enforce "No Inflation" as our rule, although we make higher interest rates necessary. By tax reduction, we make certain that we keep total economic activity high, so that we can sustain full employment.

Here is a program on which I believe General Eisenhower's Administration and Business can agree.

*A statement by Mr. Bullis at a meeting of the Board of Directors of the Chamber of Commerce of the United States, Nov. 14, 1952.

Charles Jank Pres. Of F. Knowlton Co.

OAKLAND, Calif.—Charles E. Jank has been elected President of Frank Knowlton & Co. to succeed Eugene V. Flood, who recently passed away. Mr. Jank has been connected with Frank Knowlton & Co. for the past 25 years and has served as Executive Vice-President during the last four years. He is a member of the Board of Directors of the Athens Athletic Club and has served in various executive capacities.

Other officers are: H. R. Williams, First Vice-President, Edward S. Goetze, Vice-President and Mrs. Dora McClelland, Secretary-Treasurer. The company also has an office in San Francisco.

With Blyth & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Edward J. Parr is now affiliated with Blyth & Co., Inc., Buhl Building.

John G. Kinnard Adds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Bernard M. Sarich has been added to the staff of John G. Kinnard & Co., 133 South Seventh Street.

Is Prolonged Depression Inevitable?

By EUGENE HESZ*
University of Detroit, College of Commerce & Finance

Professor Hesz contends there need not be a prolonged economic depression, provided properly balanced monetary and fiscal policies are followed, including prompt easing of credit as government cash surplus develops, along with prompt reduction of taxes to match decline in defense spending. Advises elimination of capital gains taxes to keep investment active.

Many prominent economists have predicted a prolonged period of sharply reduced industrial activity, with accompanying unemployment, after the peak of defense production is passed.

Eugene Hesz

They reason that as (1) per capita ownership of cars, houses, refrigerators and other durables is higher than ever before; (2) business plant and equipment have experienced unprecedented expansion since 1945, and (3) the rate of family formation is expected to decline; therefore, a period of severely reduced durable and capital goods production will be necessary to balance equipment with needs.

It is true that the nation owns more durable goods and productive equipment per capita than ever before. However, it is obvious that many millions of families still want and need more or better cars, homes and other durable goods. Moreover, a great deal of obsolete equipment and structures have been kept running to meet the emergency.

The prediction that the nation is heading into deep and prolonged depression in the face of these great unsatisfied needs, bolsters the Communist propaganda that our Free Enterprise System cannot run at capacity for long; that the "diversion of purchasing power into hoarded profits inevitably cripples sales in a capitalistic economy, causing widespread unemployment."

Let us, therefore, examine the role which money has played in past economic fluctuations.

Recessions, as well as depressions, have all followed periods of tight money. Moreover, each period of tight money since World War I has been brought about by the monetary authorities for the purpose of deflating the price of commodities or securities. This happened in 1920, in 1929, and in 1937. Excessive money tightening in 1948 would have resulted in a fairly severe recession except for the tax reduction, passed over a Presidential veto, which began to expand the money supply in early 1949.

Long-term experience indicates that an average annual increase of some 4% in the money supply—currency and bank deposits—is necessary to accommodate the increasing needs for a medium of exchange which matches the country's growing productive capacity and the demand for liquid savings. When the money supply expands too fast for the needs of the economy, higher prices follow, although sometimes delayed by price control. When the expansion in the money supply does not keep pace with the country's requirements, falling prices, falling profits and eventually recession result.

The growth of currency and bank deposits in this country is controlled to a very large degree by the credit policy of banks—the freedom with which they make loans or buy securities. This, in turn, is controlled by the amount of Federal Reserve credit outstanding, the reserve requirements set, the prevailing official attitude toward credit expansion, and any special restrictions or incentives. The Federal cash surplus or deficit also exercises a direct influence on the money supply, independent of the needs and sentiment of the banking or the business community.

From 1946 through 1950, the total of currency and bank deposits has had an average expansion of only 2% a year. This subnormal growth has had no serious adverse effect because of the very great wartime increase in the money supply.

However, the sharp rise in prices and in the volume of production from 1946 through 1950 largely absorbed the excess money which had been created by the heavy government borrowing from the banks to finance World War II. In 1950, the total money supply was just about in balance with the needs of the country at the then-existing price level.

In this balanced situation, the shock of Korea brought about a wave of speculative buying by consumers, distributors, and producers. As a result, prices were bid up beyond the level which might be considered supportable by the existing money supply. Although the money supply also increased, it lagged behind parity with the increase in gross national product.

Meanwhile, the widely forecast government deficits failed to develop, and an extended program of credit restrictions and price controls was initiated. Although many of these restrictive controls have since been relaxed, the Federal Reserve System has succeeded in forcing a tighter money policy upon the banks generally, despite the opposition of the U. S. Treasury. No criticism of any single credit policy is implied, since, alone, none is controlling.

It is the combination of the various credit and fiscal policies which, taken collectively, constitute the program which must balance the needs of the country.

If this program becomes excessively restrictive, it will prevent the money supply from expanding sufficiently to meet the requirements of the economy. In this event, a major downward price adjustment would be unavoidable and a depression likely. The nation would again have unemployment in the face of unsatisfied needs.

Analysts of the radical left and the reactionary right would alike blame durable goods market saturation, rather than restrictive credit policy. Left-wing politicians would proclaim that "Free enterprise has demonstrated its inherent instability." Ultra-conservative politicians would say, "Let's sweat it out." However, the conservatives would not prevail and the government would intervene by clamping new controls on prices and profits and by massive, wasteful spending. The public is completely unwilling to see serious loss of potential production while real human needs remain unsatisfied.

Summarizing, it is my conviction that properly balanced monetary and fiscal policies, including:

A prompt easing of credit as a government cash surplus develops,

A prompt reduction of tax collections to immediately match any drop in defense spending,

A basic liberalization in depreciation allowances, and

Reduction or elimination of capital gains taxes after the Canadian pattern,

will be required to keep investment active, the money supply expanding and to maintain a high level of economic activity.

Such measures could have a decisive influence in preventing a depression severe enough to cause further irreversible attrition of our economic freedoms.

*A statement by Professor Hesz presented at Annual Meeting of the National Association of Investment Clubs, Detroit, Mich., Nov. 8, 1952.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates on Nov. 21 offered $6,375,000 Northern Pacific Railway 1952 2⅞% serial equipment trust certificates, maturing annually Dec. 16, 1953 to 1967, inclusive. The certificates are priced to yield from 2.20% to 3.05%, depending on maturity.

The certificates will be secured by new standard-gauge railroad equipment estimated to cost not less than $8,000,000. Issuance of the certificates is subject to the authorization of the Interstate Commerce Commission.

Others members of the underwriting group are: R. W. Pressprich & Co.; L. F. Rothschild & Co.; A. G. Becker & Co. Inc.; Freeman & Co.; Ira Haupt & Co.; Hayden, Miller & Co.; The Illinois Co.; Gregory & Son Inc.; McMaster Hutchinson & Co.; Wm. E. Pollock & Co., Inc.; William Blair & Co.; and First of Michigan Corp.

Patrick Rafferty With F. L. Putnam & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Patrick J. Rafferty has become affiliated with F. L. Putman & Co., Inc., 77 Franklin Street, members of the Boston Stock Exchange. Mr. Rafferty was formerly manager of the statistical department for the local office of J. Arthur Warner & Co., Inc.

Helen J. Oetter Joins Dempsey-Tegeler Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Helen J. Oetter has become associated with Dempsey-Tegeler & Co., 407 North Eighth Street, members of the New York and Midwest Stock Exchanges. Miss Oetter was formerly manager of the trading department for Friedman, Brokaw & Co., and prior thereto with Blair, Rollins & Co., Incorporated.

George E. Abbot

George E. Abbot, Vice-President of Harriman Ripley & Co. in charge of their Boston office, passed away suddenly Nov. 23, at the age of 56, following a heart attack.

With James Ebert Co.

(Special to THE FINANCIAL CHRONICLE)

BAKERSFIELD, Calif. — James F. Duffy has been added to the staff of James Ebert Company, 120 Chester Avenue.

With Wilson, Johnson

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Paul T. Wemple is now with Wilson, Johnson & Higgins, 300 Montgomery Street.

Public Utility Securities

By OWEN ELY

Columbus & Southern Ohio Electric

Columbus & Southern Ohio Electric supplies electricity through an interconnected system to an area in and around Columbus, with an estimated population of 515,000, and a southern area with an estimated population of 230,000. Approximately 76% of the company's electric revenues are derived from the Columbus area. Columbus (with a 1950 population of 375,901) is the capital of the State of Ohio, the home of Ohio State University and a retail trading center for the surrounding suburban and rural area. The City and nearby area contain generally diversified industry, mostly small or moderate in size. The southern area is chiefly rural in character. The company's industrial business is very well diversified, with a natural gas pipe line as the largest customer, accounting for about 9% of industrial revenues.

Electricity and transportation account for about 83% and 17% of gross revenues, respectively, with the former normally providing practically all operating income. The domestic load accounts for 40% of electric revenues, the industrial load is small, contributing only 26%, while commercial is about average at 25%.

The company's record over the past 10 years is as follows:

Year	Rev. (Mill.)	Common Stock Record— Earned	Div.	Range
1951	$31	$1.84	$1.40	23-19
1950	28	2.30	1.40	23-19
1949	26	2.57	1.40	23-19
1948	23	2.01	1.40	22-18
1947	21	2.22	1.43	25-19
1946	19	2.17	.90	25-18
1945	18	2.20	1.70	--
1944	18	1.25	1.20	--
1943	17	1.47	1.20	--
1942	16	2.00	1.00	--
1941	14	1.38	.80	--

Steam generating capacity aggregated 320,800 kw at the 1951 year-end. An additional 60,000 kw unit was installed in April, 1952 and a similar unit is scheduled for installation late in 1953.

Columbus spent $15.5 million in 1951 for electric construction, making a total of $61 million in the past five years. This represented an increase of 104% of the book cost of electric utility plant since Jan. 1, 1947. The company contemplates spending $55 million during the years 1952, 1953 and 1954.

On Sept. 18, 1952, Columbus offered 90,000 shares of $4.65 preferred stock at $100 and 300,000 shares of common stock at $24.88 through Dillon, Read & Co. The recent financing, together with the $19 million bank loan recently raised, are expected to supply all the funds needed for construction until the winter of 1953-54. The dilution resulting from the common stock issue is fully reflected in the earnings for the 12 months ended Sept. 30, of $1.98. However, the recent rate increase would have the effect of adding about 40c on a pro forma basis, raising the figure to $2.38 pro forma. There would also be the advantage from the use of the new funds which should work out through the interest credit on construction and later through actual operations.

Columbus & Southern Ohio for some years had troubles with the City of Columbus over transit and electric rates. In 1949 Columbus set us a separate company (Columbus Transit Co.) to operate the bus and trolley coach business in Columbus and its suburbs, acquiring the company's 5% mortgage notes and common stock in connection therewith, which securities are pledged under Columbus' own indenture. The City Council of Columbus is authorized to fix transit fares; the State Commission has no jurisdiction but the company has the right of appeal to the courts. For many years prior to November, 1949, fares remained virtually on a 5c basis despite rising costs; the nickel fare was apparently considered politically desirable, and the company was permitted to maintain higher electric rates as a compensation. However, when the City of Columbus undertook to continue the low fare for a five-year period, this precipitated a period of litigation with the company; fares were gradually raised and now approximate 10c straight, authorized by ordinance.

This dispute also reopened the basic question of electric rate reductions. In the fall of 1949 an electric rate ordinance containing rate reductions, chiefly residential, considered by the company to be excessive, was enacted by the Council of the City of Columbus and later approved by the electors of that City. The company, continuing to charge its old rates, appealed from the City's new rates to the Public Utilities Commission of Ohio. While the appeal was still pending, the company and the City Council in 1950 agreed on an ordinance containing new rates for residential, commercial and industrial customers retroactively effective to Nov. 15, 1949. This ordinance, approved by the electors of the City, was approved by the Commission as a settlement of the appeal proceedings. The 1950 Columbus ordinance continued the substituted residential and small commercial rates for three periods of two years each, the first beginning Nov. 15, 1950, subject to termination by either the company or the City at the end of any such period. Industrial and large commercial rates were transferred to the jurisdiction of the State Commission at this time and about a year later the company asked the Commission for an increase in such rates, which increase was approved and became effective Aug. 14, 1952. The annual amount of this increase in net earnings per share of common stock is estimated at about 40c a share.

Columbus & Southern Ohio is expected to benefit substantially by the construction of the large new atomic energy plant near Portsmouth, Ohio. Construction of the new plant is expected to require an average of 17,000 workers for five years, with a peak of about 36,000. Commercial enterprises are now being established in the area and resulting in increased demands by residential and commercial customers. Sales of electric energy by Columbus are increasing rapidly, and in the week ended Oct. 11 were 19% over last year compared with an average gain for the industry of about 8%.

Inflation's Effect on Utilities

By CARL C. BROWN*

Partner, Laurence M. Marks & Co., New York City
Members, New York Stock Exchange

Contending that State Public Utility Commissions are going to extremes in refusing to acknowledge the impact of inflation on the rate of return to utilities, New York investment banker shows adverse effect of inflation on utility earnings as compared with industrial companies. Cites need of higher minimum rate of return on "original cost" and reveals a new formula for fixing utility rates.

Much time, effort and money is being expended by the utility industry to cope with the important problem of inflation. Numerous State Commissions have had the subject of inflation and its serious consequences brought before them vigorously by appellants. Some Commissions have acknowledged it to be a real problem but have given little, if any, practical weight to the adverse effects of inflation in their decisions; others, have avoided it or refused to accept it as a regulatory responsibility, possibly because of its political repercussions.

Carl C. Brown

Typical of the attitude the industry is faced with is this quotation taken from the Commonwealth of Massachusetts Department of Public Utilities opinion in the Western Massachusetts Electric Company case dated June 23, 1952:

"After so many years of loyalty to the prudent investment theory, we are reluctant to turn to another and very different theory which results in a variable rate base tied to the current economic situation."

In the recent New York Telephone Company case before the New York State Public Service Commission (Oct. 3, 1951) considerable evidence was introduced by the company's economists on the unfavorable repercussions of inflation on the telephone business and its equity investors. Among numerous other contentions it is noteworthy to observe that the Commission discussed the plea for protecting the integrity of capital this way:

"We doubt if the Legislature ever intended that we have the power to protect investors in public utility securities from the effects of the policies of the national government."

While, obviously, fully appreciating the problem the Commission stated:

"Whatever may be said about the over-all justice of protecting investors, we see no reason why investors in utilities are being treated any worse or better than those who have invested in life insurance, in government bonds, in savings accounts or corporate bonds generally . . . if we attempted to make such an adjustment the various holders . . . would not be treated equally or justly . . . the purchaser of yesterday might reap a windfall."

Much can be said to refute these contentions but for my purpose I merely wish to show you to what extremes certain Commissions are going to avoid meeting head-on a very real and pressing problem.

Experience of Utility Securities

If we compare the experience of the equity holder of utility securities with that of industrial securities, by adjusting the nominal value of the dollar to its present purchasing power of 53c, we would find that the real earnings, dividends and market value of utility stocks today are substantially below 1940 but that of the industrial stocks, considerably higher. It is quite significant to observe that average earnings and dividends of 24 utilities used in Moody's utilities average are 30% less than in 1940. On the other hand, 125 industrials show earnings and dividends 40-50% higher than in 1940, all adjusted to the present 53c dollar. (See Table I).

Industrial companies are free to raise the prices of their goods at will to adjust their operation to inflationary conditions. While utilities are faced with these same conditions, our American tradition of regulating utility companies confronts this segment of industry with difficult and inflexible rules and practices over its operations. Were it not for your ingenuity of constantly developing more economical means of doing business, including fuel clauses, and obtaining more efficient plant facilities and equipment to render utility services, the industry under the adverse impact of inflation, might be in a sorry state today.

No informed person will argue with the conclusion that many costs of doing business at present inflated levels have been permanently imbedded in our economic structure. Who expects the clock to be turned back on the scale of wages which is one of the most important components of expense of rendering utility service and also enters heavily in the cost of the mining and manufacturing process of fuel, equipment and materials used extensively in your business. Who expects taxes at the Federal and particularly, at the local levels to diminish much, for some time in the future. Who expects the cost of money to diminish when the dollar has been so cheapened that herculean efforts will be required to sustain it at approximately the present level. What incentive do you have in your stewardship of utility property to see your companies grow year by year in total assets, the volume of business done, and the enlargement and betterment of service to consumers, when your nominal earnings remain almost stationary and your real earnings are actually diminishing? It would be unfortunate, if as a result of this, investors were to become aroused and refuse to continue to invest their money in your business. To be sure the electric segment of the utility industry is in good standing today—probably the best in its history—due in no small measure to new large institutional investors stemming from pension funds, personal trusts, insurance companies and investment trusts. Small wonder these investors are willing to place their money in the equities of utilities when they are able to acquire them on the basis of 50% of what old stockholders paid for their interest in these companies. Some of the demand has been generated from the fear that business generally may be headed downward and the electric utility stocks offer a temporary haven for protection against such contingency. Whatever the cause may be, it behooves both management and regulators to be alert to their responsibilities of maintaining a favorable attitude towards capital, if consumers are to continue to enjoy the benefits of ample, high grade utility service at reasonable cost.

Fallacy of "Original Cost" Rate Base

I would also like to set forth the plight you find yourself in by an adherence to the "original cost" or "fixed dollar" rate base. You are constantly replacing portions of your plant. You find that it costs a great deal more today for similar property you installed ten years ago. In fact, your fixed capital costs have gone up constantly since 1940. To be sure, in certain instances of replacement you are getting something better or more efficient, so that a straight dollar comparison is inappropriate. In the main, however, you are replacing similar property at inflated prices and retiring old property on an original cost basis. By this process the annual charge is not sufficient to offset its real cost and capital becomes impaired to the extent of the deficiency. Either a higher rate of return is necessary or higher annual depreciation accruals should be allowed to offset this adverse inflationary impact.

Another important aspect of the inflationary trend of costs has been to produce a lag between the time of asking for regulatory relief and obtaining it. In some instances, as you know, the lag has been of such duration that by the time relief was obtained, or even before, utility companies found it necessary to request additional upward adjustments in rates. An interesting approach to this problem is found in the recent Pacific Gas & Electric Company rate case before the California Public Utilities Commission (Oct. 15, 1952). There the company requested a 6% rate of return on a depreciated rate base, plus a .18% allowance to cover expected continuing rising trend in costs, a provision intended to obviate the early need of returning for additional relief.

All of this adds up to the necessity of obtaining a higher rate of return. This you can do with a clear conscience since by all present standards utility services are rendered at too low a price. Except for its traditional usage, there is nothing legal or sacred about a 6% rate of return. If it takes 6½%, or even 7%, to offset the repercussions of inflation on your business you should have it. You do not expect or urge a windfall—you expect a fair return in terms of current changed economic conditions, which will protect you from deterioration of your plant and your capital, and enable you to attract a continuing flow of capital to meet the growing demands for utility service.

How Inflationary Impact Can Be Corrected

As a possible guide to how the inflationary impact on the utility business can be corrected in the rate of return, there has come to my attention a method advocated by Walter A. Morton, Professor, Department of Economics, University of Wisconsin, as set forth in his excellent paper reported in "Land Economics" in the May, 1952 issue captioned "Rate of Return and the Value of Money in Public Utilities." Professor Morton sets forth for the electric industry the annual increment of net investments by years, from 1945-1952 (estimated) inclusive, and by applying an annual index of adjustment, which is a weighted average of the BLS wholesale prices, the BLS Cost of Living and the Handy-Whitman index of utility construction costs, equates the aggregate investments to 1952 dollars. In this way he determines that the historical net investment of the Class A and Class B electric utilities of $21,350,000,000 has been inflated to $28,929,250,000 or 35%. He then proceeds to apply this adjustment factor to the equity portion of the capital structure only. Since in case of the A & B electric companies it is 37%, he thereby arrives at an adjustment of 12.95%. Consequently if the ordinary rate of return is 6%, an inflation adjustment of .78% becomes necessary (6%x 12.95%), giving an over-all rate of return of 6.78%. As an alternative method for increasing the rate of return, a utility company's property could be adjusted from originial cost into cost expressed in dollars of the current year and the rate kept intact. However, it would appear that regulatory au- ..e historical cost concept of property prefer to make their change with respect to the percent return. Table II sets forth the details for this calculation.

If this inflationary adjustment were applied to the entire capital structure of a utility company, to compensate bondholders and preferred stockholders as well, it would require an adjustment of 2.10%, making the over-all return needed 8.1%. While this could be done, it would not appear necessary since these classes of security holders, in effect, have contracts stipulating their fixed income and the former are paid off by a prescribed date or sooner. Common stockholders take their chances on the dividend rate, risk their capital, and have a claim on assets only after the bondholders and preferred stockholders are fully provided for. Therefore, it is reasonable to conclude that the adjustment due to inflation should be applied to the equity capital only.

This type of formula is worth considering since it is intended to give you a basic established rate of return, used in your jurisdiction, and then compensates you additionally for the impact of economic forces, if they are adverse to the maintenance of the soundness of your business, so that you may earn a fair rate of return continuously and not just intermittently. From a practical standpoint it would also appear that the application of this adjustment factor is politically palatable since it keeps the over-all return within reasonable bounds. It will help to compensate you for the further pinch of operating costs, offset higher capital costs, diminish the effect of the "lag" in earnings, and allow you to set aside into surplus a cushion to absorb the unfavorable impact of "historical cost" depreciation accounting required by Commissions generally.

This is my message why I believe the effect of inflation on your business necessitates you getting a higher return. Fair-minded people in all walks of life will agree that this is a small price to pay to keep an enterprise, which is the key to our national and international economic and political strength, financially sound and physically able to meet the great utility demand of the nation at all times, in peace or in war.

TABLE I

	Actual 1940 (100c Dollar)	Actual 1951	Adjusted 1951 (53.3c Dollar)	Adj. Change 1951 over 1940
Moody's Utilities:				
Earnings per share	$1.81	$2.44	$1.30	—28%
Dividends per share	1.54	1.88	1.00	—35
Price per share	25.64	32.55	17.35	—32
Moody's 125 Industrials:				
Earnings per share	$2.59	$7.37	$3.93	+52%
Dividends per share	1.67	4.44	2.37	+42
Price per share	31.76	70.72	37.69	+19

TABLE II

Investments in Class A and Class B Electric Utilities in 1952 Dollars

(Money Amounts in Millions)

	Annual Increment of Net Investment	*Index of Adjustment	Investments in 1952 Dollars
1945	11,426	160	18,281.6
1946	198	142.73	282.61
1947	833	120.21	1,001.35
1948	1,441	110.19	1,587.84
1949	1,660	111.73	1,854.72
1950	1,498	108.62	1,672.13
1951	1,944 E.	100	1,944
1952	2,350 E.	100	2,350
	21,350		28,929.25

% Change in Price + 35%

Hypothetical Example

Historical Cost	$100
Historical Cost in Current Dollars	135
Change in Price (P)	+35%
Common Stock Equity (E)	37%
Basic Rate of Return (M)	6%

Price Adjustment (A) = PEM

A = (.35% x .37) 6% = .78%

Adjusted Rate of Return (R) = M + A

R = .06 + .0078 = 6.78%

*The price index is an equally weighted average of the BLS Wholesale Prices, the BLS Cost of Living and the Handy-Whitman index of utility construction costs.

*An address by Mr. Brown before the New Jersey Utilities Association, Absecon, New Jersey, Nov. 21, 1952.

Now F. J. Winckler Co.

DETROIT, Mich. — The firm name of Shader-Winckler Company, Penobscot Building, has been changed to F. J. Winckler Co.

Joins F. I. du Pont

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla. — Sidney Davidson has been added to the staff of Francis I. du Pont & Co., 2809 Collins Avenue.

Automobile Credit Problems

By T. C. DYE*
Vice-President, Associates Investment Company
South Bend, Ind.

Foreseeing change from current favorable automobile financing conditions, Mr. Dye cautions finance companies against lulling into complacency. Says more time should be given to credit check-ups of car purchasers and use of sound credit judgment will be needed. Calls attention to rise in repossession rate and likelihood of need for higher financing charges. Says wholesale outstandings are on increase and more attention should be given to dealer's finances and used car inventories.

The postwar period has been very profitable to all; many have made profits in spite of what they did or how they did it. We have been in a period of great demand for the merchandise in which we deal. All during this period the prices of new cars have continued to increase; used car values have not taken even normal depreciation; employment has been at an all-time high. All of this has been very favorable to paying habits; we couldn't do much wrong in buying retail paper and approving credit. In this postwar period many things, most of them favorable and very few unfavorable to our type business, have happened. No one had to do much selling to acquire business to take care of volume requirements, and not too much know-how was required at the working level of the business to have the business liquidate satisfactorily after purchase. We can all be thankful for that. However, I believe we must all admit there has been a change.

Many in business today have been lulled into complacency. Doesn't our good business judgment tell us that there is going to be a day of reckoning? That day may not be too far away; paying habits are changing and repossession frequency is increasing. Therefore, it is necessary today for everyone to be more selective in the extension of credit. To exercise sound credit judgment, we must be selective, accepting the qualified and rejecting the less desirable. We cannot purchase business without a thorough investigation and proper analysis of the risk involved after the investigation. The measurement of a credit risk is an intangible thing; the degree of risk very seldom remains static during the life of the contract.

Retail transactions must be thoroughly checked to determine the willingness and the ability of customers to perform under the contracts and obligations that we are asked to approve. Personally, I am a great believer in following a set formula in grading and approving credit applications. I know such a requirement is not necessary for an experienced credit employee, but in our operations today how many experienced credit people do we have? Those who have been approving credits during this prosperous postwar period cannot be considered experienced credit people because some of the poor business they approved paid out under the favorable conditions we have been living in. They haven't yet acquired their credit judgment.

I'll venture to say that everyone here will be devoting more time next year to credit matters. We will see that our applications are thoroughly screened and checked. In passing credit judgment today, in my opinion, we should know more about the spendable income of the individual. We should know how much he is paying at the present time out of his monthly income on obligations and living expenses. If it were practical, we should have a financial statement with the credit statement. I say that because many customers appear to be able to pay who cannot do so as they are already too heavily obligated. Today too many applicants with a Cadillac appetite are endeavoring to purchase cars on a Crosley income.

*An address by Mr. Dye before the American Finance Conference, Chicago, Ill., Nov. 6, 1952.

Purchasing Retail Paper

In the purchase of retail paper terms are of most importance. Let's first consider down-payments. In this business down through the years it has never been a sound policy to deviate too far from the standard one-third down. There can be justifiable exceptions. However, exceptions cannot become the rule; otherwise, we will definitely weaken the over-all grade of our paper. Most of us have gone through periods of unemployment when the value of the merchandise we were financing depreciated very rapidly. We went through these periods without suffering too great a loss because we had maintained sound terms and good down-payments. Even in normal times there is no substitute for a bona fide customer equity in maintaining satisfactory liquidation. Today we are in a period when loose and unsound terms are entering this business and they will pyramid if not controlled. Too many in passing on credit today are misled when they see a cash down-payment. There is much misrepresentation in that today because a very high percentage of the so-called cash down-payments are borrowed down-payments. Sometimes the entire cash down-payment is borrowed and sometimes it is borrowed from one or two lending institutions. So what happens? Instead of the customer having one installment to pay on the automobile, he actually has two and sometimes three. It might be very surprising to many of you, if you checked, to find what percentage of small loans are being made today to make down-payments on car purchases. We won't get the bad effects of low down-payments or borrowed down-payments until the "squeeze" actually comes.

In exercising credit judgment in the approval of credit applications, a sound knowledge of used car values is indispensable, a knowledge of not only current values but also of the probable worth of that used car in six months' time. We should train our credit people to know values and caution them against substituting published used car guide values for actual values.

Short down-payments, by and large, create over-advances and the combination of the short down-payment and the over-advance increases collection expenses and losses. Today more caution must be exercised and firmer control used in maintaining more rigid requirements relating to down-payments, over-advances, and long maturities. Naturally, the older the car the more hazard there is in deviating from standard and sound requirements. How proud can we be, as leaders of this great industry, if we foster or permit unsound terms for our customers and dealers alike. No one will gain in the long run; eventually we will all be hurt. We will build up unjustifiable losses and reduce profits. We will injure ourselves from a public relations standpoint with the customer. Dealers will greatly reduce their sales. We cannot shorten down-payments and over-extend maturities on new cars without affecting the market on used cars unless we follow the trend right down the line. What will happen to the market on used cars if we endeavor to shorten down-payments on new cars, over-extend maturities, and then try to hold the line on used cars? This would have a very bad reaction. Personally, I don't think we can deviate from standard down-payments to any great extent with any age car. From maturities we can. Naturally, the newer the merchandise the longer time can be extended, but then again, if we are going to 30 and 36 months on new cars, what is going to happen? We will be required to extend a longer time on used cars.

Repossession Rate

It is doubtful that anyone in this business purchases short down-payment transactions and extends long maturities because he feels it is sound business. He does it only because he is fearful of competition. None of you will disagree with the thought that an improvement is necessary. We cannot continue to live with the present high rate of repossession frequency. Firm action is necessary. Although we must make a profit today, we must give greater thought to the pattern which is being cut for tomorrow. If the basic principles are disregarded today, what kind of a business can we expect for tomorrow? In plain words, gentlemen, we are in a good business but we are too quick to "throw in the towel" when it comes to standing for firm business policies. If we don't make the correction now, we are all going to be asking for crying towels later on.

The Financing Charge

This all brings up the subject of yield. As an industry we have not done too well in maintaining adequate rates. I can think of only two commodities in this postwar period that have not gone up in price — Coca Cola and finance charges. There are many in this industry that are accepting the same rate on all postwar cars. Again we are too quick to give instead of exercising the required salesmanship to convince dealers to obtain for us justifiable rates for the service rendered.

What is being done in our industry today in the way of yield to take care even of the increased cost of money that we have had during the yast year? All expenses are up. Most industries pass on to the consumer a good proportion of their increase in the cost of their commodity or the service they render. Our business should be no exception. There are many ways by which we could accomplish this without pricing ourselves out of any good volume, but we are not going to if we solicit dealers on the basis of "How much is your present finance company paying you in the way of reserve?", leaving the dealer with the impression we are willing to pay more. That is happening far too frequently.

This industry today requires just as much aggressiveness and well-directed sales ability as it did years ago, but the truth must be admitted—it is not getting that kind of treatment. How much more is there left to give, gentlemen, in the way of liberality in terms, maturities, advances, and reserve? Expenses have increased. Losses are on the upward trend. We have probably gone the full cycle of inflation. Some people say what we can't cure, we must endure. I don't believe in that philosophy. I think what we can't endure, we must cure, and I think the day is here when we are going to have to cure a lot of the bad practices that we have permitted to creep into this business during this period of abnormal prosperity.

In view of the hazards that exist today, all finance companies should have in operation an efficient system of account verification as protection against fraud. Two distinct methods of verification may be employed. The major portion of a verification program must be handled by the negative method because of the expense involved. By that I mean by directing an inquiry to retail purchasers which requires a reply only if the information being verified does not agree with the purchaser's records. Supplementing this system of negative verification must be verification by the positive method; that is, either by personally contacting the purchaser or by directing an inquiry by mail which does require a reply. Whenever circumstances are such as to create suspicion that misrepresentation or fictitious retail exists, positive verification should be made promptly.

Because of the importance of a definite verification program in the operation of our business, this subject will be discussed in detail at our forum later today.

Wholesale Financing

Wholesale outstandings are on the increase. How high they will go will depend entirely upon us as individual operators. Why does outstanding floor plan get out of bounds? Because the finance companies, the dealers, and the manufacturers have not come to a common understanding. Let's not blame the dealer or the manufacturer if we haven't discussed these problems together. If we don't currently advise with dealers about their inventory and their inventory requirements and also with the manufacturers, how can we expect to keep wholesale under control? We must all appreciate that the manufacturer has to work on a production schedule, which is based on the anticipated requirements of the dealer. We must also take into consideration seasonal requirements, expected lay-offs, and the like. These all have a place and are due for consideration in the handling of any dealer's floor plan. It is mostly through neglect that we see dealers' inventories get out of balance and out of control, and this will continue to be more of a factor unless firmer controls are exercised.

All dealers agree the business of retailing automobiles is due for some drastic changes. A new era is being ushered in. To live and prosper under such a competitive condition, all dealers must do more planning and better managing. If they fail to do this, they are in for a very rude awakening. We are definitely in a period when dealer profits are on the decline. Floor plan involves a great risk with very little profit in return; it represents the greatest exposure we have in this business because of the sizable amounts that are extended. Dealer risks are constantly changing. We cannot hope to keep abreast of a dealer's current condition by receiving periodical financial statements; we must be closer to the dealer's operations than that.

The most important thing to watch in a dealer's operation is his used car inventory and his used car operation. In a period when there is a shortage of cars and prices are rising, not much ability is required to succeed in the automobile business. Dealers that permit their used car inventories to increase and get out of bounds are headed for trouble eventually. Used car inventories must be currently turned over. Why should any dealer permit used cars to remain in his inventory for a period of three or four months? If he does so, there is something wrong with his merchandising methods. He is either pricing his cars too high for the current market or his merchandise is not in salable condition or is of an undesirable class. Those are definitely warning signals in the proper handling and controlling of dealer floor plan.

How can we better correct many of these things we have been talking about? Let's be more sincere with each other in this great business; there is plenty of room for all. The American Finance Conference was organized to promote closer cooperation among its members. We should all be able to benefit by this common membership. We recognize we have the opportunity to work with each other, but there are too few of us that use that opportunity as effectively as we should. We are too hesitant about exchanging information that would be so helpful to all of us, but I am sure we individually can save thousands of dollars for our companies if we will take advantage of and further develop this inter-relationship to improve our operations and further promote this industry.

Coleman, Hoehn V-Ps. Of Gregory & Son

Gregory & Son, Inc., 40 Wall Street, New York City, announce that Francis X. Coleman and Herbert A. Hoehn have been elected Vice-Presidents of the firm. Mr. Coleman is Manager of the firm's Municipal Bond department; Mr. Hoehn is Manager of the Railroad and Utility trading department.

Texas IBA Group to Hold Spring Meeting

SAN ANTONIO, Texas — The Texas Group of the Investment Bankers Association of America will hold their annual spring meeting at the Plaza Hotel, San Antonio, on May 7 and 8, 1953.

John D. Williamson, Dittmar & Company, newly elected Chairman of the Texas Group, is in charge of arrangements.

Dallas Trust Company Is Organized

DALLAS, Texas — The Dallas Trust Company has been organized with offices in the Mercantile Bank Building. Officers are: R. A. Underwood, Chairman of the Board; R. A. Underwood, Jr., President; James R. Stanley, Executive Vice-President; and Edytha Turner, Secretary.

With R. S. Hays Co.

(Special to The Financial Chronicle)

DURHAM, N. C. — Ralph L. Chandler has become affiliated with R. S. Hays & Company, Inc., 111 Corcoran Street.

Joins Perry Blaine

(Special to The Financial Chronicle)

ASHTABULA, Ohio — Carl G. Madsen has become associated with Perry T. Blaine & Co., 221 Center Street.

Saunders, Stiver Adds

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Donald G. Rundle has been added to the staff of Saunders, Stiver & Co., Terminal Tower Building, members of the Midwest Stock Exchange.

Consumer Credit Aids Business Stability

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

Holding consumer credit is oldest form of credit, Prof. Rodgers ascribes its growth to fundamental need for it. Contends consumer credit has contributed to higher standards of living. Says present consumer credit agencies provide adequate financing for greatest distribution of consumer durable goods in all history and it also acts to expand the upward swing and contract the downward swing of business cycle. Predicts consumer credit volume will not be seriously affected by coming slowing up of business.

Raymond Rodgers

Financing the consumer has developed into a vast business, with an estimated yearly volume of more than $50 billion. It is a business which determines the sales in some lines and affects the sales in all lines. It is a business which has a "grass roots" origin because it has developed in response to insistent demands from large segments of the public. It is a business which dramatically illustrates the important principle that institutions arise in response to social needs, and that when established institutions fail to meet the changing needs of society, new institutions develop and flourish like the "green bay tree"! It is a business which has been credited with the virtues of economic salvation and, at the same time, paradoxically, bitterly condemned in some quarters.

But, above all, it is a business which is fraught with such importance, especially future importance, to the functioning of our economy that consideration of its contribution will give us a better idea of "the shape of things to come."

Oldest Form of Credit

Consumer credit is older than written history. From the earliest beginnings of civilization, man has had the personal emergencies of death, sickness and disaster. Credit in the form of food and assistance antedated money; and the pawnbroker and moneylender are mentioned in some of the earliest writings.

Despite this great antiquity, consumer credit was largely an outcast until comparatively recent years in America. (There were many reasons for this, but the chief ones were the contention of the philosophers that money was barren, i.e. non-productive, and Church prohibitions against the taking of interest.) In fact, it was in our time—only 40 years ago—that the first automobiles were sold on credit.

It was also in our time—only 40 years ago — that the Russell Sage Foundation proposed the loan shark evil be combated by setting up licensed and regulated lending agencies to meet the insistent demand for small loans, so that such credit could be secured on a competitive and fair basis by those who needed it. This revolutionary proposal, which took form as the Uniform Small Loan Law, has since been adopted in whole, or in part, by nearly 40 states. The licensed agencies operating under this law aid in leveling out the peaks and valleys of success and emergency by offering credit on a dignified basis for the solution of the financial problems of middle and low income families.

And, it was even more recently, in fact, less than 20 years ago, that the commercial banks entered the field of consumer credit on a consequential basis.

The phenomenal growth of consumer credit in these years indicates the fundamental need for it. The fact that those utilizing such credit have steadily increased in numbers and demands has not quieted all of its critics, although they are much less aggressive than they were a few years ago. As late as 1938, Roger Babson insisted that the case against instalment buying by consumers was "not only pecuniary, but also *spiritual*. . . . The crime of instalment selling is that it is causing manufacturers, advertisers, merchants, and consumers to go more madly after material things to the neglect of the things of the spirit. One becomes addicted to instalment buying as he would become addicted to liquor or gambling or any other vice. The entire practice is dangerous and vicious. . . . The instalment business is making our citizens dishonest and unreliable" and so on.

Nowadays nearly everyone thinks just the opposite of this quotation from Babson. But, even today, there are those who feel that consumer credit destroys traditional habits of thrift, and there are still others who feel that consumer credit accentuates the swings of the business cycle.

Contribution of Consumer Credit to a Higher Standard of Living

The great contribution of consumer credit to a higher standard of living for the American people is generally admitted. It seems indisputable that the automobile industry could not have made its unparalleled contribution to American strength and prosperity without the aid of consumer credit. Even 15 years after the first car was made in this country (1908), promoters regarded it as a passing toy and would not finance it. As Cleveland and Williamson put it, "With the exception of some financiers, the banking business was no more interested in the automobile than in a subway to China. The wise men of Wall Street regarded cars as sports and pleasure vehicles, not as a new form of public and commercial transport." In view of this attitude, it is not surprising that it was not until 1911 that the stock of an automobile manufacturer was first listed on the New York Stock Exchange! Because of their own capital problems, the manufacturers were in no position to finance dealers and purchasers. They had to have cash, and the development of consumer credit institutions was the obvious solution.

These consumer credit institutions enabled us to secure sooner than otherwise would have been possible increased production of durable consumer goods at lower prices, which created new jobs and raised the standard of living of all our people. Such credit more properly should be called *constructive credit* because it enables, and encourages, consumers to buy durable goods which raise their standard of living.

Consumer Credit Agencies Today

Today, our American consumer credit agencies provide adequate financing for the greatest production and distribution of consumer durable goods in all history. In fact, there is surprisingly keen competition among the various consumer credit agencies for this business. Crowding the sales finance companies, which pioneered in financing the sale of consumer durable goods, are the banks which are aggressively seeking this business. This, of course, is quite a change from the earlier years of this century when banking was an extremely dignified profession of great prestige, carried on with an appropriate degree of aloofness and frigidity in surroundings of marble and mahogany. As Hugh J. Bernard put it before the Financial Public Relations Association, the bankers "are getting the marble out of the features, the brass out of the voice, and the glass out of the eye."

Such competition is desirable as it guarantees that the public will be served ever more effectively and always at lowest possible cost.

Consumer Credit Expands on the Upward Swing of the Business Cycle

Consumer credit totals in recent months, especially since the removal of controls, have been at record levels for all agencies. This is to be expected, as consumer credit expands with the upward swing of the business cycle. Higher wages, higher employment, higher prices, and the expectations on these factors, all affect the total of consumer credit. In particular, fluctuations in income and income expectation have had a fundamental influence on consumer credit totals in the past. This has been partly because of the changed psychology of customers, but more largely because of the changed attitude of credit grantors.

Consumer Credit Contracts on the Downward Swing of the Cycle

Consumer credit naturally contracts on the downward swing of the business cycle. Just as in the case of the increases, this is partly due to the change in payrolls and prices, but more largely due to a change of psychology on the part of customers and credit grantors. It is this last danger that all agencies in this field should immediately begin preparations to meet. As a downturn in business is inevitable in the months ahead, they should make their plans now so that they can help offset it rather than accentuate it. In particular, a restrictive credit policy should not be adopted because of lack of confidence in the future.

Some credit grantors, who lacked experience, and lacked plans for such a contingency, got bad attacks of war jitters in 1942 and forced liquidation of their outstandings at considerable loss to themselves. They seemed to forget that debt, the other name of credit, is normal — not abnormal. For the sake of the entire economy, any such panicky reduction in volume must be avoided when business begins to slow up in the future.

Looking at the record of the last serious drop in business activity, we find that sales finance volume in dollars in 1932 was only 38% of 1929, but by 1936 it had exceeded the 1929 highs by 22.2% for the national companies, 50.7% for the regional, and 37.4% for the local companies.

In physical terms, sales of consumer soft goods and some consumer durable goods held up very well through 1931, and even the decline in 1932 was not drastic. So, repayment of the credit did little to intensify the depression, as physical volume showed but little decline.

Consumer Credit Volume Should Hold Up Better in the Coming Downswing

Knowledge of what happened in consumer credit in the early '30s and better knowledge of trends in the entire economy should enable credit grantors to use their facilities as a mighty constructive force when business begins to slacken next year.

One of the obvious things to do is to tighten up operations all along the line now, so that when the need arises credit can be drastically loosened. Stricter current policies will permit a greater contribution later when it may be sorely needed.

Consumer credit grantors can face the future with real confidence, for several reasons:

(1) Greater stability may be expected in the economy in the future than in the past. The Employment Act of 1946 commit the government to do everything possible to prevent extreme swings in business activity.

(2) Unemployment insurance reserves are very large and will cushion the impact of unemployment. This, too, should make it easier to maintain credit volume.

(3) Pension funds of one kind and another, including Social Security, will further contribute to stability in the future. For example, by 1960, 9.2% of the American population will be 65, or over, but instead of being dependent on relatives and public charity, as they generally were in the past, they will have $10 billion a year to spend.

(4) Consumer credit volume should continue at a high level next year, despite the expected downturn in business activity around the middle of the year, because there will be great opportunities in financing air conditioning, home modernization, home freezers and television, especially in areas opened up by the new stations.

(5) Most important of all, more and better knowledge of the techniques and methods of maximum consumer credit extension will enable credit grantors to maintain safely a volume that would have been dangerous a few years ago.

These favorable factors should give credit grantors such confidence in the future that they will not adopt credit and liquidation policies which might so reduce credit volume that the downward swing would be intensified.

Consumer Credit is a Form of Saving

Consumer credit contributes to the political stability of our competitive system of private enterprise by enabling, in fact, encouraging, wage-earners to acquire a worthwhile stake in it. Just as mortgage debt and home-ownership have always been encouraged as contributing to social responsibility and stability, the acquisition of automobiles, refrigerators and other consumer durable goods should likewise be encouraged as a stabilizing social force. In addition, the disciplinary, character-building influence of the development of personal credit, and the regularity of instalment payments has been built into, and strengthens, the everyday fabrics of American life.

As Professor Phelps of the University of Southern California puts it, "More and more generally, the feeling today is that instalment sales financing is not a matter of going into debt, but a process of organized saving, enabling the common man to acquire capital." In fact, it is not too much to say that, as a means of promoting thrift in the form of acquisition of actual durable goods, consumer credit has done infinitely more than all the wise sayings and copybook maxims of the past. In plain English, the user of consumer credit just has to be thrifty! His rate of saving is guaranteed by a legally enforceable contract!

Long before the current widespread use of consumer credit, the great Daniel Webster proclaimed, "Credit has done a thousand times more to enrich mankind than all the gold mines in the world. It has exalted labor, stimulated manufacture and pushed commerce over every sea!" This is even more true today than when he uttered it.

The Future Contribution of Consumer Credit

Remarkable as the past contribution of consumer credit has been, little more than the surface has been scratched. Although it has become one of the most important areas in the entire credit structure, it will go on to new heights. In fact, *it must go on as the entire economy is at stake, not just consumer credit.*

As is well known, our problems in America is to get people to live better, to consume the greatly increased output which our economy must produce if it is not to break down. The future, therefore, largely depends on the extent to which you men in consumer credit can develop methods and policies to finance more and more people for more and more of the good things of life. If you rise to this challenge, as you always have in the past, consumer credit will prove to be our best weapon against unemployment and business instability when capital expenditures by industry and defense expenditures by government decline. So, continue and expand your good work!

*An address by Dr. Rodgers at the Annual Meeting of the New York State Consumer Finance Association, Rochester, N. Y., Nov. 20, 1952.

Arthur A. Green Joins Shearson, Hammill Co.

Arthur A. Green

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Arthur A. Green has become associated with Shearson, Hammill & Co., 208 South La Salle Street. Mr. Green was formerly with Union Security Company and prior thereto was manager of the trading department for Anderson, Plotz & Co., Inc. for many years.

With George Elkins Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Harry R. Portman has become connected with George Elkins Co., Beverly Drive at Santa Monica Boulevard. Mr. Portman was previously with Walston, Hoffman & Goodwin and Morgan & Co.

Davies Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Nell A. Somes has been added to the staff of Davies & Co., 425 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Two With Inv. Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo — Laura L. Kubin and J. C. Wolard have become connected with Investment Service Corporation, 444 Sherman Street.

World Currency Convertibility Coming, but Still Far Off

By H. A. STEVENSON*
President, Barclays Bank (Canada)

Canadian Bank executive, though holding free and fuller world convertibility of currencies is essential to freer and fuller exchange of world commodities, points out, because of inadequate gold reserves, unbalanced international payments, and unequal distribution of world's monetary gold supply, restoration of convertibility "is long way off and international trade will continue to be hampered by exchange restrictions and discrimination." Sees, however, improved developments in many countries checking excessive money and credit supplies, with inflation kept well in hand.

Arising from the unsatisfactory condition into which world trade and the world's international balances of payments have fallen largely on account of the multifarious restrictions and controls that have been universally in force since the end of World War, II, there has been much discussion of late as to the necessity of endeavouring to make all the world's currencies unrestrictedly convertible and interchangeable. Few would quarrel with the contention that freer and fuller world convertibility of currencies is essential for the freer and fuller exchange of world commodities, but how it can be done is another matter.

H. A. Stevenson

The free convertibility of any currency is dependent on the confidence placed in it and that confidence in turn depends on the adequacy of the gold reserves by which the currency is backed. With the exception of Canada and the United States, extremely few countries' gold reserves can today be considered ample enough to permit undertaking the risks attached to a free exchange market, and the question is how and from where are the large gold deficiencies, obstructing convertibility, to be met.

For many years world production of gold has been falling off and, moreover, by far the major part of what has been produced in recent times has been finding its way into private hands, largely for hoarding, and into industry and not into the world's monetary reserves. As much as 85% of the world's 1951 output, excluding Russia's, is said to have been swallowed up in this way. Mankind prefers the security of gold to the insecurity of the currencies that lack it and for years has been purchasing enormous quantities of the precious metal at black market prices much in excess of the fixed one.

World's Gold Reserve Stationary

While postwar inflation has vastly increased world volume of paper currencies, world volume of gold reserves has remained more or less stationary, and there is now a relative world gold deficiency. This position, from the viewpoint of the gold hungry countries, looks none the better for the fact that, of existing world reserves, approximately 70% is in the United States and likely to remain there. Under these circumstances, it would seem that the worldwide inconvertible currency problem cannot be fully solved unless either an extremely strong impetus is given to gold production and that production effectively protected against industrial and private raids, or unless some plan can be devised whereby, apart from the force of trade, the existing world stock of monetary gold can be redistributed to the better advantage of the gold deficient countries.

Much greater production requires the incentive of a higher price for the metal, and although this would have the joint effect of increasing supplies and reducing black market depredations on them at the same time, there is powerful opposition to it in the United States where the currency devaluating consequences are feared, and naturally so. In view of this and of the difficulty in conceiving any plan for the voluntary redistribution of present stocks that would not also offend the economic nationalism of the United States, it seems as if worldwide free convertibility of currencies is a long way off and that international trade will continue to be hampered by and to suffer from exchange controls restriction and discrimination. This is all to the bad.

During the past two years portentious economic changes have been taking place in many overseas countries. Not only in Western Europe but in other parts of the globe industrial production has made great strides and is now contributing to the world output in a heavy way. Each country still has its own economic problems but, generally speaking, production as such is no longer one of the most critical. In some instances the growth of output has been striking, with volume running greatly in excess of what it was a year or two ago, and by comparison with prewar years it is still more impressive.

One of the normal consequences of this industrial acceleration in overseas countries is that they have been exchanging goods with one another on an increasing scale and, in the process, have become much more competitive with Canada and the dollar area.

Over and above this, there is another very important development to be noticed and that is that, thanks mainly to sound internal money policies designed to check excessive money and credit supplies, inflation in many countries has been kept well in hand.

For some considerable time now, world prices of many commodities have been on the decline to such an extent and with such steadiness as to indicate that, despite the drain of military requirements, world supply has come much more into line with current world demand. The pendulum of prices has been swinging in reverse so decidedly as to suggest that the long postwar inflation has been more than just checked and that deflation may be quietly afoot.

World Price Conditions

World price conditions are our price conditions and the changes that have been taking place overseas, and also— and most importantly—in the United States, have had their inevitable effect on our own price structure. Indications of its impending descent became noticeable some few months before our Government, in May last, lifted the anti-inflationary monetary fiscal and credit restriction measures which had been imposed a year after the outbreak of war in Korea. The need there was for this step can now be fully appreciated, for, in spite of it, commodity prices have, with some few exceptions, continued to fall generally and almost uninterruptedly ever since. Some idea of the extent of this movement can be gleaned from the official general index of wholesale prices, which, in August, showed a decline of 8.1% from its apex a year or so ago. Most groups of commodities joined in the fall with varying degrees of severity and, simultaneously, the cost of living index fell 2.6% during the mentioned period.

There is small doubt that we have been undergoing a levelling out process. Tangible evidence of this is not lacking. Money supplies have been fast tightening, with cash in stronger demand for, amongst other purposes, the carrying of large inventories built up at high prices and which have become less easy to unload. In many instances corporation earnings and profits under the joint handicaps of rising labor costs and high taxation have not been as remunerative as in the previous year and dividends on the whole have not been quite so well covered. Stock market prices have moved in sympathy with this and, with occasional reactionary spurts, have been sagging slowly for many months and today's price list compares very unfavorably with the one of a year ago. Furthermore, the Government's hard money policy has steadily raised the interest yields on Government bonds and the prices of middle term and long-term maturities have suffered particularly. Industrial bonds and other first class investment securities have come under this influence and followed the trend to lower cost and higher yield. Real estate values have also shown a tendency to recede from previous high levels. Coincident with these movements, the Government budgetary surplus for the first half of the fiscal year suffered a heavy contraction by comparison with that of a year ago.

This data is enough in itself to demonstrate that a marked recession from the high price levels of a year ago has been in progress and, on the face of it and inasmuch as downward price trends always and very naturally create apprehension, it is not a pleasing thing to see. We can, however, get some relief from the fact that the price retreat has been slow and orderly and in no way violent and up to the present, thanks to the resiliency and adaptability of our economic structure, has not unfavorably affected employment or seriously disturbed our prosperity and welfare.

*From an address by Mr. Stevenson to Shareholders of Barclays Bank (Canada), Montreal, Can., Nov. 18, 1952.

New York Stock Exch. Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes: Fox, O'Hara & Co. will be dissolved on November 29.

Andrew J. Howard will retire from partnership in J. J. B. Hilliard & Son November 30.

Charles W. Eaton withdrew from Shields & Company on Nov. 15.

Transfer of the Exchange membership of the late William S. Sagar to Albert Rothenberg will be considered by the Exchange on November 26.

Transfer of the Exchange membership of the late William S. Hernon to Judson S. Smith will be considered on Nov. 26.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

BEVERLY Hills, Calif.—Nettie E. Moore has become connected with Waddell & Reed, Inc., 8943 Wilshire Boulevard.

Predicts Spectacular Uptrend in Business

Murray Shields, Vice-President of the Bank of the Manhattan Company, says risk of depression does not seem imminent, and there is time for adequate defense against it.

Addressing the Annual Finance Conference of the American Management Association in New York City on Nov. 19, Murray Shields, Vice-President and Economist of the Bank of the Manhattan Company, not only forecasts "generally good business" for the next several months, but predicted over the long term a "spectacularly upward" trend of growth, declaring, "there is now no reason for anyone to entertain for one moment any of those curious notions of economic maturity and stagnation which were so popular in the 'thirties."

Murray Shields

The risk of depression, although present, Mr. Shields stated, does not seem to be imminent, and there is still time for government to organize an adequate defense against it. He urged the incoming Administration to "attack the problem aggressively and promptly," adding: "The series of booms we have already experienced has lasted to long, the inflation has been so intense, debt has risen so fast and so far, we are so dependent on artificial economic stimuli, and there are so many signs of maladjustment here and abroad that we dare not rule out of all consideration the possibility of a depression severe enough to justify careful planning and programming."

Barring an increase in international tensions or all-out war, Mr. Shields said, the United States may expect, in time, these "significant readjustments":

(1) A pause in new plant construction while demand grows up to present or prospective overcapacity in some lines,

(2) A shift of demand for durable goods from private to public sources as private expenditures for plant facilities are reduced and as public outlays for schools, hospitals, roads, etc. are expanded,

(3) A shift of emphasis in business capital expenditures from the expansion of capacity to the improvement of existing capacity to increase efficiency,

(4) A shift from sellers' to buyers' markets in many consumers' goods lines where backlogs have been exhausted,

(5) A reduction in the rate of marriages and, therefore, in the "new family" demand for homes, housing equipment, and automobiles,

(6) A slackening in the pace of consumer purchases while many families reduce their debts and build up a larger equity position in the homes they have bought recently,

(7) A reduction in our exports as European and Japanese producers compete with us more aggressively for markets,

(8) A shift from conditions of acute shortage to oversupply in many basic raw materials, and

(9) A critical phase in management-labor relations when many companies may not be able to pay the annual rounds of wage increases which the union leaders apparently "cannot afford not to have."

Mr. Shields called for three lines of attack on these problems:

"(1) We must devise means by which we can so strengthen our economy during the months of good business which lie ahead as to reduce the threat of economic setback when some of the present economic stimuli have exhausted themselves. And we must be very careful to prevent a revival of confidence from developing into an 'overconfidence boom.'

"(2) We should prepare our defense against depression . . , take whatever is sound from the New Deal's anti-depression program, strengthen it by introducing some more time-tested devices, and adapt it to our new situation so that our people can have confidence that we will not, in trying to save ourselves from depression, undermine the soundness of our money and wreck the economy in a really wild inflation, and

"(3) We must devise government policies which will insure that the full potentialities for economic growth involved in the resurgence of technology will be fully used in helping to carry us quickly out of a depression if one does develop . . . provide additional incentives to saving . . . recast our tax system so as to provide new and more powerful incentives to investment . . . and remove the threat that action by government regulatory agencies or abuse of their power by the labor unions can be a drag on progress."

Mr. Shields expressed confidence that the new Administration would give a "new look" to the business outlook and usher in a "new era of good feeling in which relations between government, business, labor, farming, and finance will be far more propitious than they have been for many years past." Under the Eisenhower Administration, he predicted, "Confidence will be substituted for inflation as the chief stimulative factor in the economy"; prices will be more stable, with less danger of extreme inflation or deflation; the economic climate will be generally more favorable; and government policies will be "designed to facilitate the great economic growth made possible by the surge upward in medical, agricultural, industrial, metallurgical, and management technologies."

Thomas J. Euper Joins Akin-Lambert Co.

Thomas J. Euper

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Thomas J. Euper has become associated with Akin-Lambert Co. Inc., 639 South La Salle Street, members of the Los Angeles and San Francisco Stock Exchanges. Mr. Euper was formerly in the trading department of Dempsey-Tegeler & Co. and prior thereto was an officer of Edgerton, Wykoff & Co.

Taylor Joins Hill Richards

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Philip B. Taylor has joined the staff of Hill Richards & Co., 155 Montgomery Street, members of the San Francisco and Los Angeles Stock Exchanges. Mr. Taylor was formerly with Hannaford & Talbot and Walter C. Gorey Co.

Predicts Lower Stock Prices

Arnold Bernhard of Value Line Survey says Dow-Jones Average will decline to 220 in next two years, and thereafter double by 1960. Bases current bearishness on declining world commodity prices, fewer prospective family formations, and recent anticipatory investment in new capital and equipment.

Arnold Bernhard, founder and editor of the Value Line Investment Survey and President of the Value Line Funds in an address before an open meeting at the Commercial Club in San Francisco on Nov. 10 predicted the Dow-Jones industrial stock average would drop to about 220 in the next two years and then rise to 440 by 1960. "Any conclusion, or probability, is based on certain hypotheses, of course," said Mr. Bernhard. He stated that, while he forecasts on the basis of historical reaction to certain stimuli, he makes no claim to omniscience for himself or Value Line.

Arnold Bernhard

Mr. Bernhard assumes there will be some slack in our economy after 1953. Unemployment may rise to 6%, he estimated. And both corporate earnings and dividend distributions are likely to decline. His indication is that earnings may skid 30%, dividends somewhat less, and the Dow-Jones Industrial stock average maybe 20%. He declared that there is only a one in 20 chance that the average will exceed its 1952 high of 280 in the next two or three years—on the basis of probably earnings and dividends.

Outlining the reasons why he is bearish about the shorter-term market outlook, Mr. Bernhard pointed out that commodity prices are declining in world markets. Usually that prompts people to postpone buying. Fewer family formations in the 1932 depression indicate fewer family formations in the coming few years, too. That can affect consumption. And we have witnessed much anticipatory investment in new capital and equipment in recent years. This resulted from the stimulus of Korea, and the "irrational" excess profits tax.

EPT Factor

There is one thing that may alter this picture of recession, he said. That would be an end to the excess profits tax. It is due to expire next June 30 but he doubted that it would be allowed to die, even though the philosophy of the Eisenhower Administration favors its end. For a balanced budget to combat inflation is a "first" consideration. So he predicted the excess profits tax will be modified, not killed.

The long-term outlook for a Dow-Jones industrial stock average at 440 is based on "probabilities" of gross national product of $425 billion by 1960. That's based on projections of 20 million increase in population, a 2½% yearly rise in worker productivity, a 39-hour "average" work week, and near full employment. Such a gross national product would indicate dividends of $25 a share on the Dow-Jones Industrial stock average. Capitalized on a 5.6% basis, you come up with the 440 stock-price average.

Defensive Issues for Short-Term

For the short-term, Mr. Bernhard recommended defensive shares. He mentioned electric utilities natural gas, food, chewing gum, baking stocks and Coca-Cola as examples. "Prince and pauper" industries like automobiles, steel and machine tools are vulnerable.

Mr Bernhard explained to the group of over 300 West Coast investors that the Value Line Survey is strictly a statistical computation. Its objective is to correlate earnings, dividends and the curve of stock prices on a mathematical basis. Variations from the average can then be detected by comparison. Behind the Value Line Survey are some 30 analysts, each a specialist in one or more industries, who are charged with projecting earnings and dividends, company by company. "Since nobody can project with absolute accuracy, it is obvious that the best of analyses miss on occasion. And for that reason the foundation of sound investment is diversification because this is a game of probability. And it is a probability that is determined without benefit of any emotionalism," Mr. Bernhard concluded.

Robert Nicoud With First National Bank

DALLAS, Texas — Robert M. Nicoud is associated with the First National Bank in Dallas, 1401 Main Street. Mr. Nicoud, a native of Dallas, came to the Bank upon graduation from Southern Methodist University, where he received a degree of Bachelor of Business Administration, majoring in banking and finance.

Buccello Adv. Mgr. Of Bank of America

SAN FRANCISCO, Cal.—Henry L. Buccello has been appointed Advertising Manager of the Bank of America, according to an announcement by Carl F. Wente, President. Mr. Buccello succeeds L. E. Townsend who recently retired.

John W. Bair With H. M. Byllesby Co.

John W. Bair has become associated with H. M. Byllesby and Company, Incorporated, as head of their New York Trading department. The firm also announces the removal of the New York office to 33 Wall Street.

Guardian Chemical & Batkin Co. Preview

Guardian Chemical Corporation and Batkins & Co., 30 Broad Street, New York City, were hosts at a cocktail party on Nov. 20, at which Alfred R. Globus, inventor of the process, discussed the chemical composition of "Clorpactin." This new composition was developed for use against tuberculosis, tetanus and other disease organisms, and has as well, numerous industrial and consumer applications. About 200 dealers attended the meeting.

Goodbody Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SARASOTA, Fla. — Murray C. Mathews is now associated with Goodbody & Co., 203 South Palm Avenue.

Join Renyx, Field

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Keith C. Cassell and Robert E. Hepinstall are now with Renyx, Field & Co., Inc.

Trade, Finance and Balance of Payments

By D. F. HEATHERINGTON*

Director, European Division
National Foreign Trade Council, Inc.

Mr. Heatherington explains the Balance of Payments concept, and holds, throughout much of the world, the difficult situation today is due to capital shortage and not dollar shortage. Discusses current balance-of-payments problems and finds foreign countries lately have been able to add to their dollar reserves. Foresees appreciable reduction in U. S. foreign aid, but a near-term prospect for upturn in dollar demand. From a long-term viewpoint, says there may be expected a continued increase in commercial dollar supply, but concludes dollar demand will continue heavy for a long time.

Only within relatively recent memory has the balance of payments been elevated from the role of an economic statistician's hobby-horse to that of an accepted guide to a country's position externally. At the first of these annual National Foreign Trade Conventions in what now seems the rather remote world of 1914, the balance of payments as such was mentioned not more than two or three times and then only in passing. Again, in 1925, 20 years later, there were three references and a few vague allusions. By 1935 the total had jumped to eight, and by 1951 to at least 15. If not yet a common household term, the balance of payments has become virtually that in the chancelleries and parliamentary assemblies of many nations.

D. F. Heatherington

To my mind it is not a coincidence that in the deliberations of early National Foreign Trade Conventions as little attention was then given to the broad question of foreign economic policy as was devoted to the balance of payments. The two go together. In these days when we must necessarily and increasingly consider matters in terms of the whole rather than merely the isolated parts, foreign economic policy and the balance of payments represent inter-related approaches to the same basic issues. The balance of payments both acutely reflects the actions that flow from policy and simultaneously raises questions for future policy consideration. Nor should we forget that there is a continuing vital link between the balance of payments and domestic economic policy. The classic statement on this subject was made slightly more than a year ago by the Governor of the Bank of England when he asked: "Is it clearly enough understood that internal policy and balance - of - payments policy are all part of the same story; that surplus or deficit in the balance of payments is in the end mainly governed by how we manage our affairs at home." Although his remarks were addressed primarily to the situation in the United Kingdom, the statement — which may well sum up one of the major reasons for Britain's persistent postwar difficulties — the statement contains even wider implications.

To regard the balance of payments as dead, dull history or the exclusive property of the abstract theorist and the financial analyst is, from the standpoint of policy, not only wrong but most unfortunate. Granted that insofar as the strictly mechanical features of the balance of payments, its construction and to a lesser extent its full interpretation are concerned, the task is one for the technician. But this in no way detracts from the broad significance of the balance of payments, and what is behind it, to every individual, particularly to those of the foreign trade community.

*An address by Mr. Heatherington before the International Finance Session of the 39th National Foreign Trade Convention, New York City, Nov. 17, 1952.

The Balance of Payment Concept

Viewed statistically, the balance of payments may be considered in the field of external transactions as roughly the national equivalent of a firm's income and expenditure record. I say "roughly," since I am reminded that for fairly obvious reasons the balance of payments statement is composed in part of informed estimates and ordinarily also includes an entry reading "errors and omissions." In this respect, it perhaps more nearly corresponds to our own personal or household accounts. But just as for the firm in its summary record, every act and action bearing on external relations come to final focus in the balance of payments.

I have dealt at this considerable length with what to you must seem elementary concepts for two reasons: First, because I feel that we are all too prone to overlook the whole in our immediate concern for the parts, and thereby fail to trace back to source causes; secondly, having established that the balance of payments is neither abstract, fortuitous or contrived, it is possible to consider in brief some of the forces which in the recent past have affected our balance of payments and to take a look at what may be ahead.

Before doing so, however, let me for sake of clarity emphasize one fact which already has lent itself to misinterpretation. As a convenience we often speak of "financing the surplus" or "financing the deficit" and present the figures in this form. "Surplus" or "deficit" here represent the difference between dollars made available to foreign countries through normal commercial operations, such as the purchase of goods and services; and the amount of dollars utilized by foreign countries for similar purposes. Clearly, neither the surplus nor the deficit could arise unless the means of financing were also available, whether the means be exchange reserves, loans and credits, or investment capital. Ordinarily, the decision to extend loans and credits or to invest is taken before the surplus is created, not after, and is a voluntary act. On occasion, however, as some of you with unpaid accounts or frozen balances have good reason to know, the extension of credit is quite involuntary. But, generally speaking, loans, credits, grants and investments are made without reference to existence of a surplus and contribute to bringing about a surplus rather than the reverse.

Loans are Not for Excess Production Disposal

At various times the United States has been accused, even by certain of its friends, of lending and granting dollar funds for the sole purpose of disposing of its excess production. While it is true that provisions have been inserted in legislative measures requiring a specified portion of aid funds be used to buy enumerated items —and I shall not go into the pros and cons of these acts, the great bulk of dollar grants and dollar credits have been provided for reasons, wise or unwise, entirely apart from the marketability of domestic production. Actually, the worry in Congress and among the consuming public at times has been concentrated on whether shortages might be created here through placement of too much purchasing power in the hands of foreign buyers.

Turning to the factors supplying dollars abroad, it may be observed that annually with but a single exception from 1946 through 1951 there was a substantial increase in the amount of commercial or trade dollars provided foreign countries. Between 1946 and 1951 the total thus made available more than doubled, rising from $7.7 billion to $15.5 billion. The one off-year was 1949 which registered a decline of around $900 million from 1948. Despite this drop the 1949 outlay exceeded that of 1947 by more than $1 billion. Comparing 1951 with the 1936-38 average, slightly more than four times as many dollars were commercially supplied as in these earlier years, and approximately three times more than in the boom days of 1927-29. Part of this expansion obviously reflects higher unit prices, but the net gain to foreign countries is still impressive after discounting for the decreased purchasing power of the dollar. Much has been made of the failure of the United States to enlarge its volume of merchandise imports to the degree the higher level of national income would seem to warrant. Without, for the moment, in any way expressing an opinion on this contention, it is nevertheless evident from comparative price indices that the amount of commercial dollars made available in 1951 were sufficient overall to permit foreign countries to purchase twice the quantity of goods and services as were bought in the years 1936-38.

The greater share of the dollars supplied, of course, have represented payments for merchandise imports. From one-fourth to one-third, however, have been for the so-called "invisibles"—transportation, travel, interest and dividends, personal gifts and remittances, and miscellaneous services. With the exception of personal gifts and remittances, each of these has registered a relatively small but still important rise since 1946. To give some idea of the magnitudes involved, in 1951 around $900 million was spent for transport services, $70 million on travel, $400 million for interest and dividends, $400 million in personal remittances, and $1.4 billion for miscellaneous services, including construction work overseas.

To these commercial dollars may be added the amounts privately invested abroad which have averaged nearly $1 billion a year. Thus, annually, from 1947 on, more than $10 billion have been put at the disposal of foreign economies through the normal channels of purchases or private investment. Under ordinary conditions, therefore, the dollars flowing abroad on a commercial basis should have been adequate to cover requirements. This is not to say that such expenditures and investments might not well have been even greater had circumstances allowed. Yet, it is interesting to observe that by and large the sums expended, both before and after price corrections, exceeded the general run of estimates made immediately following the war. Taking 1951 as an ex-

Continued on page 40

New Orleans Exchange Gets Slate for 1953

NEW ORLEANS, La.—John B. Shober, Woolfolk & Shober, has been nominated for President of the New Orleans Stock Exchange, according to an announcement made by Jesse W. Atkinson, Secretary of the Exchange. Mr. Shober had previously served as Vice-President and member of the Board of Governors. He will succeed Macrery B. Wheeler, Wheeler & Woolfolk, Inc., who this year completes two years' service as President. Erwin R. Schweickhardt, Schweickhardt & Company, and Walter D. Kingston, W. D. Kingston & Co., have been nominated for Vice-President and Treasurer, respectively. Nominated to the Board of Governors are: Russell Clark, Merrill Lynch, Pierce, Fenner & Beane; Larz E. Jones; George H. Nusloch, Nusloch, Baudean & Smith; and Macrery B. Wheeler.

John B. Shober

The Nominating Committee, composed of Larz E. Jones as Chairman, Ernest C. Villere, St. Denis J. Villere & Co., and Robert R. Wolfe, reported the nominations to the Exchange and the candidates will be voted on by the membership at the Annual Meeting on Dec. 1.

In past years nomination has been equivalent to election.

Joins Edgerton, Wykoff

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Eli Goulden is now with Edgerton, Wykoff & Co., 618 South Spring Street. He was previously with Morton Seidel & Co.

With Inv. Secs. Co.

(Special to The Financial Chronicle)

PASADENA, Calif.—George W. Woerner is with Investment Securities Company of California, 880 East Colorado Street.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The market for Treasury obligations continues to back and fill within the trading area that has been able to contain these fluctuations in the recent past. It is a thin and to a very considerable extent a professional market, which means that quotations can still be moved rather readily in both directions. The short-term sector seems to have a bit larger following, which may be accounted for in part by the fairly heavy tax switches that are being made. The longer-term obligations, according to reports, have been somewhat on the inactive side because buyers have not been inclined to do more than a small amount of spot buying here and there in order to fill out maturities. The approaching eligibility of more than $6,000,000,000 of the restricted bonds consisting of the 2½s due 12/15/63-68, (eligible 12/1/52), and the 2¼s of 12/15/59-62 (eligible 12/15/52), has brought some anticipatory buying into these two obligations. The substantial addition that will be made to the eligible list shortly has, on the other hand, tended to hold back some of the buying that has been around for the bank bonds.

Uncertainty Pervades Money Market

A fair amount of confusion and uncertainty continue to shroud the money markets, so that price movements are still following the pattern that has been in vogue for sometime now. The interim period before the new Administration takes over is not going to be conducive to important developments in the government market, according to many money market followers. Demand for funds is strong and there are no indications yet of a let-down in this competition. Accordingly, it is believed the various loaning institutions are not likely to be showing more than the same passing interest in Treasury obligations for some time to come. To be sure, the thinness of the market makes quotations susceptible to sharp but limited movements in both directions, and no sustained breakout from the trading range is looked for until there is clarification of some of the uncertainties that are overhanging the money markets.

Diminishing Role for Federal?

One of the important points of concern in the money markets is what will happen when the Republican Administration takes over the reins shortly after the turn of the year. Rumors and reports as to what will take place, such as higher money rates, less Federal Reserve participation in the market, especially during refunding operations; the Central Government competing for funds in the market with other borrowers presumably at increased rates, and the funding of the short-term debt into longer-term obligations are some of the things that are confounding the money market at this time. To be sure, there is no immediate answer to these possible happenings but there are not a few in the financial district who are inclined to believe that the changes that will take place are not likely to be as earth shaking as some are apparently in the mood to make them.

Mr. Humphrey Must Mark Time

It is being pointed out that it will take some time before the new Secretary of the Treasury, Mr. Humphrey, will be in a position to make important changes in policy, probably not much before the end of the current fiscal year. This would seem to indicate that the February certificates would be rolled over, although there might be a split offering so that some of the maturing obligations could be turned into longer term issues. The June 1 maturity of certificates might be the obligation that the new Secretary of the Treasury will use for the longer-term refunding operation which is being talked about now. On the other hand, who can tell whether economic conditions at that time will be such that the Treasury will want to carry out long-term refunding operations that might involve a change in ownership of securities with the attendant impact upon the economy as a whole.

Economic Factors Will Govern Policy

Despite all the talk about what might take place in the money markets in 1953, many followers of the government bond market believe that the program that will be adopted will be dependent largely upon such factors as the level of business activity, the international situation, the trend of commodity prices and the general employment situation. A managed money market will be used, in the opinion of many, to influence the economy in the future, much as it has been in the past. The fiscal position of the Treasury and the budget will also be important factors that will have a direct bearing upon what the new Administration will do in the money markets.

As to whether or not the Federal Reserve banks will be less active in government bond market, this is open to considerable question. If a refunding operation were not to be given some assistance by the Central Banks when needed there could be developments that might work against what the Treasury would be trying to accomplish. Such a turn of events could have an unfavorable effect upon the money markets and the economy as a whole. However, there appears to be little question in the minds of many money market operators but what the Federal Reserve banks will be in there giving help to refundings as well as other undertakings of the Treasury if there should be need for such aid.

NYSE Would Reduce Membership

G. Keith Funston, President of the Exchange, announces decision of Board of Governors to retire a maximum of 50 memberships. Proposal subject to approval of majority of present members.

G. Keith Funston, President of the New York Stock Exchange, announced that the Board of Governors, at its meeting on Nov. 20, approved proposed amendments to the Constitution which, if adopted by the membership, would provide for the retirement of a maximum of 50 memberships and would become effective Jan. 1, 1953.

G. Keith Funston

The Board's decision was based on the recommendations of a Special Committee appointed on May 22, 1952.

This Committee unanimously concluded that the retirement of a limited number of memberships is desirable. The Committee was guided by the belief that only through the actual operation of a seat retirement plan can a controversial subject finally be resolved insofar as it concerns the welfare and best interests of the Exchange and the membership.

The amendments provide for the retirement of not more than 50 memberships within a period of five years at a price not to exceed $45,000 each; the program will be financed by (1) the use of $1,000,000 in initiation fees received by the Exchange from members elected during the five-year period, plus (2) an annual contribution of $180 from each member, payable quarterly, continuing through the five-year period or for such shorter period as may be required to complete the program.

Under the amendments, a pro rata increase in dues and assessments for the Gratuity Fund would be made to offset the loss of contributions from retired memberships.

The proposed amendments, if approved, will be administered by a rotating Committee consisting of four members of the Board of Governors who are members of the Exchange and one member of the Board who is an allied member. This Committee will report to the Board on its activities at least once a month.

To become effective the amendments must be approved by a majority of at least 688 members. Balloting will continue through Thursday, Dec. 4.

William E. Hutton was Chairman of the Special Committee which made the recommendations to the Board. Other members of the Committee included J. Marshall Booker, James Crane Kellogg, III, Otto A. Schreiber and Harold W. Scott.

Business Cycle Has Not Been Repealed!

Donald B. Woodward, Vice-President for Research of the Mutual Life Insurance Co. of N. Y. tells controllers, despite upward pressure of population and scientific techniques, along with "superhuman skill" of government, fluctuations in business may be mollified, but not avoided. Says present boom may be soon interrupted.

Addressing the New York City Control of the Controllers Institute in New York City on Nov. 19, Donald B. Woodward, Vice-President in charge of Research of the Mutual Life Insurance Company of New York contended that the present boom "has gone on longer and reached greater heights than any previous boom. There are soft spots in the present situation. So time is the enemy of the boom." He predicted that unless past experience is irrelevant, some interruption in the present business boom will occur before long.

Donald B. Woodward

However, the continued stability of the American economy is enormously important both at home and abroad, Mr. Woodward stated. "Some among us argue that the business cycle has been substantially abolished," he declared. "They hold that while business and employment fluctuated widely in the past, future fluctuations are unlikely—at least beyond small ripples. This view finds strong support in the devotion of government to the cause of stability, evidenced by the Employment Act of 1946 and General Eisenhower's campaign pledges. It finds strong support in the scientific revolution and in the growth and expanding needs of the population. Such forces are powerful and they compel attention. But to conclude that they make significant business fluctuations impossible in the future requires some very big assumptions.

"To prevent a downturn, the upward pressure of population and scientific revolution must be not only powerful but constant. The power of government must not only be devoted but must also be used with superhuman skill. Needs must be readily converted into effective demand. One must also assume that the forces for instability stressed by the textbooks are no longer significant. There must not exist, or come into being, any major deflatable sectors of the economy. These necessary assumptions are so far reaching that merely stating them raises a sizable question whether business fluctuation can confidently be held to be a thing of the past.

"Conversely, the very forces cited as promising complete stability are too strong and impressive to be dismissed. If they do not seem adequate to abolish business fluctuations, are they still strong enough to ameliorate, to limit, fluctuations? The hope that this greater stability may result will be fortified if all groups in the economy give increasing attention to the objective. Government certainly can help, and so can private business, finance and labor. The possible contribution of business, finance and labor deserves more attention than it generally receives.

"The present position of business must be viewed in the light of these considerations," was Mr. Woodward's conclusion.

NASD District 13 Elects Governors

At an election just held in District No. 13 (New York, New Jersey and Connecticut) of the National Association of Securities


Roy W. Doolittle   Allen C. du Bois

Dealers, Inc., Roy W. Doolittle, Doolittle & Co., Buffalo, N. Y., and Allen C. DuBois, Wertheim & Co., New York City, were elected as members of the Board of Governors of the Association from District No. 13 to replace Charles P. Cooley, Cooley & Co., Hartford, Connecticut, and W. Fenton Johnston, Smith, Barney & Co., New York City, whose terms of office will expire on Jan. 15, 1953.

At the same time Harold H. Cook, Spencer Trask & Co., New York City; Charles C. Glavin, The First Boston Corporation, New York City; Henry Holbrook Hyde, Putman & Co., Hartford, Connecticut and John J. O'Kane, Jr., John J. O'Kane, Jr., & Co., New York City, were elected to serve on the District No. 13 Committee, replacing Harry R. Amott, Amott, Baker & Co., New York City; George L. Austin, G. L. Austin & Co., Hartford, Connecticut; William L. Canady, W. L. Canady & Co., New York City, and H. Warren Wilson, Union Securities Corporation, New York City whose terms of office will expire on Jan. 15, 1953.

With du Pont, Homsey

(Special to The Financial Chronicle)

BOSTON, Mass.—Eva Amolsky has become associated with du Pont, Homsey & Company 31 Milk Street, members of the New York and Boston Stock Exchanges.

Hayden, Stone Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Frank T. Cook and Herbert B. Paulides have become affiliated with Hayden, Stone & Co., 10 Post Office Square.

With Lee Higginson

(Special to The Financial Chronicle)

BOSTON, Mass. — John L. Harding has jointed the staff of Lee Higginson Corporation, 50 Federal Street.

With Stone & Webster

(Special to The Financial Chronicle)

BOSTON, Mass. — Robert J. Dunkle, III has become affiliated with Stone & Webster Securities Corporation, 49 Federal Street.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Dividend increases both past and prospective continue to dominate the interest of investors including those who follow bank stocks.

During recent weeks there have been several favorable dividend actions taken by major corporations. While there have also been some reductions, the increases have more than offset these decreases with the result that dividend payments by corporations have been running between 5% and 6% above a year ago. We would expect this percentage increase to be maintained for the full year although in certain individual instances extras or year-end payments may not match those of 1951.

Bank dividends should follow these general trends but there will be few reductions. Rather most institutions are expected to increase their distributions this year either by the declaration of larger extras or year-end payments or by increasing the annual dividend rate.

Also, stock dividends are likely to be paid in a few instances as a means of increasing the stockholders' return.

Over the past two months there have been several of the larger banks throughout the country which have announced increased payments or stock dividends. Some of the more important declarations in this connection include the following:

The Northern Trust Company has announced that subject to stockholders' approval at a meeting to be held Dec. 22, a stock dividend of 100% will be paid. After the stock dividend is distributed, it is expected the directors will place the increased stock on a $12.00 annual dividend rate. Northern Trust on its present shares pays $18.00 so that the new rate, after the 100% stock dividend would amount to an increase in the cash payment of 33⅓%.

Bankers Trust Company of New York is another institution which has recently increased its cash payment. On Nov. 18, the quarterly dividend, payable Jan. 15, 1953, was raised from 50 cents to 55 cents, indicating an annual rate of $2.20 as against $2.00 previously paid. While some analysts had expected a generous extra rather than an increase in the rate, the action is viewed favorably. The new dividend is still conservative in relation to prospective earnings and could be enlarged next year if operations continue satisfactory.

Irving Trust on Nov. 13 declared an extra of 10 cents a share. Last February the quarterly rate was raised from 20 cents to 25 cents so that payments this year totaled $1.10 a share as compared with $1.00 a share declared in 1951 including an extra of 20 cents.

The Chase National Bank is another of the New York banks which increased its dividend recently. On Sept. 24 the Bank raised its quarterly payment from 40 cents a share to 50 cents. In addition an extra of 30 cents was declared to bring total payments for 1952 to $2.00 as compared with $1.80 paid in 1951.

While the National City Bank of New York did not increase its dividend during 1952, it has announced that subject to stockholders' approval at the annual meeting to be held Jan. 13, 1953, a stock dividend of one additional share for each 24 held will be paid. It is expected that the current quarterly rate of 50 cents a share will be maintained on the increased shares which will, in effect, give shareholders an increase in the cash payment.

A number of the other major banks throughout the country are expected to take favorable dividend action in the coming weeks. Earnings of most banking institutions this year will reach record levels with the aid of higher interest rates and a rising loan volume. While there are some banks which need to increase their capital accounts, there is also a desire on the part of bank directors to have stockholders share in the improved earnings.

Among the New York banks still expected to increase cash payments or declared stock dividends in the immediate future are the following.

The Guaranty Trust meeting the first week in December is expected to pay an extra dividend to bring payments in 1953 above the $15.00 distributed in 1952.

Manufacturers Trust, also meeting next week, may pay a small stock dividend as it did in 1950 and 1949. Empire Trust has paid stock dividends in each of the past two years and may take such action again in January.

Bank of Manhattan and Bank of New York are also meeting for dividends within the next two weeks and could enlarge their payments. The Hanover Bank generally meets the first week in December and from the action of the stock recently, some action favorable to shareholders is indicated.

On the whole, we would expect more of the larger banks to increase dividends in the coming weeks.

Needed: A Constitutional Limit on Taxation

By CRAIG R. SHEAFFER*
President, W. A. Sheaffer Pen Company

Head of large pen manufacturing concern, contending that Congress cannot be expected to give ample tax relief because of political pressure, proposes a constitutional limit on Federal spending and taxation. Holds an income tax ceiling of 25% would cut Federal revenue by only $6¼ billion, and with this ceiling, business and new investment would be greatly stimulated and expanded, thus increasing tax resources.

The constitutions of more than a third of our states limit the taxing power, and all but five states limit the right to borrow. All local governments, by law or charter, operate under restrictions limiting their taxing powers in relation to local wealth. In fact, in our country the only government that has boundless taxing and spending powers is the Federal Government, which, incidentally has dramatically demonstrated in recent years how boundless such powers can be.

C. R. Sheaffer

When the income tax amendment to the constitution was being debated, some members of Congress pointed out that, under such an amendment, the tax rates might even go as high as 10%! These people were actually ridiculed. It was silly to think that such a preposterous thing could ever happen! Well, today, with individual income tax returns as high as 88% and with corporate income tax returns as high as 70%, we have learned—the hard way—how well founded were the fears of those men who knew the danger of unbridled taxing and spending powers.

It has been very evident to me that we can expect no substantial tax and spending relief from a Congress that is under constant political pressure to spend for this and spend for that. The only practical solution, I am convinced, is to impose upon this Congress a constitutional limitation on the extent to which it can tax and spend.

Those who complain that such a limitation would benefit the rich at the expense of the poor overlook the chief purpose of the limitation—namely, to restore incentives to earn, invest and produce.

Taxes Influence Investment

Most economists know that high personal taxes influence the direction of investment. When personal taxes are high, few people want to risk investing in new industries, new businesses, new production, new employment or new sales, because if these investments do pay off, Uncle Sam will take the lion's share of the income. As a result of present-day high taxes, money flows into government bonds, where there is no risk, or into high-grade bonds or the seasoned securities of the very big corporations, where there is very little risk, or into speculative securities for a fast capital gain.

Meanwhile, small and medium-sized businesses, seeking a chance to expand, to employ more people, to produce and sell more, find they cannot attract capital because of the tax laws. And with taxes so high, these isn't much of their own profits they can retain for expansion purposes.

These same complainers also overlook the fact that most corporate income tax levies are handed on to consumers in the form of higher prices. Anyone who has ever operated a business knows that taxes are a part of the cost of doing business and as such become a part of the price at which the goods are sold.

Would Lead to Lower Prices

A ceiling on Federal income taxes would, therefore, lead to lower prices and would greatly decrease the average family's hidden tax burden.

About a year ago, when the movement to place a constitutional limit of 25% on income taxes began to attract public attention, the Secretary of the Treasury and other members of the Washington Family immediately issued a warning that if such a limitation were imposed, the "fiscal foundation of the Federal Government would be wrecked."

Actually, this is pure nonsense. For example, in 1926 the maximum rate of tax on individual income was reduced from 46% to 25%, and in 1929, it was further reduced to 24%. Yet taxes paid by individuals for each of the years 1927, 1928 and 1929, under the reduced rates, were greater than the total for 1924, when higher rates prevailed. These reductions were also coupled with increased tax exemptions. Moreover, during that period the corporate income tax was at a flat rate of 10%.

How can lower tax rates yield higher tax returns? The answer, of course, lies in the fact that these lower rates stimulate production, the only possible source of all taxes. They permit more money to be used in producing goods and services, in investment, in expansion of jobs, and in greater sales. They produce, in other words, greater yield than a higher tax on fewer people investing their money in high-grade bonds and tax-exempt securities.

Effect of a 25% Ceiling on Income Tax

It has been estimated that a tax ceiling of 25%, plus the scaling down of all other income taxes in proportion, would decrease Federal revenue by $6¼ billion. Can the government get along without that $6¼ billion? Well, the Hoover Commission states that from $3 to $4 billion could be saved by government reorganization alone. Senator Byrd has made public a report showing how $7 billion could be saved by eliminating non-essential expenditures. And Senator Douglas once outlined nine specific ways to cut $4½ billion from the budget without interfering with any essential services.

And so, as you can see and as we all know, the government can get along with a lot less taxes and a lot less spending. However, where there is no will, there is no way. That is why I am convinced that the only remedy is a constitutional limit on Federal spending and taxing—a limit on spending that will prevent further deficit financing, and a limit on taxes that will preserve economic incentives, assure a broad tax base, and prevent further confiscation of the property of the minority.

*An address by Mr. Sheaffer before the Iowa Taxpayers Association, Des Moines, Iowa, Nov. 14, 1952.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

A. K. Watson and Robert W. White have been elected to the Advisory Board of **Chemical Bank & Trust Company's** Rockefeller Cen-


A. K. Watson | Robert W. White

ter Office, 11 West 51st Street, **New York**, it was announced on Nov. 25 by N. Baxter Jackson, Chairman. Mr. Watson, a director, Vice-President and General Manager of IBM Trade Corp., is a director of IBM United Kingdom, Ltd., American Eagle Fire Insurance Co. and National Foreign Trade Council. He also is a member of American Arbitration Association. Mr. White, of Robert White Associates, business consultants, is a director of the American Locomotive Co., Corn Products Refining Co. and other companies.

* * *

Horace C. Flanigan, President of **Manufacturers Trust Company of New York**, announces that Clarence A. Buechner has been appointed an Assistant Vice-President of the Trust Company. Mr. Buechner joined the Columbia Bank in 1919 which merged with Manufacturers Trust in 1923. In 1941 he was appointed an Assistant Secretary. Mr. Buechner is in charge of the Foreign Department at the Fifth Avenue Office. He is a graduate of New York University, class of 1926.

* * *

The Quarter Century Club of the **Central Savings Bank of New York** held its fifth annual dinner on Nov. 19 at Luchow's Restaurant. James T. Lee, President of the bank, welcomed 11 new members to the Club, bringing the total membership to 42. Each of the new members received a gold pin and a $50 savings bond. The Club's record is held by Otto Strippel, trustee, Vice-President and Treasurer of the bank, with more than 48 years of service. Other members with long service records are the following, who are also trustees of the bank: Robert A. Drysdale, Eugene Henningson, F. W. Lafrentz and Louis Watjen.

* * *

George C. Johnson, President of **The Dime Savings Bank of Brooklyn, N. Y.**, announced on Nov. 21 that the Board of Trustees of "The Dime" had made the following new official appointments: Gustav T. Andren, Everett J. Livesey, Thomas S. Sites, as Vice-Presidents; and Gerald J. Peffert as Comptroller. Mr. Andren entered "The Dime's" employ in 1932 as a Real Estate Appraiser. In June 1939 he was appointed Assistant Mortgage Officer; in June 1946 Mortgage Officer and in April 1947 an Assistant Vice-President. Mr. Livesey started his banking career at "The Dime's" Bensonhurst Branch in 1930 as a clerk and teller. Five years later he was transferred to the Main Office and has served as Assistant Auditor, Assistant Secretary, Assistant Comptroller, Assistant Vice-President and Comptroller. Mr. Livesey served in the United States Navy during World War II with the rank of Lieutenant Commander. Mr. Sites entered "The Dime" in 1931 as a clerk in the Mortgage Department. On Aug. 15, 1941 he was appointed an Assistant Mortgage Officer and in December 1945, Assistant Secretary in charge of the Mortgage Servicing Department. In June 1946, he was appointed an Assistant Vice-President. Mr. Peffert entered the service of "The Dime" in 1932 as a clerk in the Bond and Mortgage Department. In June 1946, he was appointed Assistant Comptroller in charge of the bank's Accounting and Bookkeeping Department. A veteran of World War II, Mr. Peffert served in the Pacific and in China as a Warrant Officer in the United States Marine Corps.

* * *

An announcement on Nov. 20, by the Lee Higginson Corporation states that all of the 10,000 shares of **The Meadow Brook National Bank of Freeport, Long Island, N. Y.**, (par $20 each) were subscribed for at $54 per share. The shares, it is noted, were offered in connection with the consolidation of The Meadow Brook National Bank of Freeport and **Peoples National Bank of Lynbrook, Long Island.** Reference to the consolidation appeared in our Nov. 20, issue page 1933.

* * *

Announcement that the **Bank of New Hyde Park,** at **New Hyde Park, N. Y.**, has become a member of the Federal Reserve System, was made on Nov. 20, by Allan Sproul, President of the Federal Reserve Bank of New York. The Bank first became a member bank on Dec. 30, 1943. It withdrew from membership on Aug. 10, 1951, in order to establish an out-of-town branch. On July 15, 1952, the law was amended to revise the minimum capital requirement for member banks operating out-of-town branches, thus enabling the bank to rejoin the Federal Reserve System.

* * *

Frederick McDonald, President of the **State Bank of Albany** at **Albany, N. Y.**, announced that at a meeting on Nov. 18, the board of directors voted to increase the regular quarterly dividend on the capital stock from 25 cents to 30 cents a share. The first increased dividend will be payable to stockholders of record as of the close of business Dec. 2, and will be paid on Jan. 2. Mr. McDonald stated that this first increased dividend payable on the first business day of 1953, coincides with the beginning of State Bank's 150th year. State Bank is the oldest bank in Albany, and the 11th oldest bank in the United States. It has continued in business during the administration of all Presidents of the United States except George Washington.

The New York State Banking Department has made known that the State Bank of Albany has filed an application for permission to occupy a branch at Amsterdam, Montgomery County, N. Y., the action by the bank having been taken in connection with the proposed merger of the **Farmers National Bank of Amsterdam** with the State Bank of Albany.

* * *

Approval was announced on Nov. 5 by the New York State Banking Department of an increase in the capital stock of the **Security Trust Co.** of **Rochester N. Y.**, from $2,600,000 to $2,860,000. The stock is in shares of $25 each. It was made known at the same time by the Banking Department that the trust company had made application for permission to open a branch at Mount Morris, Livingston County, N. Y., this, it is indicated, being incident to the proposed merger of the **Genesee River National Bank,** at **Mount Morris** with the Security Trust.

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Approval of the merger of the **Amsterdam City National Bank of Amsterdam, N. Y.** (capital $200,000) with the **Manufacturers National Bank of Troy, N. Y.** (capital $1,500,000) is announced in the Nov. 10 Bulletin of the Office of the Comptroller of the Currency. The merger was effected on Oct. 31 under the title of the Manufacturers National, which at the date of the merger had a capital stock of $1,500,000 in 60,000 shares of common stock, par $25 each, surplus of $1,500,000 and undivided profits of not less than $1,000,000. The quarters of the Amsterdam Bank are now operated as a branch of the Manufacturers National.

* * *

Harry K. Cornelius and Leo V. Hammond, President and Executive Vice-President respectively of the **North Jersey National Bank of Pompton Lakes, N. J.**, have jointly announced that a proposal by the **First National Bank & Trust Company of Paterson, N. J.**, to the stockholders of the North Jersey National Bank to purchase the assets and assume the deposit liabilities of the latter was submitted in letters to the shareholders. Assuming that the proposal is accepted at a special meeting of the North Jersey National Bank shareholders to be called on Dec. 11, the shareholders of the bank will receive the liquidating value of their shares in cash as soon as the transfer has been effected, legal notices have been published and other legal requirements completed. Messrs. Cornelius and Hammond stated that the officers and directors of the North Jersey National are recommending favorable action by the bank's shareholders. F. Raymond Peterson, Chairman of the Board of First National Bank & Trust Co. of Paterson, stated that, upon the shareholders' approval of the proposal, the First National will continue the operation of the Pompton Lakes institution. He also made clear that officers and staff of the North Jersey National will be welcomed into First National's banking family and will continue to handle the banking business of the Pompton Lakes institution. As of Sept. 5, 1952, the North Jersey National had capital funds of $275,754. These were made up of capital stock of $100,000, represented by 10,000 shares, par $10 per share; surplus and undivided profits were $125,000 and $50,754, respectively. Total deposits amounted to $7,729,782. The First National Bank now maintains 10 offices in Paterson and Clifton, N. J. Its resources are in excess of $195,000,000, with capital funds of approximately $13,000,000.

* * *

Edwin Warfield, Jr., son of former Governor Edwin Warfield of Maryland, died on Nov. 19 at Baltimore. He was 61 years of age. Mr. Warfield, Jr. had been identified with both banking and publishing interests, and had served as Chairman of the Tidewater Fisheries Commission from 1941 until 1947, and likewise as Chairman of the Board of Natural Resources. According to the Baltimore "Sun" since 1920 he had been President and publisher of the "Daily Record." He was also a director of the Fidelity & Deposit Co. of Baltimore and the Savings Bank of Baltimore.

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At a meeting held on Nov. 19, the board of directors of **The Northern Trust Company of Chicago** proposed that the capital stock of the bank be increased from $3,000,000 to $6,000,000 through the payment of a stock dividend. Subject to approval by the stockholders of the proposed increase in the number of shares of the bank's capital stock, the board at the same time declared a stock dividend of one additional share of capital stock for each share held, payable to stockholders of record at the close of business on Dec. 22. Capital funds for this stock dividend will be supplied by the transfer of $1,500,000 from undivided profits and $1,500,000 from reserves. Upon completion of the stock dividend transaction, the capital stock of the bank will amount to $6,000,000 and surplus will remain at $14,000,000. Consummation of this proposal is dependent upon the authorization by the stockholders of an additional 30,000 shares of capital stock. The board has called a special meeting of stockholders to be held on Dec. 22, to vote upon this increase in capital stock. A meeting of the board will be held on Dec. 22, after the stockholders' meeting. It is anticipated that if the stockholders approve the increase in capital stock, the board at this meeting will declare a quarterly dividend of $3 a share on the 60,000 shares of capital stock to be outstanding upon the consummation of the stock dividend.

* * *

Homer P. Clark, St. Paul, and Edgar F. Zelle, Minneapolis, were re-elected to the Board of the **Federal Reserve Bank of Minneapolis** at the annual election of directors on Nov. 18, Roger B. Shepard, Chairman, announced. Both men will serve three-year terms beginning Jan. 1, 1953. Mr. Clark, who is Honorary Chairman of the Board of West Publishing Co., St. Paul, was elected a class B member of the nine-man board, representing commerce, industry, and agriculture. Mr. Zelle, Chairman of the Board of the First National Bank of Minneapolis, was elected a class A, or banker, member. Mr Clark has been a director of the Reserve Bank since Jan. 1, 1941, and previously served from Jan. 1, 1922, to Dec. 31, 1936. Mr. Zelle had been elected Jan. 15, 1952, to fill an unexpired term.

* * *

In the election of directors of the **Federal Reserve Bank of St. Louis**, which ended Nov. 18, J. E. Etherton, President of Carbondale National Bank, Carbondale, Ill., was re-elected by member banks in Group Three as a Class A director, and Ralph E. Plunkett, President of Plunkett-Jarrell Grocer Co., Little Rock, Ark., was re-elected by member banks in Group Two as a Class B director, according to announcement of Russell L. Dearmont, Chairman of the Board of the Reserve Bank. Each was chosen for a term of three years beginning Jan. 1, 1953.

* * *

The promotion of Y. J. Johnson, Jr. to the position of Vice-President, Japan, for the **Bank of America National Trust & Savings Association of San Francisco** was announced recently by Russell G. Smith, Executive Vice-President, in charge of the bank's international banking activities. Mr. Johnson has been Vice-President and Manager of Bank of America's Tokyo branch since 1947. He is being succeeded as Manager of the Tokyo branch by William C. Ryan, Jr., a banker with many years' experience in the Far East who was assigned to Tokyo as Assistant Manager earlier this year. Announcement of the new appointments was made as prelude to transferral of Bank of America's Tokyo quarters to the New Marunouchi Building, scheduled for Nov. 21. Mr. Johnson will now serve as resident Vice-President and will represent the bank throughout Japan. His office will remain in Tokyo. The bank recently opened in Osaka it's fourth branch in Japan, others being located in Yokohama and Kobe. It also operates a number of military facilities to serve the U. S. Armed forces in Japan.

* * *

Three California businessmen have been added to the board of directors of the **Anglo California National Bank of San Francisco** it was announced on Nov. 12 by Allard A. Calkins, Chairman of the Board. The new directors are Fred B. Bain, Harry Camp and William Herbert Carr. Mr. Bain is President of the Leslie Salt Company and a member of its board of directors. He is also a director of the Schilling Estate Company, Pacific Lighting Corp., the James Dole Engineering Co., and other corporations. Mr. Camp, President of the Cary Camp Millinery Co., has spent his business life in the millinery field, with the exception of the World War II period when he served as Administrative Assistant to Donald Nelson in Washington and later returned to the Pacific Coast to establish price controls. Mr. Carr, Vice-President and Treasurer of the California Packing Corp., and a director of that company, is also a director and member of the Executive Committee of the Alaska Packers Association. He is a past national President and currently director-at-large of the Controllers' Institute of America.

William J. Raber Now With Hooker & Fay

William J. Raber

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—William J. Raber has become associated with Hooker & Fay, 340 Pine Street, members of the New York and San Francisco Stock Exchanges. Mr. Raber was formerly in the trading department of Stewart, Eubanks, Meyerson & York and its predecessor, Stewart, Scanlon & Co.

Walter Connolly, Jr., Now With H. C. Wainwright

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Walter J. Connolly, Jr. has become associated with H. C. Wainwright & Co., 60 State Street, members of the New York and Boston Stock Exchanges. He was recently with Goodbody & Co., and prior thereto was an officer of Walter J. Connolly & Co., Inc.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following change:

Vincent Hale retired from partnership in Sterling, Grace & Co. Nov. 17.

Gibbs & Co. Add

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, MASS. — Justin F. Deedy has been added to the staff of Gibbs & Co., 407 Main Street.

Joins Courts Staff

(Special to THE FINANCIAL CHRONICLE)

DURHAM, N. C. — Vera B. Council is now with Courts & Co., 111 Corcoran Street.

Canadian Securities

By WILLIAM J. McKAY

There appears to be no let-up in the interest of Americans in Canadian investment. It was recently reported from Spokane, Wash., by the Associated Press that American interests are planning to spend almost $2,000,000,000 to finance a chain of Canadian steam power plants to provide power for the United States. The project, it is said, will use low-cost coal of Southwestern Alberta and will send its electricity into the northwest power pool to Hungry Horse and Libby, Mont. The cost of the project, to be built over 40 years, was estimated at $1,800,000,000.

The Spokane "Spokesman Review," the source of the report, says details were revealed by O. R. Angelillo, a Los Angeles consulting engineer. He said the project's backers had assurances from the Canadian Governement that up to 10,000,000 kilowatt hours could be generated, using Alberta's many streams and huge coal deposits. 100 units in all are planned, and they will be built at the rate of two or three per year. Mr. Angelillo told the newspaper: "It is my understanding we ought to be able to start work on the actual plants by March or April."

The power plants will be located on a strip of land 35 miles wide and 125 miles long along the Alberta-British Columbia boundary. The main promoters cannot be disclosed until financing is complete, he said. However, he said La Buscadera Exploration Co. of Pasadena, Calif., will have a part in it.

The Spokane newspaper mentions an official of the Alberta Industrial Development Board as confirming that California interests planned to build one or more steam generating plants to export electric power to the United States.

* * *

Another item of investment significance is the increasing interest of American security dealers in Canadian investment companies. Already three mutual funds have been organized in the United States that are offering their shares to the American public. Several other similar investment enterprises are going into Canada. It was announced recently that prominent Canadian, American and European interests have formed a new company, to be known as Canadera, Ltd., whose capital is to be applied to the development of natural resources and industries of Canada. Initial capital of the company is reported to be $1 million. The shares are to remain privately owned, however, and no public offering is anticipated.

Participants in the new venture include Lazard Freres & Co., New York; Credit Suisse, Zurich; Whitehall Canada, Ltd., Toronto; Banque de l'Indo Chine, Paris; Ford, Bacon & Davis, Inc., and Newmont Mining Corp. Curtis E. Calder, Chairman of Electric Bond & Share Co., and E. S. Caldwell, Chairman of Ford, Bacon & Davis, Inc., are among the members of the board.

In Canada itself an offering is being made by a Montreal securities house of the voting trust certificates of Canafund Company, which is an open-end investment company organized about two years ago and financed mainly in Switzerland, Belguim and Holland.

This concern invests mainly in Canadian common stocks furnishing regular income and/or the possibility of capital appreciation. Like many other European investment trusts, the fund does not invest more than 10% of its assets in unlisted securities not paying dividends and cannot invest over 5% of its assets in securities of any one issuer. The company also agrees not to borrow money or use its resources for speculation purposes.

* * *

Commenting on Canadian economic developments in the current year, the November issue of the "Monthly Review," publication of the Federal Reserve Bank of New York, remarks:

"The current strong demand for Canadian exports (especially in United States markets), the present high level of both foreign and domestic investment, and the existing framework of incentive policies have sharply stimulated Canadian economic expansion. Preliminary efforts are already being made to tap some of the abundant new resources discovered in the past few years, while high raw materials prices are intensifying efforts to develop mineral deposits already known, particularly those which until recently were regarded either as uneconomical to work or as 'inaccessible.' Increased exploitation of these resources should strengthen Canada's international economic position not only by expanding exports now in heavy demand abroad, but also by helping to meet Canadian demands for items that now must be imported. The main fields of present and prospective Canadian development are in oil and natural gas, iron ore, nonferrous metals, hydroelectric power, and uranium.

"In the last five years, extensive exploratory and developmental activities in western Canada have already led to a thirtyfold increase in Canada's proven oil reserves. Canadian oil production has increased from 21,000 barrels per day in 1947 (8% of Canadian needs) to 132,000 in 1951 (almost one-third of the much larger Canadian needs in that year). Extensive oil pipeline facilities have been completed and more are under way. In addition, proposals have been made for the transportation of low cost natural gas from Alberta to both eastern Canada and Vancouver. These various developments are especially important in terms of their recent and prospective effects in improving Canada's balance-of-payments position vis-a-vis the United States.

"Finally, government policies have fostered rapid economic development in Canada. During the past two years, of course, when defense requirements and inflationary pressures have placed critical strains upon the economy, official policies have attempted to channel the continuing expansion in industrial and primary production into 'more essential' lines. But many factors suggest that Canada may be moving toward new horizons in a general economic atmosphere conducive to enterprise and individual initiative."

With Merrill Lynch Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — James M. Ragland is now with Merrill Lynch, Pierce, Fenner & Beane, Wilcox Building.

Joins B. C. Ziegler Co.

(Special to THE FINANCIAL CHRONICLE)

WEST BEND, Wis. — James I. Fitzgerald has been added to the staff of B. C. Ziegler and Company, 251 North Main Street.

Rejoins Standard Bond

(Special to THE FINANCIAL CHRONICLE)

ROCK ISLAND, Ill.—Harlan B. Tooker has rejoined the staff of Standard Bond & Shares Co., Rock Island Bank Building.

Sterling Convertibility and the Coming Commonwealth Conference

By PAUL EINZIG

In commenting on the question of restoring Sterling convertibility, a matter to be discussed at the approaching London Conference of Commonwealth Prime Ministers, Dr. Einzig calls attention to opposition to convertibility by the Socialist Party and the reluctance of Prime Minister Churchill to take hasty action. Points out failure to maintain Sterling convertibility following World War I, when Churchill was Chancellor of the Exchequer.

LONDON, Eng.—In his speech delivered on Nov. 11, the British Chancellor of the Exchequer, Mr. Butler made it quite plain by implication that the question of convertibility would be on the agenda of the London Conference of Commonwealth Prime Ministers. Although this had been assumed to be the case for some time this was the first occasion on which it was acknowledged in public. It will be remembered that the meeting of Commonwealth Finance Ministers held in London in Jan., 1952, passed a resolution strongly favoring an early restoration of convertibility. A committee was appointed under the Chairmanship of Sir Arthur Salter to investigate the possibilities of making sterling convertible. In its interim report submitted to the Governments concerned in March last, this committee is understood to have expressed itself emphatically in favor of a return to convertibility but added that it was not in a position to recommend a date for the change. The subject was amongst those discussed at the recent meeting of the officials of the Governments which will be represented at the Commonwealth Prime Ministers Conference. A large measure of agreement is understood to have been reached on an official level so that the ground is well prepared for an agreement on the highest level.

Dr. Paul Einzig

In the course of this speech, Mr. Butler declared that the recovery of the Sterling Area could not be regarded as being complete until conditions had been created in which sterling could become and remain convertible. He said that the Government intended to work to create such conditions and expressed the hope that the Commonwealth Prime Ministers would share this view. Beyond doubt the Commonwealth Conference happens to coincide with a favorable change in the immediate situation. This could not possibly have been foreseen a few months ago when the date of the meeting was fixed. In the meantime sterling became firmer, the balance of payments improved and the gold influx increased. The atmosphere would be therefore favorable for suggestions to decide for convertibility.

It is one of the characteristics of human nature to allow oneself to be influenced to a very high degree by the immediate situation rather than by the outlook in the long run. It is always tempting to assume that whatever trend happens to be proceeding at a particular moment would continue, if not forever, at least for a long time. Even allowing for this, it seems unlikely that the Commonwealth Prime Ministers would decide to plunge into convertibility at short notice. Indeed in his speech Mr. Butler made an important reservation by emphasizing the need for coming to an agreement with countries which have a large surplus; in other words, with the Dollar Area.

The indications of progress towards deciding in favor of convertibility have provoked a very sharp reaction in the British Opposition. Mr. Gaitskell, Chancellor of the Exchequer in the Socialist Government, gave expression to this feeling when replying to Mr. Butler's speech. Other Socialist spokesmen too, pronounced themselves emphatically against convertibility. This attitude is not altogether consistent with the undertaking given by the Labor Government in connection with the American Loan Agreement of 1945, promising that Britain would restore convertibility at the earliest opportunity. It is, of course, agreeable that the oppotunity has not yet arrived. But it seems that leading financial experts in the Socialist Party are now against convertibility as a matter of principle, not merely because they consider the present moment premature. Their attitude will increase the political difficulties of returning to convertibility. It seems probable that the Socialists will present an united front on this matter, and their point of view is likely to be shared by a number of Conservatives who regard with growing concern the approach of the dreaded moment when sterling would become convertible and British economy would be "at the mercy of the caprices of the international monetary trend." However, there can be little doubt that the Government would be able to secure the necessary Parliamentary majority for any legislative measures that would be called for in connection with a return to convertibility. Nevertheless the fear that the decision might be unpopular in the country and that the Government would be blamed for any adverse consequences of the decision might cause Mr. Churchill to hesitate before deciding to take the plunge. Many people still remember that in 1925 it was he, as Chancellor of the Exchequer, who returned to the gold standard at the pre-1914 parity of sterling, only to regret it forever after. It is this consideration which lends credence to the story publicized by Mr. Gaitskell in his speech, according to which some months ago the Cabinet had actually decided in favor of convertibility, but the decision was vetoed on second thoughts by Mr. Churchill. In any case, the Prime Minister does not appear to be nearly as optimistic about the balance of payments position as the Chancellor of the Exchequer.

There is indeed room for more than one opinion about the chances that the present improving trend would continue. Any decision in favor of convertibility must necessarily rest on the assumption that during the next few months the British gold reserve would increase considerably as a result of the surplus on the balance of payments. There appears to be very little justification for such optimism. It is true, enthusiastic supporters of convertibility argue, that the change would produce improvement in international trading conditions which would go a long way toward enabling Britain and the Sterling Area to expand their exports. It remains to be seen whether the British Government and the Commonwealth Governments will be prepared to assume responsibility for a vital decision based on such an incalculable prediction.

Continued from page 2

The Security I Like Best

approximately 36. In connection with earnings and dividends, it is interesting to note that the company has operated profitably and paid dividends in each year without interruption since 1932, or a period of 20 years.

In conclusion I should like to analyze a little further the dividend policy of this company which has resulted in its strong current and competitive position. In the five years ended June 30, 1952, the company reported net income aggregating slightly in excess of $27 per share. In the same period total dividends amounted to slightly less than $8 per share or less than 30% of reported earnings. In other words, during this period earnings retained in the business aggregated around $19 per share, or approximately $4,750,000. During the same period gross plant, as reflected in the books of the company, showed an increase of $4,964,000 plus, and as of June 30, 1952, plant and equipment in construction amounted to $1,556,000. It is quite clear that the tremendous improvement and construction program of the company has been financed substantially through retained earnings plus other cash retained through depreciation, etc. It seems obvious that the necessity for borrowing from banks has been occasioned principally to finance increased inventories which have grown from around $887,000 at the end of June, 1947, to $3,984,000 at the end of June, 1952.

To reiterate, I believe that this stock represents an exceptional opportunity to participate in one of our country's real growth industries.

F. P. Brais Director

The Honorable F. Philippe Brais, C.B.E., Q.C. has been elected a director of Canadian Fund, Inc. and Canadian Investment Fund, Ltd., two mutual investment companies under Calvin Bullock management. Hugh Bullock, President of both companies, made the announcement.

F. Philippe Brais

Mr. Brais is senior partner of the Montreal law firm of Brais, Campbell & de Grandpre, and President of General Theatres (Quebec) Ltd. He is a director of Canadian Pacific Railway Company, Sun Life Assurance Company of Canada, Montreal Trust Company, Quebec Airways, Ltd., and other companies.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

TOCCOA, Ga. — Jess A. Hayes is now affiliated with Waddell & Reed, Inc.

Two With White, Weld

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — James R. Baker and Richard M. Sinclair have become affiliated with White, Weld & Co., 231 South La Salle Street.

Continued from page 13

Needed: More Trade and Less Import Restrictions

vey a rough idea of the extent of the human and material resources which, for the time being, are cut off from the field of development in which the free nations can actively pursue their objective of expanding international trade.

Were it not for the spread of communism, Russian and Chinese development would certainly be counted upon as being among the very greatest potential factors contributing to the growth of world commerce in the immediate future—and, in so doing, contributing in the most effective way to the advancement of their own standards of living. Under present circumstances, and so long as they continue, the expansion of international trade can count upon very little in the way of impetus from the under-developed resources that are locked up in communist hands. Our task will have to be achieved in the reduced area that is still open to trade in the normal way. The communist countries will, no doubt, continue to carry on a limited amount of business with other countries but their ideas of trade and of how it should be handled are entirely different from ours. They may see fit to adopt a policy of doing more business with the free nations, but I would think that, in any event, so long as they hold to the practice of keeping their foreign trade in the hands of state monopolies, there is little likelihood that they will contribute in a substantial way toward increasing the total of world commerce.

The Communist Enclosures

The communist enclosures are a matter of real concern to the whole commercial world, but they have effects which bear in a particular way upon Western Europe —effects which we should not fail to appreciate.

The industrial countries of Western Europe, including the United Kingdom, are traditionally great importers of foodstuffs and raw materials. They draw their requirements from all parts of the world. Eastern Europe was normally one of their important sources of supply. It is no longer either a large or a dependable source. To meet their essential needs the free nations of Europe are now having to rely more heavily upon supplies from overseas sources. They are having to find dollars to pay for their imports to an extent materially greater than would be the case if conditions were such as to allow them to develop their trade more freely and more safely with Eastern Europe. That is one of the factors that accounts in some measure for the existence, as well as for the stubborn character, of their much talked of dollar problem.

There is another and equally serious effect resulting from the commercial gulf between Western and Eastern Europe. The countries that comprise the economy of Western Europe are densely populated and highly industrialized. For many years they have been under the necessity of having to export in order to live, and that necessity presses upon them more severely now than even. That applies perhaps more particularly and more obviously to the United Kingdom and Western Germany, but it is true of several other countries also. On the Far Eastern flank Japan is in a similar position. The communist territories would, under happier conditions, have afforded natural and growing trade opportunities, for Europe in the west and for Japan in the east—advantages equally valuable to the communist territories themselves. We do not know whether or when these natural avenues for the expansion of world commerce will be reopened. Meanwhile, Western Europe is the part of the free world that is most directly and adversely affected, both as a seller and as a buyer.

I am by no means of the opinion that the efforts of the free nations to increase world commerce are in serious danger of being defeated by the advances of communism. As I have mentioned, increased trade depends basically upon increased production and, of course, also upon increased markets. The free world still possesses ample resources to provide both. There are large new or relatively new areas that are undeveloped or underdeveloped. There are great older areas, some of them densely populated, where the tasks of raising the standards of living are little more than well begun. There are still other areas or countries, with high industrialization and high standards of living, where technical developments are providing the basis for new industry and new trade on a scale which hardly anyone could have imagined a few years ago. The main commercial effect of our territorial losses to communism is that they do compel us to make the very best use of the resources of our free, but smaller, world.

Make Best Use of Available Resources

This brings me back to the question of trade restrictions. For it must never be forgotten that the real purpose behind the efforts to free trade from hampering restrictions is to make the best use of available resources. Unless producers have a reasonable chance to sell where the best prices can be obtained, and unless consumers have a reasonable chance to buy where the lowest prices are offered, resources are not likely to be used to the best advantage. I know only too well that it is a counsel of perfection to suggest that national foreign trade policies should be based on recognition of this principle, and on nothing else. Nevertheless, I do not think that the peoples of the free world can afford to do anything else except work toward freer trade amongst themselves.

If this is so, why is there any hestitation in beginning at once to clear away the tangle of restrictions that have grown up in recent years? The answer to this question may help to indicate the lines along which progress can be made.

The Dollar Shortage

Take the sterling area, for example. This is a very large group of countries and an extremely important group commercially. As a group, and with few exceptions individually as well, they are very hard up for dollars. Why is that so? It may be said that the explanation is obvious—that they are short of dollars solely because they are not earning enough dollars, either by their sales here in North America, or by their sales in other markets. They must produce more, and they must make their export industries more competitive. Otherwise, they will continue to be short of dollars and, moreover, they will be open to the suspicion of sheltering a lot of uncompetitive industries behind their present import restrictions.

That is a rather blunt and harsh kind of diagnosis, and it is open to the reply that it assumes that North American markets are ready to accept imports on a sufficiently large scale if the goods are offered at competitive prices.

I shall not attempt to distribute the responsibility for the dollar problem. At any rate I do not think that "pointing the finger" does much good at the present time. We can't afford to postpone the reduction of trade restrictions until we get unanimity of opinion about the precise and true causes of the dollar shortage. The most hopeful sign today is that some of the countries that have been making extensive use of import controls appear themselves to be more receptive to the idea of getting rid of them. They recognize that they are at best a kind of emergency defense, that they do tend to encourage uneconomic industries, both old and new, and that the sooner they can be dispensed with the better. How general that attitude has become, I do not know, but it has been in evidence in some very important quarters and it is certainly a most significant and welcome sign.

The urgency of moving without delay towards the removal of restrictions cannot be over-emphasized. Import restrictions imposed for temporary purposes have a way of becoming permanent. Although they may have been absolutely essential to stop the drain on dollar exchange, quantitative restrictions on imports do in fact make it more difficult to bring about a permanent cure for the dollar problem. The responsibility for taking removal measures does not lie in our hands. But I doubt whether the task will be undertaken without the encouragement and co-operation of our two countries, and particularly the United States.

I am confident that it is possible to re-establish a world in which non-restrictive trade policies will once more predominate, but here again, I come back to the great essential — close and tenacious co-operation by all the free nations — a resolute will to work together.

We in Canada are hopeful that the time is now ripe for a fresh attack on the problem of trade restrictions. As you may know, the Governments of the Commonwealth are meeting in London later this month, and the question of trade is high in the agenda. Canada, of course, is not a member of the sterling area, but we have been invited to participate and we shall take a constructive part in the discussions.

What Canada wants to see emerge from these Commonwealth talks is not a sterling area plan or a Commonwealth plan, but something very much bigger, in which North America and the free world generally can play a full part to the advantage of all concerned. This kind of an approach, we firmly believe, has the best chance of success. And that is what I hope will emerge.

My message then is one of hopefulness on the prospects for world trade. It is now at a very high level. There are opportunities for further expansion. True, trade restrictions have multiplied, but I believe that there is a growing realization of the danger and futility of those restrictions, and a genuine desire amongst men of goodwill throughout the world to get rid of them. The degree of success that we may expect will depend entirely upon continued close co-operation among the free nations, and upon their wholehearted readiness to be helpful in a job which is bound to require a great deal of care, patience, and mutual goodwill. The task of whittling away the restrictions that now encumber the trade of all but a small number of countries is one worthy of the best effort of all those who find in unrestricted commerce the best hope of peace and prosperity for all the peoples of the world.

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Reducing Your Investing Risks

there are make tremendous mistakes as to timing, but when it comes to the wrong issue of the wrong industry, most people who are reasonably well posted don't have to make too many mistakes. It's almost easy to see which companies and groups are succeeding and which industries have a good future. Anyone here knows for instance that electronics is an industry with a great future and it's just like the old story of the horse and buggy versus the automobile, so I think that's one of the minor risks.

False Information

The next risk—believing false information — is something we come into contact with quite a bit. Maybe the word shoudn't be false. Sometimes information that is given in good faith turns out incorrectly and if it comes from a source close to a company or in an institution, it is often believed, but it is something you have to guard against. I believe a great deal in what the prices on the stock market tell you and if someone gives me very special information on a stock and the stock doesn't go up and it keeps in supply and goes down a little, then I begin to wonder whether the information is right.

The next risk is failing to see the weakness in a balance sheet. Now that is a risk that no professional should be guilty of. Anyone who professes any knowledge of securities at all ought to be able to tell whether a company has enough money to conduct its business and for expansion, etc., but every now and then, people slip up. Here awhile ago, United Paramount Theatres was selling around 20 and strangely enough, very few people saw that the indenture was such that they had to maintain a certain balance sheet position and they had to reduce the dividend for that reason and the stock went down to about half. Linked with that, I put down the failure to see a coming cut in dividends which means a little different than the balance sheet item. It means failure to see a decline in earnings which may lead to a cut in dividend. That's a little more difficult I think than the balance sheet because none of us know the extent to which business will change and the impact on companies, especially nowdays. We all read a great deal in the ordinary press about a small cut in gross or total business working down through to cut net earnings quite severely.

Now the next card is interesting to me. The risk of general market influences overweighing individual stock influences. To me, that is one of the most practical every day factors that we come up against in our every day work. We come along and we see a certain company. It seems to be selling cheap. We think the earnings are going up. We think its prospects are better, but the stock of that company has to sell in competition with every other stock. I might pick out for instance, in the steel industry, Vanadium, and say that there are reasons why Vanadium should do better, but I have to think of the general market. If all the steel stocks and U. S. Steel, which is the leader, and the market averages and the Dow Industrials, to use different phrases, if they all go down, why the improvement in Vanadium is apt to be overbalanced by the decline in other things. To put it another way, I think when you look into special situations and when you look into individual stocks, you've always got to be sure that the general background is right, that there isn't anything hanging over things.

The next risk I wrote down is unexpected news. If you had gone into a broker's office, for example, a day before Korea, the broker would have told you to buy a good many stocks based on the then peaceful situation and if you had gone in a couple of days after Korea, he would have told you to buy a lot of "war babies" and then maybe six months later, he would have tried to tell you to buy the first ones back so I think you have to make an allowance for unexpected news and not just be in a situation where some unexpected news may upset your whole program.

Emotional Influences

The next risk is the risk of emotional influences overweighing factual influences. That is a very great risk. We are all human. We are swayed by fear when stocks are going down. We are all swayed by greed to a certain extent and the more an individual can take the emotional influences away and the more they can be objective, the better their investment experience is going to be. That is why sometimes a person can give better advice to others than they can practice it themselves because the client that they are advising is not hit so much by his or her loss and so they can really look at something and say, "Well, this isn't good and it ought to be sold," and if it came to their own situation, they may not have that ability, but it's a very, very vital factor in reducing your risk.

Inflation Danger

Now the very last risk I have here is one that is talked about and read about a great deal now —the risk of losing the purchasing power of your money. In other words, the effects of inflation. I might add an extra risk of saying the risk of losing your money trying to hedge against inflation because a great many people have bought a lot of things for no reason except that they thought money was going down, and that is a very foolish thing to do. The only way I know of trying to avoid losing the purchasing power of your money is to try to invest your money the best possible way, and hope that the profits you make plus the dividends you get, less the taxes and less the losses, leave you when you get through with something like what you need. I don't think most people can do it, but they can make an approach at it. They can do it better than just by buying bonds or putting their money in the savings bank.

Luke H. Rose to Be F. L. Rossmann Partner

Luke H. Rose, member of the New York Stock Exchange, on Dec. 1, will become a partner in F. L. Rossmann & Co., 120 Broadway, New York City, members of the New York Stock Exchange,

H. D. Kahn Opens

DALLAS, Tex.—Harry D. Kahn is engaging in the securities business from offices at 405 Andrews Building.

Joins Barrington Inv.

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — George Putnam is now associated with Barrington Investments, 390 Main Street.

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How Banking Is Affected By Vicissitudes of Railroads

the regulated electric gas and telephone utilities where the return was better than 6%. In manufacturing, wholesale, and retail trades the return on investment ranged between 10% and 20%. I want to emphasize to you particularly that this is not a temporary situation but it has been going on for years. In the entire post-depression period from 1936 to 1950 the railroads earned 6% only once, and that was in one of the war years when insufficient materials were available to provide adequate maintenance programs. On the average over that period our return on investment amounted to only a little over 3½%. In spite of this the railroads have found it necessary to lay out $6½ billion in the years 1946 through 1951 for property improvements and to modernize equipment. Because earnings have been so meager with no relief definitely in sight, they could not use earnings nor raise equity capital for this work and it was necessary to obtain this money from two sources. First, by depletion of working capital which has gone down from $1¾ billion at the end of 1945 to a dangerously low of $500 million at the end of 1951. Second, they have created additional debt, the effect of which in future years, of course, is to reduce further the narrowing spread between income and outgo, not to mention the creation of maturity problems which could prove disastrous under adverse conditions.

Much of this borrowing has been through the medium of equipment trust certificates, and such paper is attractive historically. It is important to note that investors now hold $2½ billion of these securities, compared to only $750 million at the end of 1945, and although the incurring of this additional debt has not jeopardized the safety of the railroads' financial position, nevertheless it is reaching a point where annual maturities cannot go much higher without exceeding the annual depreciation charges, which generate the cash necessary to pay them off.

A Message to the Next President

I do not know how many of you have seen the extract which is being published in the newspapers entitled, "A Father's Message to the Next President" which is taken from a rather popular speech made by Mr. H. E. Humphreys, Jr., President of the United States Rubber Co. Although his message deals with an entirely different subject, it is interesting to note the following sound observation he made about return on investment:

"Surely you realize, Mr. President, that profit is the incentive which makes our opportunity system work. Some of it is paid in dividends as a reward to those people who put up their savings to build plants and, in that way, make more jobs. The purpose of these dividends is to make them want to invest more, instead of spending all they make. The remainder of profit is put directly back into the business to provide new and better products and equipment.

"A company forced by the government to operate on an inadequate profit is living on borrowed time."

Analyzing, for a moment, the words "living on borrowed time" insofar as they relate to both the railroad and the banking business, there is only one answer. Both perform necessary public services and it is not a matter of merely passing out of existence, it is a matter of passing from private ownership to government ownership.

I think Mr. Symes, our Executive Vice-President, recently summed this up concisely as it applies to railroads when he stated that there are three principal reasons for our present inability to earn an adequate return. The first is that the procedures of regulation under which we are required to operate are outmoded and wholly inadequate to cope with present day conditions—such as the ravages of inflation which have occurred since World War II. Second, we do not have a modern national transportation policy designed to promote free competition among all transportation agencies. The third is that there has been a lack of public sympathy and political understanding of the danger of continuing the unhealthy situation presently existing in our national transportation system.

Delays in Granting Rate Increases

Do you realize, for instance, the tough problem facing the railroad industry in periods of inflation due to government regulation? Between the time railroad costs are increased until the industry can obtain the necessary relief in the form of increased rates from the regulatory authorities, the time lag has been averaging one year. For example, since World War II the railroads have of necessity applied for a number of rate increases. These were based on increased costs already in effect and not on any anticipated increased costs. If the increases we have obtained since World War II had been made effective a year earlier—instead of on the date they were put into effect by the regulatory agency controlling—we estimate that for the Pennsylvania alone we would have had over $400 million additional gross revenue during that time. Bear in mind that this loss was suffered during a time when we were borrowing millions of dollars for necessary improvements in our plant and equipment to meet the country's needs.

Aside from the harm thus done directly to the railroads, it can be said positively that our freight rate structure would be lower today than it actually is, had it not been for such an unreasonable time-lag between increased costs and increased prices.

One of the strange things is that you would think one result of all I have had to say above would be to create an atmosphere of hopelessness among the railroad industry, but nowhere can I see evidence that such is the case. Instead the railroads generally, and I think ours specifically, are optimistic about the possibilities of improving our circumstances; providing we can persuade enough people to look at the situation critically and constructively, and then help us to correct the ills which are responsible for it. I know that all of our officers are optimistic about the railroad's future if these changes can be made in our transportation regulations, and we are also optimistic that such changes will be made.

What Should be Done

Here, rather briefly, is what we believe should be done:

(1) We need policies at all levels of government which provide that all transportation agencies pay the full cost of their operations, including a fair portion of the cost of facilities which are provided by public expenditures. In this we are not asking for any advantages for ourselves, but we do want to eliminate the unfair disadvantages which presently exist.

In New York City there are two large passenger stations — Pennsylvania Station and Grand Central. A short distance to the East are the LaGuardia and New York International airports. Let's compare these two different types of passenger terminals. Penn Station and Grand Central cost in excess of $200,000,000, and were built and are maintained by the private funds of the owning railroads. In comparison, more than $150,000,000, of public funds, supplied by the Port Authority, have been spent to build LaGuardia and International airports. Moreover, the two railroads paid over 5⅓ million dollars in taxes on their two stations in 1951, whereas the rental paid to the City of New York by the Port Authority for the use of the two airports, in lieu of taxes, amounted to less than one million dollars. In other words, the airports are being subsidized to the extent of several million dollars a year.

The situation at Pittsburgh, where $33,000,000, of public funds are being poured into an airport at the same time our railroad is spending $27,000,000 to modernize our passenger terminal, is another good illustration. The same situation exists in many other cities throughout the land.

(2) Legislation should be enacted which will direct the Interstate Commerce Commission to eliminate unreasonable delays on requests for rate adjustments—up or down, whichever way they are to move, they must be put into effect promptly enough to allow railroad management to price its product realistically and according to the dictates of competitive business conditions.

(3) Legislation should provide that the Interstate Commerce Commission take into account the effects of the proposed adjustments on maintenance of railroad credit and financial stability rather than the effect on volume of traffic. This would make the managers of the property responsible for their actions, and it is our belief that they are in a position to determine the overall result of rate changes in the highly competitive market which now exists in the transportation field. Pricing is a function of management and should be returned to the hands of management.

(4) The so-called "long and short haul" clause of the Interstate Commerce Act should be repealed. It does not apply to our competitors and should not apply to the railroads. While it exists, we are forced to compete in the overall transportation field with this artificial handicap.

(5) The railroads should be able to appeal to the Interstate Commerce Commission from adverse decisions by the State authorities when, because of local political considerations, they are denied the right to adandon services which show a continued and hopeless financial loss.

Without the enactment of all the above program, or a substantial portion of it, not only is the future of the railroads as a private enterprise in jeopardy, but also the future of other industries which would be endangered by our failure to reverse the trend to more and more discriminatory and restrictive regulation.

Prosperity Has Not Come To the Rails

Before closing, let me cover one more important phase of this discussion of our joint problem. It must be borne in mind that the situation about which we have been talking has developed during a period of the highest business activity and production known. It has occurred in the midst of tremendous industrial expansion. None of us know how long the present condition will exit, and many of you, I presume, have been making guesses and estimates of what lies ahead. I suppose your guesses like ours run the gamut from depression to mild recession and there no doubt is considerable variance in your thinking as to timing. Regardless of your differences of opinion as to the extent and timing of changes to come, we can all be positive about one thing and that is that every day brings us closer to some kind of change. Economics today are dynamic and when any substantial change does come almost of necessity it will impose on us the problems of operating under conditions which will be less favorable so far as volume is concerned. Therefore, although we do not know the date, we must face the reality that sometime in the not too distant future both your industry and my industry wil have to survive under less favorable conditions. There is, therefore, an imperative need to get ready that cannot be postponed with any safety.

Railroad men are optimistic about the attitude of Congress in giving us some of the immediate relief in legislation needed and we are optimistic on the long range with the prospect of changes in regulation if we continue the aggressive program of placing the facts before all thinking people. With success in such a program we have no fear of the future.

While some of the figures I have given you today would seem to be depressing, I assure you that conditions need be changed only a little to change these figures dramatically and restore the railroad industry, and with it the entire transportation industry to a position where it can make outstanding contributions to the benefit of the entire national economy and paticularly to the banking industry.

Railroad Securities

Chicago, Rock Island & Pacific

Although the stock did not act badly on the news, there is little question but that many analysts who follow the situation closely were quite disappointed over the failure of the directors of Chicago, Rock Island & Pacific either to increase the regular dividend or declare a year-end extra at their November meeting. The old $1.00 quarterly rate was continued. There were also many in the financial community who had been looking forward to liberalization of the New York, Chicago & St. Louis dividend. The financial requirements of the latter, however, are still fairly heavy so that disappointment over failure of the directors to raise the $2.00 annual rate last week was not nearly so acute as in the case of Rock Island.

Rock Island has been spending heavily on the properties for about 15 years. Dieselization is well along and the property improvement program is virtually completed. Cash position has been strengthened and now appears at least adequate to meet any contingencies that might arise. Capitalization is most conservative. Not only was the reorganization of the road the most drastic for any major carrier, but, also, the debt has been reduced substantially since the reorganization was consummated. Aside from equipments the road has only one bond issue outstanding, the $52,737,000 1st 2⅞s, 1980. This issue has the benefit of a liberal sinking fund. With this background it has long been felt that Rock Island should be in a position to pass along to stockholders a larger proportion of reported earnings than would be feasible or conservative for the industry as a whole.

Rock Island is having a good year in 1952, aided in no small measure by a favorable grain crop. Year-to-year comparisons with 1951 have also been influenced by the heavy flood losses sustained last year. With a rise of only 8.6% in gross revenues for the nine months through September, net income soared 71.6%. In September alone net was more than 200% greater than in the like 1951 month. Earnings on the common stock for the nine months this year came to $9.15 a share, compared with $4.55 a year ago. Even if the final quarter should be no better than the closing 1951 quarter this would mean $13.00 a share for the full year 1952. Actually there is every reason to look for further gains in the last three months so that the company should be able to show at least $14.00 a share for the current year. The $4.00 dividend will represent less than 30% of such earnings.

Rock Island has improved its operating status materially in recent years. Major line relocation programs have been undertaken to reduce heavy grades and curvature. Terminals have been modernized and extensive signal installations have been made throughout the system. The road has gone in heavily for diesel power. These heavy capital expenditures have brought about important operating economies. At the outset of the improvement program the road's transportation ratio was running above 40%. By 1950 it was down to 36.5%. There was an increase last year, to 38.8%, due to the severe floods but the downward trend has been resumed again in 1952, with a cut of 3.6 points in the nine months through September. For the full year it may well get down to around 35%.

The improvement program has also been effective in increasing the road's traffic potential. With line changes and modernized terminals the line has become better able to compete for the profitable transcontinental traffic. In this respect the road has also benefited from betterment in the status of the connecting Denver & Rio Grande Western. As a final consideration, there has been considerable industrial development in parts of the service area. Thus, the company is no longer so heavily dependent on the wheat crop. With this good traffic background, and the increasing operating efficiency many analysts still regard the stock highly, despite the disappointment over the dividend.

Dr. Wriston Resigns

G. Keith Funston, President of the New York Stock Exchange, has announced that the resignation of Dr. Henry M. Wriston as a Public Governor of the Exchange had been regretfully accepted by the Board.

Dr. Wriston, President of Brown University and former President of the American Association of Universities, had been a member of the Board of Governors since Aug. 1950.

William D. Crane Opens

William D. Crane is engaging in an investment business from offices at 534 East 52nd Street, New York City.

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As We See It

together into an effective working unit under conditions which, nonetheless, will permit and encourage each of them to retain their independence of mind and hence able to contribute most bountifully of their several abilities and experience. Such a general staff would blow apart in a short time under a Roosevelt or a Truman. There is reason to hope that the story may be quite a different one under a President whose long suit has always been that of finding a way to get harmonious action from groups of able men always independent of mind and not infrequently with differing view.

Key Posts

In the circumstances, the key posts in the Administration, at least so far as the business community is concerned, may be designated as the Secretary of Defense, the Secretary of the Treasury, and the Director of the Budget. If one may assume that the latter post will be filled by Mr. Dodge—or, if one may assume that at some other post Mr. Dodge will be at the President's side as chief adviser on budgetary matters—the outlook for bringing Federal outlays within some measure of reason at as early a date as circumstances permit must be regarded as far better than they have been since the New Deal and Fair Deal developed budgetary megalomania.

The basis for such a hope is greatly strengthened by the choice of Mr. Wilson for Secretary of Defense. Thoughtful students have long recognized the fact that maximum improvement in the budgetary situation depends upon a major operation on defense. Most observers—perhaps too many of them—nonetheless hesitated to insist upon paring the defense budget. They felt uncertain about the extent and nature of the preparations we needed. They did not feel competent to reach independent conclusions about changes required to bring defense activities to a point of reasonable efficiency and productivity. Nor did they feel themselves in a position to estimate the amount of savings possible by injecting a little more hard, business sense into this matter of weapon development and production.

The new Administration will have one of the foremost military men of the times at its head, and it will have one of the greatest industrialists of the times directly managing our defense activities. That Administration is, moreover, committed in advance to the belief that vast savings can be effected in our defense program without reducing its effectiveness or the speed with which it can be brought to completion, so far as such things ever reach completion. The military specialist at the head of this Administration has, moreover, unique experience abroad which should enable him to judge out of his own past work what must be done abroad to insure our safety at home. If such a team cannot succeed, then success is beyond us.

Cooperation Needed

It will succeed if full cooperation can be had from the services. Here is the rock on which many a program has been wrecked in the past. Not only have representatives of the armed forces been in the habit of asking for the earth and everything that is in it—and of warning against all manner of disaster if they did not get what they wanted—but they have been endlessly competing with one another for the attention and the favor of the nation. The merging of the services has been hardly more than a formality. General Eisenhower himself has said that the net result has been to create three services where there used to be only two.

If the new President will do whatever is necessary to bring real unification into being, and at the same time will back Mr. Wilson fully in the endeavor we are certain he will make at an early stage in his career as Secretary of Defense to see that all the military authorities proceed from this time forward with reason and in conformity with ordinary commonsense in their dealings with those who undertake to produce the weapons of war, who could doubt that large sums of money could be saved the taxpayers without any impairment whatever of the security of the nation? And not only save money but release capacity and manpower to the production of goods and services that we all need and want in our daily lives.

Treasury Problems

A new, different and more constructive administration of the Treasury Department could do the country a service scarcely less important than a thorough overhauling of the defense program and procedures. The new appointee, so far as can be gathered from current accounts of his career, will be faced with a number of problems and tasks not fully covered by experience. The issues which will confront the next Secretary of the Treasury are technical in nature, more often than not, but broad and pervasive in their effect upon the business community and the country at large. If current reports are accurate—and we have no reason to question them—the Secretary-designate is governed by sound general ideas about such questions. He is reported to be firmly of the opinion that the Treasury must find ways and means of taking care of its needs within the framework of sound monetary and credit policies established by authorities who are supposed to carry that responsibility. If such are his views, and in light of his experience with large affairs, it should not take him long to get on the right track.

The prospect for a change in Washington—and in the right direction—now appears good.

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Long-Term Outlook for Equities

inflation developments which we are only too conscious of.

Inflation Not Unique

But one point that many people do not realize is that the inflation development is by no means a new phenomenon in our economic history. It is in no sense unique, and the relevant figures are worth dwelling upon.

The wholesale price index rose between 1900 and 1925 from 56 to 103½. This was an increase of 82% in the first quarter of the century. In the 1925-1950 period it rose from 103½ to 161½, which was an increase of only 56%. And if you add a 12 or 13% advance from 1950 to date, you still have an increase from 1925 in wholesale prices which is less than that of the first quarter of the century. Thus, it would be a mistake for us in our investment thinking to believe that the inflation factor is something that was generated in our experience only through World War II and its aftermath. World War I had fully as inflationary an effect on the cost of living, and there were inflationary tendencies at work even in 1900-1913.

The third influence that should have entered this situation and made for higher stock prices was the considerable decline in interest rates since the early 1930's.

Here are some figures. Moody's average of interest rates declined from 4.46% in 1935 to 2.74% in 1946, a very substantial change. It has since risen to 3.18%, but the net decline is still very great.

If it is assumed that dividend yields should generally go along with interest rates, at a proper spread or interval, that factor would have made for higher stock prices because of the higher valuation of each dollar in dividends.

Actually, that situation proved paradoxical in two ways. In the first place, the decline in interest rates would never have been predicted by economists, had they known we were going to have World War II and an increase in our national debt from $40 billion to $250 billion. They would have expected a significant rise in interest rates; because the big increase in interest rates that took place between 1916 and 1921 was undoubtedly identified with the government borrowings in World War I. However, newer concepts of government financing which were introduced in the Roosevelt Administration succeeded in turning the economics around, and creating low interest rates where previously we would have expected high interest rates.

The second part of the paradox is that the decrease in interest rates did *not* have the corresponding, historical effect upon dividend yield.

Let me give you the figures on that point. In 1935 the dividend yield on Moody's 200 stocks was 4.26%, which compared with 4.46% for their bond index — a lower yield on stocks than bonds. In November, 1950, the dividend yield had gone up to 6.80%, although bond yields in the meantime declined to 2.88%—an enormous difference. At the present time, the stock rate is about 5½%, as against about 3.2% for the bond rate.

Bond Yields vs. Stock Yields

Evidently, the course of bond yields and that of stock yields have parted company. One explanation of that may be that investors generally have had an underlying mistrust of the low-interest rate concept as artificial, and have not followed it through in the field of stock yields.

We come back then to our statement that the basic reasons for the price rise in stocks are, first, the larger earnings that we have seen over the last ten years; second, the large reinvestment of profits, which I believe has had an effect on stock values, although it is not generally considered to any extent in Wall Street; and, third the assistance which stocks have again received from the second big dose of inflation which we have had since the turn of the century.

Long-Term Upward Bias

Those considerations would encourage the belief that we are back to the old and once well-established thesis that stock prices do have a long-term upward bias, and that their future prospects should be regarded as good for the long pull. This view seems especially plausible to me, because when you study economic history over the last 38 years, you would have to acknowledge that the fabric of equities has been subject to a tremendous strain, which corresponds to the strain imposed upon the free-enterprise economy of our nation.

We have had two world wars. We have now what I call World War Two-and-a-Half. We have had an unexampled collapse in the economy after 1929. We have had a world-wide tendency against free enterprise, and toward controls and collectivism. One might well say that if stock equities have survived these tests they appear to be a pretty rugged sort of animal and should be able to survive almost anything that the future will have to offer.

Basic Factors That Make for Stock Values

But let us, before accepting that easy and encouraging conclusion, examine a little more closely into the basic factors that make for stock values. We know that there have been qualitative factors which have been adverse to stocks, in the form of government hostility toward business. Not toward free enterprise as such, perhaps but toward the manifestations of free enterprise as represented particularly by big business. That situation may well be about to change rather radically with a new Administration, but that remains to be seen.

But outside of this qualitative, this atmospheric factor, there have been two specific adverse influences on equities which any analyst must take into account.

The first has been the tendency toward lower profit margins, a lower percentage of sales brought down to net income.

The second has been the higher corporate income taxes, which reduce that net income very radically before it is available for stock values.

The effect of the lower profit margin is adverse in two ways. Not only does it naturally reduce the average earnings, but also it makes companies as a whole more vulnerable to adverse developments in the general economy. A medium-sized recession might have as big an adverse effect on the earnings of a typical company as a large recession would have had formerly when the profit margins were greater.

It is customary to say that industries as a whole have now become high cost producers; that they depend on large volumes to earn a fair return on the capital; that they have a very high break-even point; and that if volume should fall off even moderately the earning power would be very seriously threatened.

Can Depressions Be Avoided?

Consequently, we may have to assume that very serious depressions must be avoided in the future in toto if we are to be optimistic about the regularity, stability and the overall maintenance of future earning power. In other words, we may have to assume greater stability in the economy as a whole to offset a new built-in instability in many companies in the form of higher operating ratios.

That is a point for argument. I think economists as a whole are inclined to believe that the future economy will not be as unstable as the economy had been prior to 1933. Partly because there are a good many built-in factors now which prevent large-scale collapse in purchasing power, and partly because governments — including, it seems, the new Administration — are strongly committed to preventing any very large falling off in employment and in related business activity.

So much for the factor of higher operating ratios and lower profit margins — which must be considered as an adverse element in the picture, without any question.

The second one, the factor of corporate taxes, has not been fully understood in its impact on stock values. Mr. Fairless said recently that corporate income taxes are primarily a tax on consumers. I must respectfully disagree.

Dilution Through Taxation

What the corporation tax actually works out as is a dilution of the stock equities. It is the equivalent of a payment of a stock dividend which goes to the government instead of to the stockholders.

I would like to take a minute to show you how that works out in practice. First take the 1939 tax rate of 16%; and assume net before tax of $1 million; tax, $160,000; net after tax, $840,000; number of shares, 84,000; earnings per share, $10.

Now, assume you have a 75% stock dividend. You have the same figure of net after taxes. The number of shares has been increased by 63,000 to 147,000 shares, and the earnings per share are down to $5.70.

Thus, if you buy one share of stock now instead of before the dividend, your earnings are $5.70 instead of $10 per share.

Now, assume no stock dividends, but instead the 1952 tax rate of 52%. The net before tax is $1 million, the tax is $520,000; the balance is $480,000. The number of shares is still 84,000, but the earnings per share are $5.70, as in the former case.

What has actually happened is that the effect of the rise in the tax rate from 16% to 52% is precisely equivalent—on a per-share earnings basis—to the payment of a 75% stock dividend to the public.

Another point is the investor would have the same result had he paid a 75% higher price for the same number of shares. At that higher price for the stock he would have been in the same position, with the 1939 tax rate continued, as a man who had bought the stock at the lower price but was now subject to the 1952 tax rates.

Impact of Corporate Income Tax

What I am driving at is that the increase in corporate income tax is a factor that does not concern so much the *operating position* of the corporations. It does concern the overall value of the business to the stockholder in terms of the share capitalization, or of the price which he pays for the shares, which amounts to pretty much the same thing.

Now, we can carry that analysis forward to show what the effect has actually been on a typical corporation. What you find is that the increase in volume plus the increase in prices that have taken place between 1939 and the present would normally have induced a rise of about 250% in the earnings available for the stockholders, given the same profit margin as before. But as a result of the increase in taxes, that gain has been limited to 100%, which is the same thing as would come from a 75% dilution of the equity.

Let me give some illustrative figures. Assume 1935-1939 earnings of $10 before tax, and $8.4 after tax. With a 25% increase they would now be $35 before and $16.80 after 52% tax. These figures are somewhat similar to the Dow-Jones Industrial unit figures, as a matter of fact.

You will probably find that the average earning power of the Dow - Jones Industrial group might be considered today to be just about twice what it was before World War II, allowing first for the big increase of roughly 250% before the tax adjustment, and then making the large adjustment for the higher tax rate. (Excess profits tax has not been allowed for here.)

These figures lead us to our basic negative or pessimistic question, which runs like this: Can adverse Government controls (which may still continue in spite of a Republican Administration), and particularly can the development of the income tax and excess profits tax, combine to prevent a long-term increase in common stock dividends and prices from the present levels?

The Answer

The answer, as I see it, is this: Such a development is *possible*, but there are reasons inherent in our economic structure which make it highly *unlikely*.

Let me develop those for you. The first point is that the full-employment philosophy to which we are committed requires a large annual plant expansion, which has been running for years now at the rate of about $25 billion annually. In theory, such new investments should not be made unless the old investment can pay its way. In fact, it should pay its way on the basis of new plant costs rather than the old or book costs.

There are many institutional reasons why ordinary business tests of profitability may not govern new investment entirely. Corporations may make these large investments without being able to prove to themselves that they will pay out an adequate rate of return. But on the whole the old investment must be adequately profitable to induce large annual increments.

As you know, that is the philosophy behind the rate of return allowed by the public-utility regulatory bodies. The principle is that the rate of return must be large enough on old capital so that new capital will be attracted. The same will have to be true, by and large, in governmental policy for business generally if large scale additional investments are to be made year after year in ordinary industry of the non-regulated character.

You might say that has not worked in the case of the railroads. The railroads have recently invested a great deal of additional money without having earned an adequate return on the old investment. But when you study the figures they support our thesis, because the new investments have been entirely for cost saving devices, not for the expansion of the railroad plant as a whole. The railroad plant as a whole has diminished somewhat in size over the years—certainly as measured by mileage.

The second point, which is related to the first, is that a very wide disparity between the asset values and the earning power would lead to the sale and liquidation of many existing companies. One of the important things about this universal stock dividend that has been paid out to the Government via income taxes is that that is a claim only on earnings, and not a claim on assets as an ordinary stock dividend is.

The result is that it may be feasible for a corporation to get away from this large tribute of value to the Government by realizing on its assets, assuming that those assets are realizable.

Take the simple case of a company which has $10 million of assets and earns a million dollars before taxes on it. This would normally be an adequate return, if it were not subject to tax. But after a 50% tax it has left only half a million dollars, which is a 5% rate of return; and this is inadequate. It would make the $10 million of assets worth not more than $5 million in the market.

If you assume that those $10 million of assets are of a realizable character, it would be a strong inducement to the directors of the business to turn those assets into $10 million of cash one way or another, by sale or liquidation or merger, and so on—rather than accept basically a continuous subnormal return.

You have seen that phenomenon working out here in New York in recent years in the bank stock field, where the figures I gave you are approximately representative of what happened. The rate of return realized by banks has not been enough to support the asset value, and so a result any number of small banks have sold out to larger banks to realize their asset values.

I am not predicting that this thing could or would happen on a very large scale in general business. I am making the statement that here is a factor in the economy which has to be taken into account and will be taken into account by governmental bodies setting the tax structure for corporations. My own opinion is that the tax structure today has gone beyond the level at which it is feasible to maintain business at a proper rate—particularly corporate business as compared with non-incorporated business—and my prediction is that the net burden on corporations must necessarily tend to decrease somewhat during the years; that it will not increase.

Therefore, I believe that considerations of the sort we have been discussing will prevent the expropriation of earning power by Government as long as our basic American system continues. And in the absence of a communistic form of government here, or something equivalent thereto (which I do not expect), I believe that the trend of stock equities will continue in the future as it has in the past—and that is irregularly upward, with some emphasis upon the adverb *irregularly*.

Building-Up of Book Values

The decades to come should see those advances related as they were in the long-term past, to the building-up of physical equities or book values by reinvestment. They may go further than that, because of a possible continuation of the trend toward inflation, which I am inclined to think is now rather definitely established in our economy.

Bear in mind that there must be wide variations in this picture not only between one business and another, and one industry and another, but also very much so in point of time. There will be years in which the emphasis will be on deflation and low values, as well as years in which earning power will be valued more highly than it should be.

In sum, I think that the future of equity investment, when it is *made at a reasonable price*, is a promising one, and one that deserves the confidence of those interested in the investment field.

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Lower Interest Rates Ahead!

such as textiles, liquor, solvents, drugs, etc.

Fourth, the likely scuttling of excess profits taxes which have placed such a premium on borrowing and spending.

Fifth, the historic relationship between retained earnings of corporations and capital expansion. Business becomes expansive only when earnings after taxes and dividends are rising. Retained earnings today are only about half what they were at the post-war peak and have been declining for three years.

The Demand For Bonds

So much for the supply side. What of the demand for bonds and loans? The demand will have to depend upon the rate of personal saving which is now back to the normal ratio to National Disposable Income. There is no known reason for expecting the rate of saving to decline. If the volume of borrowing declines and the rate of saving is maintained the two will be in balance, and the bond market will regain its composure and interest rates will soften.

I don't use all of the statistics of personal saving. For example, I don't say that one who spends $10,000 to buy a house has saved $10,000. One may go broke that way. But he will stay solvent and help the bond market if he saves via the vehicles I'm about to list. These are time deposits of commercial banks and mutual savings banks, savings and loan associations, Federal Government insurance and pension funds, life insurance companies, liquidation of mortgage and other personal debts. Frequent and reliable statistics are available in the case of these repositories of saving. We are not including private and municipal pension funds, whose growth is phenomenal but whose statistics are questionable. We are more interested in trends than in statistics.

The trend of borrowing is downward and that of saving is upward. These more dependable repositories showed a net decline of saving of $2.1 billion in 1950, a gain of $6.8 billion in 1951, and as a preliminary estimate for 1952 we will propose a gain of $10 to $11 billion.

As a working basis, we must assume that personal savings will continue at a high level next year, because the rate of saving is not so high as to be out of line with the historic relationship to national disposable income. To compare next year's theoretical $10 billion of saving with that of 1950, the year of great dissaving, to the extent of $2.1 billion we add and say there will have been a total improvement of $12.1 billion in these selected savings vehicles alone. Similarly, the 1950 debt formation figure of $39 billion, which may shrink to $16 billion next year, would show a net improvement of $23 billion. Adding the savings improvement to the debt accumulation improvement, we get $35 billion which should fix up the bond market without Federal Reserve support. Bear in mind that we are not including private and municipal pension funds, which probably have been the most important single sustaining factor in the long bond market and which are growing rapidly. Conceivably, corporations may cease to pile up debt and may enter the short-term bond market, but I don't think I need to risk that prophecy for the sake of this discussion.

Under the circumstances, one does not want to join the school of thought which holds that the downward trend of bond prices which has continued for six years will last much longer. Instead, it is to be feared that the banking system is dangerously overconcentrated in the volatile short-term rate and runs the risk of getting caught with high operating costs and declining interest rates before it has time to extend maturities. The before or after tax yield difference between short and long maturities offers practically no incentive to lengthen out. The motive for maturity extension is fear of being forced to buy long bonds at higher prices later. In the past the time to extend maturities has often been when there was little or no yield incentive to do so.

Bonds That Are Attractive

If the foregoing reasoning is sound, one may proceed to the finer points in the field of interest rates. Aside from the limitations imposed by the special investment and tax requirements of the indivdual institution, various classes of bonds may be listed in the order of their apparent attraction in relation to the bond market as a whole.

New issues are usually more attractive than digested issues, because the markets are thin and large blocks must offer concessions. This year the yield difference between new and old issues has been about as wide as I can remember.

Industrial issues are placed first because the supply will dry up if we are right about the future decline in the capital requirements of industry.

Governments are next choice because the call features are reasonably attractive, the banking system will go for them when it returns to the bond market, and the yield spread between them and most other bonds is not especially wide.

New utility issues are down to third place for the reason that there is no indication of slackening utility plant expansion and new bond issue volume next year.

Municipal and other tax-free bonds are handicapped in being in the class whose volume outstanding is expected to rise for the balance of the decade. We estimate that the amount of outstanding tax-free bonds will rise from $30 billion to $60 billion by 1960, because of the accumulated deficiency of road construction caused by the automobile population rise from 32 to 52 million since 1941, the need for new roads as additional cars are produced, the school building which will have to continue because the peak of public school population will not be reached until 1960, the backlog of demand for sewers, and other items such as housing issues. The volume of new tax-frees is likely to present a problem. It is also likely to be one of the main forces operating to sustain the volume of bank earning assets.

For the long run, the banking system is expected to underwrite the maturities up to about 12 years. But 35- and 40-year bonds are apt to be forced to carry yields comparable to corporate bonds eventually. A progressively smaller proportion of municipals is held by individuals and estates as death taxes take the toll of great fortunes. Eventually the large emissions of the longest tax-free bonds will have to depend upon savings banks, insurance companies, pension funds, etc., who demand yield comparable to corporates.

In summary—

The rate of debt expansion is slowing down importantly.

The rate of saving is strongly reassuring.

Fundamental trends indicate a better bond market in 1953 and a delayed reflection in mortgage rates.

The banking system is courting danger to earnings by being over concentrated in short maturities.

Some classes of bonds appear more attractive than others but eventually all prime bonds and preferreds would be favorably affected by reduced interest rates.

With H. E. Work Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—E. W. Bache has become connected with H. E. Work & Co., 100 Bush Street. He was formerly with R. H. Moulton & Co.

Republic Inv. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Jack H. Musliner has been added to the staff of Republic Investment Company, Inc., 231 South La Salle Street. He was previously with Bache & Co.

With Clayton Secs.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — William V. Garland is now connected with Clayton Securities Corp., 79 Milk Street, members of the Midwest Stock Exchange. Mr. Garland was previously with Frederick C. Adams & Co.

Two With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Leonard H. Cramblet and John M. McCord are now with Waddell & Reed, Inc., 1012 Baltimore Avenue.

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More Trade—Less Aid!

paid out more than $100,000,000 in dividends between 1945 and 1951.

One can turn to almost any segment of our industry for other equally important examples.

We ourselves should be the best advertisement of the importance of foreign investment. I sincerely hope that our State Department and our Voice of America programs are telling this important truth.

The Flow of Private Capital

Private capital flows where investment opportunities exist. It will create such opportunities when permitted to do so. Countries needing capital and essential technical skills for their development should, in their own self-interest, provide maximum encouragement for the free play of this dynamic process.

But this is no one-way street. It is equally to our own self-interest to establish ourselves in foreign countries. We are outgrowing our usable resources much faster than any of us realize. This comparison will illustrate the nature of this problem: In 1900, the United States produced 15% more raw materials than it consumed (excluding food); in 1950, the United States produced 9% less than it needed. Projecting this trend, in 1975 the nation's raw materials output will fall 20% short of its estimated needs.

Once the United States was a large exporter of copper, lead and zinc. It is now the largest importer of these metals. We are growing increasingly dependent on oil from the Middle East and Venezuela. For rubber we have always looked to Malaya, and to the Indies for tin. Today we turn hungrily to a developing area — the Belgian Congo — for a vital commodity, uranium.

Confronted with this trend, are we not also confronted with a challenging opportunity? An opportunity for practical application of that over-worked phrase "enlightened self-interest"? To say simply that it is to our advantage to develop such commodities in under-developed areas is to minimize the importance of such activity. We must of necessity intensify such activities for the realistic reason of self-preservation.

Must Have Foreign Raw Materials

With ech passing decade, we as a nation are growing less self-sufficient economically. The unlimited natural resources of which we once boasted are being depleted. We must, then, turn to other countries for an increasing flow of the raw materials we need. And in doing this, it seems to me, we are taking a powerful stride toward our better world.

The benefits are many. We assure ourselves of a continuing supply of those materials we need. We create additional markets; markets not only in which to sell, but markets where we are also buyers. A rise in living standards is always in the immediate wake of such developments. Peoples whose way of life is being bettered are no longer ripe for the communist picking.

Nor would we be the only customers in these new market places. Many of these markets would be more efficient suppliers of the raw materials which Western Europe must now purchase from the United States. We would see a revival of multilateral trade.

To bring about an improving world condition demands an immediate increase, and a great increase, in the foreign investment of private capital. I stress private capital as against public funds, since private capital must perforce bring with it the technical and managerial skills necessary to do the job.

We have these skills in almost unlimited quantities. American industrial and technological know-how is one of the most creative and powerful forces in the world. It was a major factor in the winning of two wars. More and more, free people and those wanting freedom are counting on it as a major bulwark against communistic aggression.

Foreign Investment Should Be Increased

It is of equal importance then, that as we increase our foreign investment of private capital, we must step up sharply our export of technical and managerial skills.

I say "step up" advisedly. I do not mean "hurry up." The steps we take in spreading our technical and managerial knowledge in countries abroad must be cautious and sympathetic. Too often has our attitude been "Look, you're doing it all wrong. This is the way to do it," with little or no thought to the deeply implanted traditions and inherited attitudes so different from our own.

Here's what I mean: I remember reading a newspaper report in which a leading industrialist in one Marshall Plan country told an on-the-spot reporter that he could cut his selling price 30% and still show a profit. When asked why he didn't, he said such an action would drive his competition out of business. "Then why don't you buy them out?", he was asked. "Oh, no," replied he, "in the first place, I have all the money I want, and besides, such a thing simply isn't done in my country."

Let me give you another example of where certain basic principles of American manufacture and marketing are considered inapplicable in foreign countries. Just recently a member of the Gillette family in charge of one of our foreign factories visited Boston. In discussing ways and means of overcoming import restrictions in the country he had just come from, he pointed out that our problems were minor, fortunately, compared to those of other American firms operating in this country. In particular, he cited a friend of his who, unable any longer to import products for his firm's great retail outlet, was trying to keep his store stocked with products of local manufacture. He had called in a local manufacturer and asked him to quote unit cost price on an article in quantities of 5,000. The manufacturer did so. Then the American manager asked, "—and what will their cost be for 500,000?" Appalled, the local manufacturer shook his head and replied, "Oh, I couldn't give you that same price if you want that many. Why I'd have to put on more men, install more machinery — just couldn't do it!"

Here is resistance to change completely at odds with our economic thinking.

Must Furnish "Show How"

Along with "know-how" we must also furnish "show-how" An example of this recently appeared in the Harvard "Business Review" in an article by Raymond W. Miller. Mr. Miller cited a visit to an agricultural school in India. "There we saw agricultural engineers from the United States and India working together with native students to make machinery that could be used by the typical small Hindu farmer. For instance, one piece was a modern steel turning plow to replace the traditional desi plow. The latter, which is in common use from Cairo to Japan, was beginning to be discarded in this country over 100 years ago. (Its displacement by the simple moldboard plow was the foundation of all the improvements in American agriculture.) Like the old, the new turning plow will be pulled by a couple of bullocks, yet its few basic improvements will allow the farmer to cultivate 15 acres a year, instead of five, which is the traditional average."

In this one instance, production was increased three-fold. And with it, of course, came a corresponding increase in consumption. Living standards were raised. And the opportunities to raise living standards, to give more peoples more of the good things in life, are endless. In this world of ours, there are today 12 countries where the annual per capita income is $50 or less. There are 14 countries where the annual per capita income is between $50 and $100. There is one country where the per capita income is $25. That is just over six cents per person per day. Contrast that figure and the living standards it must represent with our own $1,700 per capita income.

Wider consumption, the third part of your theme, can come about, I believe, through corrective action in several areas; primarily, wider consumption can result only through increased ease of distribution, which comes through an increased know-how of distribution. That means increased trade. More and more, throughout the world, it is trade, not aid, that people are demanding.

Last summer this feeling was clearly stated by Mr. Thorneycroft, President of the British Board of Trade. He said: "We do not want American citizens to tax themselves into poverty in order that their country might become the soup kitchen of the Western World." Then Mr. Butler, Chancellor of the British Exchequer, summed it up in three words: "Trade, not aid."

Extent of Our Foreign Aid

Since mid-1945 to the middle of the current year, our foreign aid has totaled $35 billion. Authorized foreign aid for the fiscal year ending next June 30 is nearly $6 billions more, bringing the total amount up to over $40 billions. And this, the greatest outpouring of help in world history, has shown that aid is not the cure, as the situation today is in some respects as desperate as when we embarked upon our aid program.

During this post-war period, we have had to contribute in aid the same 35 billion dollars we show as a favorable balance of trade for these post-war years. This is a very expensive way of continuing to enjoy a favorable balance of trade, and it is one of the main reasons why taxes are so high. Therefore, we must encourage trade by reducing our tariffs. When foreign countries are able to sell more in this country, we will be able to reduce our aid and also taxes.

No longer do our tariff collections account for any important part of our total tax collections. In 1951, we had the largest revenue from tariffs in the history of our country. Yet this revenue amounted to only $600 millions, or 1.2% of total tax collections of $53.3 billions.

Tariffs Should Be Reduced

Since tariff revenues are still a minor part of our total tax collections, should not an examination of our tariff regulations be aimed at determining the areas in which we need protection for security purposes only? International trade is mutually profitable. It does not follow that trade between nations means the elimination of the home production of one country by another. There are any number of imported commodities, necessary ones, desirable ones, which can be produced more economically abroad than at home. Then why must we erect barriers against their import?

There are numerous examples of high tariffs, particularly in luxury items. This nation has reached a position today where it not only can, but should, have a fuller enjoyment of the luxuries.

Here are a few examples of high tariffs:

Belgian imitiation Oriental carpets with fringes made wholly of cotton	45%
Partly hand-made, partly machine-made lace, such as Princess lace (Belgian)	90%
Neutral spirits for beverages	162.6%
Champagne and all other sparkling beverages	44.8%
Furniture of rattan, etc.	32.5%

Further, we have tariffs — high ones — on many products which we don't even make in this country. There is a cent-and-a-half per pound duty on nickel which has wide industrial use, yet we neither mine any nickel in this country, nor do we smelt any. It is all imported. Much specialized machinery and many chemicals which are not made in this country have high import duties.

Tropical fruits — luxuries, sure — have a 17½% ad valorem. I don't know whether any of you are interested in buying a pigeon timer — a clock used in pigeon racing — but if you are, you'll pay $4.50 per clock, plus 65% ad valorem. None of these clocks are made in this country. They're all made in the Netherlands. Some of you may be collectors, and if you want a muzzle-loading revolver, you'll pay a duty of $1.75 plus 27½% ad valorem to add one to your collection. But none are made in this country. There are hundreds of similar examples. What, I ask you, are we protecting?

Not only are the rates themselves exceedingly high, on a wide range of products, but the capriciousness of the regulations is often even more formidable. For example: interpretation of applicable tariffs often varies from port to port. I know of one particular foreign firm which found that by using New Orleans instead of New York its import duties were considerably lower. Simply a matter of different interpretation by the port's collector of revenue. True, these rates were eventually brought in line, but many shipments entered the port of New Orleans before this was done.

Another example concerns a French manufacturer of women's hats. This man, adopting one growing American marketing tool — market research — came to our country to examine the prevailing trends in women's hats. He was convinced that hats adorned with ostrich feathers were going to be fashionable for quite a period of time. He returned to his native France and turned out a large shipment of such hats. When this shipment arrived on our shores, our customs officials banned their import on the grounds that the plumes came from wild birds. By the time the manufacturer had procured sufficient affidavits to the effect that these were feathers from domesticated birds, and had such affidavits accepted, so many months had gone by that that particular type of hat had fallen in complete disfavor with America's well-dressed women.

It seems to me, also, that revision of our tariffs could very well have an important effect on eliminating, or certainly reducing, the amount of foreign aid we dole out annually.

I would like to put this in the form of a question, and I know it is not easy to answer. But, would it be possible to save the five billion dollars — five billion tax dollars out of your pockets — which Uncle Sam is paying annually in foreign aid by reducing, or eliminating, the relatively small amount of $600 millions collected annually through tariffs?

To be sure, we cannot hope to answer this weighty question this morning. Nor can I claim that the idea of possibly reducing tariff is original with me. However, a preliminary investigation has convinced me that a thorough restudy of tariffs with specific emphasis on the possibility of reducing foreign aid is definitely in order at this time.

We cannot go on indefinitely paying out these vast sums, and our friendly countries are getting tired of having to receive this aid. The hard-headed businessman approach must be taken now. The problem must be approached with the full knowledge that in trying to equalize the stresses and strains of world trade, something is going to have to give at various points along the line. Some of us are going to get hurt a little, some a lot, by the course we decide to follow.

Caution in Tariff Reductions

In any examination of this problem, however, there are certain hard, cold facts we must admit. Desirable as it may be to eliminate all tariff barriers, we must recognize the necessity of protecting those segments of our industry necessary for the preservation of our high labor standards and our national security. What we must do is to examine closely the areas in which we need this protection and hold them to a basic minimum. It narrows down to this: What we are doing now in our foreign aid programs is taxing ourselves for the privilege of excluding foreign merchandise. But is this exclusion confined to the necessary areas alone? Are we paying too high a price, in the long run, for this privilege? And is it a privilege to deprive ourselves of the good things in life?

We have already made a start in the examination of our restrictive trade policies. Certain studies have been completed, others are under way. They are aimed at determining the extent to which trade between Western European nations and the Soviet and Soviet Orbit countries has been reduced through our policy of restricting aid to those countries which have in the past traded with the Orbit. Apparently we must help our European allies develop new import sources if we are to continue our objections to Western European exports to the Soviet bloc.

Just how effective has this restrictive trade policy been? An examination of the imports by Soviet Orbit countries since the institution in 1949 of our Export Control Act is revealing. It indicates that the free world countries are trading with the Orbit despite our controls. The U. S. has cut its exports to the Orbit from $120 millions in 1948 to $2.5 millions in 1951, while Western Europe continues to export $626 millions to the Orbit.

In addition to this recorded trade, there is much evidence that there is large unrecorded and contraband trade. It appears, then, that the Orbit fares better with Europe today — where its main importing interests lie — than it did before our restrictive trade policy was initiated.

Significant, too, I believe, is the fact that during the 1947-1950 period, our exports to Europe dropped from a high of $15 billions in 1947 to just over $10 billions in 1950. During this period was Europe making up from the Orbit what it was cutting down on from the United States?

Some Europeans feel that our restrictive trade policies tend to squeeze them between the Iron Curtain and the Tariff Curtain. Over a year ago, Hugh Gaitskell, then Chancellor of the British Exchequer, said: "There are two essential commodities we have to get from Russia — coarse grain and timber. Obviously, they won't sell to us unless they can buy something they need in exchange. Our position is that while we have restricted our exports severely, there comes a point when the cutting off of trade does us, and, I venture to say, many other Western democracies more harm than it does the Soviets. We then reach a point where we must ask, 'Aren't you cutting off your nose to spite your face?'"

I am sure you are aware of this problem. It must play an important part in any foreign economic policy for Americans and all free countries.

I'd like to finish with this thought: This is a good old world. We all want to make it a better one. And I firmly believe that in dedicating yourselves to the building of a better world, you will find that when you have attained your goal you will have built the best world.

Continued from page 5

The State of Trade and Industry

vital metals will take place, "possibly by February, 1953." It added, the 1953 auto output will exceed 5,000,000, compared with an estimated 4,360,000 this year.

Business failures, rebounding from the September low, rose 17% to 631 in October. At the highest level in four months, casualties were almost as numerous as a year ago when 643 occurred. There were fewer failures this October than in the comparable month of 1949 and 1950.

"Dun's Failure Index," which extends the monthly failures rate to an annual basis and adjusts for seasonal fluctuations, rose slightly to 30 failures for every 10,000 enterprises listed in the Dun & Bradstreet "Reference Book." However, it remained below the postwar peak of 40 failures for every 10,000 operating businesses in November 1949 and compared with a prewar toll of 67 in 1940.

The liabilities involved in the October failures climbed to $35,049,000, the largest volume for any month in three years. For an October, liabilities have not been so high since 1932. Casualties of all sizes increased during the month except those involving losses under $5,000. Forty-nine exceptionally large businesses succumbed which swelled the liability total by almost $24 million.

Manufacturing and construction mortality rose to the highest level since April; failures were up less sharply in retailing and commercial service. The month's only dip occurred in wholesale trade which had the fewest failures since October 1951.

There was a monthly rise in failures in all major geographic regions except the Mountain States. In comparison with 1951, four regions had heavier casualties, including New England, Middle Atlantic, West North Central and East South Central States. Businesses failing in other areas were slightly less numerous than a year ago.

There was a contraseasonal spurt in volume of building permits during October, reports Dun & Bradstreet, Inc. Total valuation of permits in 215 cities, including New York, for the month came to $414,918,371, as compared with $367,445,821 in October 1951, or an increase of 12.9%. The gain over the September sum of $390,060,988 was 6.4%. Normally a moderate decline is experienced during this period.

Building plans were filed in New York City during October to the value of $38,559,731. This was a drop of 28.4% from $53,886,760 in the like month a year ago, but a rise of 12.4% as compared with $34,304,009 for September.

Steel Output Scheduled at Slightly Lower Rate This Week

Steel industry men are amazed at the way steel demand holds up, says "Steel," the weekly magazine of metalworking, and they are presently inclined to push the date for a tapering off in demand farther back into 1953, even though steel capacity and production will still be growing.

Their reason for this attitude, states this trade weekly, is that defense production is near full speed. Business in general remains good. Outcome of the national election produced no bearish sentiment. The automobile industry, the country's biggest consumer of steel, is in a strong drive for production. Steel consumers are not only trying to produce at a high level but are trying to get enough steel to build strike-depleted inventories back to normal levels, it continues.

Completion of inventory restoration will lift a substantial amount of pressure off demand. The easing could be enough to put supply and demand into balance on most products. Indication that inventories are not filled is the continued heavy demand for warehouse steel by big consumers who ordinarily rely solely on mills for their supplies, states this trade magazine.

Steel men are convinced that balance of steel supply and demand are near enough that plans should continue forward for the early removal or relaxation, at least, of government controls on the distribution and use of steel. Even some of the government controllers are thinking in such terms, it adds.

While consumers cannot get all of the steel products they want, the tightest of all items is quality bars and forging billets from 1 inch in diameter up. Impact of the military shell and high-rated defense programs falls heavily on them, "Steel" points out.

Another very tight item is heavy plates and heavy demand for them is expected now to continue through at least the second quarter of 1953.

Sheets are a product that evoke surprise. Consumers are exerting considerable pressure for increased quantities from now to the end of the first quarter of next year, declares this trade weekly.

In contrast to the heavy pressure for many of the steel products is the easiness in demand for pig iron. This easiness stems from lack of business among jobbing foundries. Wire mills too, could use more business, although some currently note an improvement, concludes "Steel."

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at an average of 105.5% of capacity for the week beginning Nov. 24, 1952, equivalent to 2,191,000 tons of ingots and steel for castings. In the week starting Nov. 17, the rate was 106.5% (revised) of capacity and actual output totaled 2,212,000 tons. A month ago output stood at 107.3%, or 2,229,000 tons, while a year ago when the capacity was smaller the estimated output was 2,079,000 tons with the rate at 104.0%.

Electric Output Rises Further in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Nov. 22, 1952, was estimated at 7,971,149,000 kwh., according to the Edison Electric Institute.

The current total was 87,271,000 kwh. above that of the preceding week when output amounted to 7,883,878,000 kwh. It was 814,111,000 kwh., or 11.4% above the total output for the week ended Nov. 24, 1951, and 1,463,640,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Drop Mildly Under Week Ago Level

Loadings of revenue freight for the week ended Nov. 15, 1952, totaled 828,723 cars, according to the Association of American Railroads, representing a decrease of 475 cars, or 0.1% below the preceding week.

The week's total represented an increase of 14,465 cars, or 1.8% above the corresponding week a year ago, but a decrease of 8,735 cars, or 1.0% below the corresponding week in 1950.

United States Auto Output Cut by Model Changeovers The Past Week

Passenger car production in the United States last week declined 8% from the previous week, but was 59% above the like week a year ago.

It aggregated 98,609 cars compared with 107,473 cars (revised) in the previous week, and 62,048 cars in the like week a year ago, according to "Ward's Automotive Reports."

Total output for the past week was made up of 98,609 cars and 26,606 trucks built in the United States, against 107,473 cars and 30,439 trucks the previous week and 62,048 cars and 16,062 trucks in the comparable period a year ago.

Canadian plants turned out 2,685 cars and 2,493 trucks against 6,547 cars and 2,375 trucks in the prior week.

Business Failures Point Higher

Commercial and industrial failures increased to 167 in the week ended Nov. 20 from 148 in the preceding week, Dun & Bradstreet, Inc., reports. At the highest level since June, casualties exceeded the 149 and 146 which occurred in the comparable weeks of 1951 and 1950. However, they remained considerably below the comparable level of 252 in prewar 1939.

Wholesale Food Price Index Declines to 29-Month Low

Following the leveling off movement of last week, the Dun & Bradstreet wholesale food price index resumed its downward course to reach a new low since just after the start of the Korean war. The index fell 3 cents in the week to stand at $6.27 on Nov. 18, the lowest since July 4, 1950, when it was $6.19. The current number compares with $6.68 on the like date a year ago, or a drop of 6.1%.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Registers New Low for 1952

Following an initial rise, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., declined to a new low for more than two years. The index closed at 284.38 on Nov. 18, comparing with 285.14 a week earlier, and with 311.07 on the comparable date a year ago.

Grain markets showed strength most of the week but weakened at the close. Wheat led the decline following news that the drouth had been broken as the results of rains over most of the Winter wheat belt, with predictions of more to follow.

Early support in wheat was due to large export sales, notably to Brazil. Marketing of surplus corn continued in heavy volume although smaller than the previous week.

Export business showed some improvement. Trading in grain and soybean futures on the Chicago Board of Trade last week reached a daily average of about 50,000,000 bushels, compared with 43,000,000 the week before, and 54,000,000 a year ago.

Fair bookings of Spring wheat flours were noted at midweek when mills protected against price advances of 5 to 10 cents per hundredweight. On the whole, however, trading activity in the domestic flour market was spotty and small with buying restricted to bakers and jobbers whose supply positions were in need of replacement. Continued easiness in cocoa reflected slow manufacturer interest in the spot market and scheduled heavy arrivals near the end of the year. Warehouse stocks of cocoa dropped to 43,644 bags, from 49.110 a week earlier, and 122,741 a year ago.

Raw sugar developed a firm tone at the week-end on news that the Cuban Government had recommended the restriction of the crop.

Coffee closed strong, aided by trade and Brazil buying. Lard declined in sympathy with weakness in vegetable oils. Hog values advanced in the early part of the week but moved sharply lower at the close as market receipts reached the heaviest since last February. Cattle and sheep prices also weakened under heavy marketings.

Cotton prices slumped quite sharply following early firmness, largely reflecting the increased crop estimate issued last week, and unfavorable reports regarding current consumption. Other bearish factors included hedge-selling and liquidation influenced by continued slow export demand. Consumption of cotton in the five-week October period, as estimated by the New York Cotton Exchange Service Bureau, was 875,000 bales, compared with 737,000 in the preceding four weeks, and 905,000 in the five weeks of October 1951. The daily rate of consumption for October was equal to about 35,400 bales, against 37,800 in the previous period, and 36,600 for the comparable period last year. Reported sales in the ten spot markets last week declined to 273,200 bales, from 295,800 the week before, and 400,100 a year ago. Entries of the staple into the Government loan continued to expand, and totalled 64,200 bales during the week ended Nov. 7. This brought total entries for the season through that date to 166,200 bales.

Trade Volume Rise Checked by Unseasonably Mild Weather

Retail trade in most parts of the nation did not vary appreciably in the period ended on Wednesday of last week. Merchants sought to offset the discouraging effect of the unseasonably mild weather by starting their Christmas promotions earlier than usual. Although consumer response to these promotions was not particularly spectacular, most retailers had larger receipts than a year ago.

Late shopping hours and easy credit terms helped to bolster buying.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 1% below to 3% higher than a year ago. Regional estimates varied from the levels of a year ago by the following percentages: New England and Midwest —1 to +3; East —3 to +1; South and Pacific +1 to +5; Southwest +2 to +6; Northwest 0 to +4. While retail dollar volume was above a year ago for the eighth straight month, gains were less pronounced than in recent months.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Nov. 15, 1952, show no change from the level of the preceding week. In the previous week a decrease of 7% (revised) was reported from that of the similar week of 1951. For the four weeks ended Nov. 15, 1952, sales reflected a decline of 1%. For the period Jan. 1 to Nov. 15, 1952, department store sales registered a drop of 1% below the like period of the proceding year.

Improvement was noted last week in retail trade volume for New York, advancing from 7 to 8%, but notwithstanding this, the gain was only half of that expected by the merchants, since the latest period had six shopping days contrasted with five days in the 1951 week due to Thanksgiving Day.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Nov. 15, 1952, decreased 5% below the like period of last year. In the preceding week a decline of 13% was reported from that of the similar week of 1951, while for the four weeks ended Nov. 15, 1952, a decrease of 5% was recorded. For the period Jan. 1 to Nov. 15, 1952, volume declined 8% under the like period of the preceding year.

J. H. Lederer Formed In New York City

Joseph H. Lederer announces the formation of J. H. Lederer Co. as of Dec. 1, to act as underwriters and specialists in unlisted oil securities. Offices of the firm will be located at 40 Exchange Place, New York City.

Two With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C. — Thomas J. Bagby, Jr. and Sybil B. Salter are now connected with Bache & Co., 126 South Salisbury Street.

Mutual Funds

By ROBERT R. RICH

OPEN-END REPORTS

FUNDAMENTAL INVESTORS, one of the largest mutual funds investing almost entirely in common stocks, revealed total net assets of $135,457,901 in its Sept. 30, 1952 quarterly report. This represents an increase in total net assets to $20 million, or 17.1% since the beginning of the year. On the same date there were 38,732 shareholders, compared with 31,676 on Dec. 31 of last year, a gain of 22.2% in the nine months' period.

Value of each individual share of Fundamental Investors, Inc., based on these total net assets, was $19.70, compared with $19.55 at the year-end 1951. Each of the 6,875,660 shares outstanding on Sept. 30 represented an investment interest in 113 individual securities held by the Fund.

Of these 113 securities five were newly selected and added to the Fund's investments during the three months ended Sept. 30. They were common stocks of America Stores Corp., Gulf States Utilities Co., Lily-Tulip Cup Corp., Shamrock Oil & Gas Corp., and South Carolina Electric and Gas Co.

Common stocks of America Power & Light Co., Electric Bond & Share Co., Mission Development Corp., Southern Company and bonds of Missouri Pacific Railroad Co. were eliminated from holdings during the same period.

Largest concentration of investments in securities of individual industries appeared in the petroleum, railroad and public utility groups. More than one-third of the Fund's total net assets was invested in common stocks of 36 companies in these three industries at the end of the quarter.

NINE MONTHS' report of National Investors Corporation released by Francis F. Randolph, President and Chairman of the Board, shows net assets of $28,615,799. This represents an increase of 5.4% in net assets from the $27,150,752 reported at the beginning of the year. On a per share basis, net assets were $11.91 compared with $12.36 nine months earlier.

According to the report, the board expects to distribute in Dec. any realized gain on investments. It appears that this distribution will be made in additional stock of National Investors or in cash, at the option of each shareholder. The report points out the benefits received in the past of reinvesting such distributions.

The fund continued to be fully invested in common stocks, which accounted for 97.62% of net assets on Sept. 30. Major new additions to the portfolio during the third quarter were 5,000 Ford of Canada "A" and 4,600 Owens-Corning Fiberglas. Additions to some issues already held included shares of Doehler-Jarvis, Shell Union Oil, Signal Oil & Gas "A," American Natural Gas and Arizona Public Service. The holding of 8,000 shares of Brooklyn Union Gas was eliminated and a substantial reduction was made in the shares of Master Electric. Other reductions were in the shares of Affiliated Gas Equipment, Deep Rock Oil and United Gas.

BROAD STREET Investing's net assets had risen to $28,131,675 as of Sept. 30, 1952, according to figures published in this mutual fund's quarterly report. Comparison of the Sept. 30 figure with the $27,736,444 reported three months earlier, the $24,250,467 listed at the beginning of the year and the Sept. 30, 1951 figure of $23,734,176, shows a progressive increase in the net assets of Broad Street Investing.

According to the nine months report, one factor in the gain in assets in the last 12 months was an increase of 225,212 in the outstanding shares of this mutual fund. Broad Street Investing with an investment policy stressing income had 7,292 shareholders owning 1,276,402 shares on Sept. 30, 1952.

Commenting on business conditions and prospects, Board Chairman Francis F. Randolph noted that if, as stated in the Corporation's report for the second quarter, the prospect was for the maintenance of general business activity at high levels for the remainder of 1952, it now seems reasonable to extend this prospect well into 1953. He went on to add that while admittedly there are danger signals on the economic horizon that call for caution they do not appear to indicate near approach of recession and do not outweigh the signs of business strength.

TEXAS FUND, the only mutual fund in the business which invests wholly in stocks of companies operating in Texas and the Southwest, has passed $10 million in assets, setting a new record for growth among this country's mutual investment companies.

Texas Fund had "galloped" from a starting $150,000 in net assets to the $10 million mark in just three years. Even the nation's oldest and largest investment trusts can't boast a growth that rapid in their early years.

Common stocks of 69 concerns domiciled or doing substantial business in Southwest, principally in Texas, are included in Texas Fund's portfolio. Shares of the fund first went on sale in October, 1949 when a group of prominent Houston businessmen, who now serve as directors, founded the venture. Thirty-one securities, with a market value of $146,649.25, made up the first portfolio.

Now, Texas Fund's net assets total $10,060,000. Roughly $1,274,600 of the climb stems from a rise in the value of common stocks in the fund's porfolio. The rest represents proceeds from sale of shares.

Largest investments are in the oil and gas industry, electric utilities, and chemicals.

Last year, Texas Fund's collection of regional blue chips showed one of the best performances in the whole mutual investment industry. According to the fund's official performance chart, $10,000 invested in Texas Fund at its founding had a net asset value of $14,700 on Aug. 31, 1952, the end of its third fiscal year.

The magic name of Texas has had a lot to do with investors' acceptance of this newcomer in the traditionally hard to crack mutual investment industry, according to Victor Dykes, Vice-President and principal operating officer of the fund. Texas' fame as the nation's industrial frontier, which brings new people and new firms into the state daily, has helped sell Texas Fund to investors.

Many of the fund's shareholders are comparatively small investors, attracted to a mutual fund because it gives them a diversified list of holdings and professional management they couldn't afford as individuals. Last year, Texas Fund introduced a monthly purchase plan for buying shares, made to order for small investors. Some 1,850 shareholders are now accumulating sizable investments for as little as $25 a month under the plan.

The fund has toppled records all along the way during its three years of existence. Its first million was reached in just three and a half months, a starting sprint unmatched by any other fund. And it has since picked up momentum. It took two years to reach five million, but went the second half of the way to ten million in just one year. Net value of assets now is around 66 times the original worth of the fund.

KEYSTONE Custodian Fund "S1," with a portfolio of 42 high-grade common stocks, has just issued its report to shareholders for the fiscal year ending Sept. 30, 1952. The following table gives the important statistics and shows the growth of the Fund during the fiscal year:

KEYSTONE FUND "S1"

	Sep. 30,'51	Sep. 30,'52
Total net assets	$4,164,562	$4,470,215
No. of shs. outstdg.	125,507	132,501
Net asset value per sh.	*$33.18	†$33.74
Unreal. apprec. (am'nt by which the market val. of secs. owned exceeded their cost)	$965,342	$1,019,860

*After payment of $2.31 from net capital gains. †After payment of $1.70 from net capital gains.

Total dividends from net investment income during fiscal 1952 amounted to $1.48 per share, compared with $1.58 per share in fiscal 1951—a per share reduction that is directly attributable to the substantial payment from net capital gains in 1951. Shareholders who reinvested capital gains in additional shares of the stock received in fiscal 1952 a dollar income which approximated the dollar payment in fiscal 1951. Some 60% of the total amount distributed from net capital gains in September, 1952 was accepted in shares of "S1" stock at net asset value.

Portfolio Changes: During the last six months of the fiscal year ending Sept. 30, 1952, the trustee added the common stocks of Allied Chemical & Dye Corp. and New England Telephone & Telegraph Co. to the "primary list" for investments. The common stock of Parke, Davis & Co. was eliminated.

Keystone Fund "B4," with a portfolio of 57 different discount bonds selected for generous income, also completed its fiscal year on Sept. 30, 1952. Its report to shareholders on operations for the period showed a substantial growth in the number of shares outstanding, and this was reflected in the total net assets of the fund. The table below gives these and other figures:

KEYSTONE FUND "B4"

	Sep. 30,'51	Sep. 30,'52
Total net assets	$34,792,285	$38,110,343
No. of shs. outstdg.	3,159,633	3,504,511
Net asset val. per sh.	*$11.01	†$10.87
Unrealized apprec. (amount by which market val. of securities owned exceeded their cost)	$6,244,335	$5,673,061

*After payment of 55c per share from net capital gains. †After payment of 30c per share from net capital gains.

Dividends to shareholders from net investment income during fiscal 1952 totaled 60c per share, the same total as that paid by "B4" in each of the three previous fiscal years. Some 58% of the total amount distributed from net capital gains at the 1952 fiscal year end was accepted in shares of "B4" stock at net asset value. Distributions from net capital gains are usually declared in additional shares of stock at net asset value to make it convenient for shareholders to keep that amount of their capital at work in the fund.

Portfolio Changes: During the last six months of the fiscal year ended Sept. 30, 1952, the trustee added Beaunit Mills, Inc. conv. deb. (subord.) 5s, 1972, and Bush Terminal Bldgs. Co. gen. inc. 5s, 1982, to the "primary list" for investment. The following issues were eliminated from the primary list:

Boston & Maine RR. inc. "A" 4½s, 1970; Hotel Waldorf-Astoria Corp. non-cum. inc. 5s, 1954; National Fireproofing Corp. conv. inc. deb. 5s, 1952; Seaboard Air Line RR. Co. gen. inc. "A" 4½s, 2016.

NET ASSETS of Commonwealth Investment Co. reached an all-time high of $55,576,057 at the close of business Oct. 31, 1952, according to figures just released. This represents a 30.8% increase over the beginning of the year, when net assets stood at $42,493,826.

Shareholders, too, reached a new high of over 34,500, a 34.7% increase over Dec. 31, 1951, when the figure stood at 25,600. The report shows 8,174,066 shares outstanding at this time as against 6,212,732 ten months ago.

On Oct. 31, 1952, the largest industry holdings were: Oil (12.9%); public utilities electric (9.8%); chemicals and drugs (4.3%); merchandising (3.6%); and, public utilities-natural gas (3.3%).

A $12,177,682 increase in total net assets was recorded by Television-Electronics Fund in its 1952 fiscal year, according to its annual report transmitted to shareholders Friday, by Chester D. Tripp, President.

The increase was the largest for any year in the Fund's history and boosted net assets to a new high of $21,970,301 at the close of the fiscal year on Oct. 31, last. This compares with net assets of $9,792,619 a year previously.

In the same period net asset value increased to $13.57 a share on the 1,619,318 shares outstanding on Oct. 31, 1952 from $12.91 a share on the 758,445 shares outstanding on Oct. 31, 1951.

The report listed 73 common stocks and three convertible preferreds in the portfolio and all represented investments in television, electronics and radio companies or in companies within the several branches of the field of electronics.

The Fund closed its fiscal year, the financial statement showed, with undistributed realized gains on sales of investments of $373,690; undistributed net income of $194,486; and an unrealized investment appreciation of $1,964,964.

During the fiscal year dividends from net income amounted to $0.5515 a share and distributions from realized gains on investments $0.4585 a share.

There are no predictable upper limits to the continuing growth of the electronics industry, Mr. Tripp told shareholders. He pointed out that applications of electronics are growing much faster on a percentage basis in the industrial and commercial fields than in the entertainment field, despite the amazing growth of television. And he added that non-entertainment uses will eventually overshadow electronics for entertainment.

Of the television industry Mr. Tripp said: "Certainly the television set makers are now enjoying well-being in sharp contrast to conditions prevailing a year ago. A significant comparison can be drawn from the inventory figure reached in the summer of 1951. The entire industry combined, manufacturers, distributors, and dealers held close to two million unsold sets. Today, most dealers' and distributors' stocks are at a minimum, orders are being allocated and sets in the hands of manufacturers approximate 80,000. Not only is demand outstripping supply at the moment, but there are good signs of continued demand."

The Fund executive singled out the field of microwave equipment and its applications as how a segment of the industry can be developed. He recalled that in July, 1950, only 1,900 miles of microwave systems had been authorized and a year later 9,800 miles. He pointed out that last June the total had passed 20,000 miles. "Today," he commented, "microwave is measured in thousands of miles; tomorrow it will be measured in millions of miles."

THE $238 MILLION Wellington Fund reported Nov. 25 that it was a substantial purchaser of common stocks during the recent market reaction. As a result of the purchases, the Fund's interim investment report stated, the percentage of common stock holdings, which had been substantially reduced during the market rise last summer, is presently about 63% of resources.

The remainder is diversified as follows: 24.70% in investment bonds and preferreds; 9.75% in governments and cash; and 2.21% in convertible seniors.

The report gave this summary of the recent shifts in common stock investments: Stocks of food, soap and tobacco companies with improved earnings prospects were increased. These included American Tobacco, Corn Products, General Foods and Procter and Gamble.

Holdings of several international oil common stocks such as Gulf Oil, Socony-Vacuum and Texas Company were increased. So, too, were stocks of a number of companies which would benefit from a possible change in excess profits taxes. These included Chrysler, General Electric, Westinghouse Electric, Union Carbide & Carbon, Corning Glass, National Dairy Products and Pittsburgh Plate Glass.

Some commons such as Celanese Corp., Chesapeake & Ohio, Food Machinery, McKesson & Robbins and Pennsylvania RR. were purchased because they were considered undervalued or depressed. Others like Aluminium, Ltd., Atchison, Topeka & Santa Fe, Illinois Power and Johns-Manville were bought for their favorable long-term outlook and to round out the investment in these issues.

The Fund's principal common stock reductions were made largely in issues which appeared to have discounted most of their near-term expected improvement in earnings and dividends.

DURING THE FISCAL year of Affiliated Fund Inc., which ended Oct. 31, 1952, sales of its capital stock were $72,798,191, the largest annual volume of sales of an open-end investment company ever made by investment dealers, according to an announcement by Lord, Abbett & Co., sponsors.

At the year-end, assets of Affiliated Fund were $223,470,374 compared with $158,818,398 at the end of the preceding fiscal year. Net asset value of each share of capital stock increased during the year from $4.65 on Oct. 31, 1951 to $4.74 on Oct. 31, 1952. This increase was after a 12 cent distribution of net realized security profits, paid on Oct. 27, 1952.

Shareholders increased from 79,381 as of Oct. 31, 1951 to 110,486 as of Oct. 31, 1952 and shares outstanding from 34,162,750 to 47,177,414.

"Our company has grown to be the fourth largest investment company in the country," writes H. I. Prankard 2nd, President. "It has the second largest number of shareholders. Based upon statistics published by the Brookings Institution we estimate that one out of every six owners of investment company shares in the United States is an owner of Affiliated Fund."

AMERICAN BUSINESS Shares Inc., reports net assets of $37,748,979, equivalent to $3.90 per share, on Oct. 31, 1952, compared with net assets of $35,411,499, equivalent to $3.88 per share, on Nov. 30, 1951, the end of the company's last fiscal year.

Since the last quarterly report, Tennessee Gas Transmission 3⅞% 1972 bonds have been added to the portfolio and the common stock of American Radiator & Standard Sanitary has been eliminated.

Bonds and cash comprise 51.23% of the portfolio and common stocks 48.77% on Oct. 31, 1952.

NET ASSETS of Concord Fund, Inc., increased to $2,201,872 on Sept. 30, 1952, the close of its fiscal year, from $1,518,422 a year earlier, according to the annual report. Net asset value per share amounted to $12.73 at Sept. 30, 1952, against $12.55 a year earlier, while the number of outstanding shares increased to 172,983 from 121,029.

The Fund was 95.9% invested at Sept. 30, 1952 and Charles F. Roos, President, told shareholders that in line with the Fund's policy of placing primary emphasis on capital gain, directors feel assets "should continue to be fully invested for the near future."

PERSONAL PROGRESS

KEYSTONE CUSTODIAN Funds, Inc., has announced the election of Mr. Cameron S. Thompson as a member of its Board of Directors. Mr. Thompson, a graduate of Tufts College and a prominent New England executive, is Vice-President and Director of Jordan Marsh Company, Boston, Massachusetts, and is a Director of Goodall-Sanford, Inc.

As trustee for the 10 Keystone funds, Keystone Custodian Funds, Inc., is responsible for the specific investment policies governing each of these funds as well as for the general operations of one of the country's largest investment research and supervisory organizations, currently supervising combined investor assets of more than $200,000,000.

Continued from page 3

Growing Importance Of Foreign Trade

Members and to a wider public through special statements and through the Council's "Summary of Current Activities."

These recommendations are the result of studies by the Council's various Committees, which are reviewed at the monthly meetings of the Board of Directors of the Council. These proposals derive their soundness and strength from the fact that they come from practical business men who are broadly experienced in the various phases of foreign commerce with which each particular committee deals. For example, the Tax Committee is made up of men who handle matters involving taxation of income from foreign trade or business the year around. The Merchant Marine Committee is composed of steamship people. Well founded experience similarly qualifies the Law, Treaty, International Finance and Travel Committees, and the Committees on Government Controls and Regulations, Industrial Relations Abroad, and Industrial Property.

All the Council's country and area Committees, which deal with the Western Hemisphere, European, African, Middle Eastern and Far Eastern countries, as well as those of the Sterling Area, are possessed of the same high and practical qualifications. Among problems which receive the attention of the country and area Committees are those of basic economic conditions; international currency exchange; tariffs and trade preferences and discriminations; export and import quotas, and others of a wide variety which are constantly arising. Useful contributions are made to the solution of trade problems and the improvement of commercial relations with foreign countries by Committee meetings with outstanding diplomatic and business representatives, both American and foreign, who are concerned with specific countries and areas.

In addition to its responsibility for liaison between the national foreign trade community and the Government, the Council has the duty of supplying its Members with up-to-date and accurate information concerning laws, decrees, and regulations of our own or foreign governments which affect American foreign trade and investment. This informational function has been carried out on an increasing scale in recent years.

The work of the Council is directed in the national interest. Foreign traders and investors in all sections of the country benefit from the Council's activities. While its office is located in New York, it serves the whole nation-wide foreign trade community. We feel the Council serves even that segment of business which seemingly is wholly domestic, but which to a greater and greater extent is dependent upon imports of some of the vital materials it requires for its continuation and advancement.

While these conventions occur but once a year, the Council is a continuing institution, and the work of each successive Convention has a continuing effect on the regular activities of the Council throughout the year that follows. Convention decisions, proclaimed in the Final Declaration, are aimed at the vigorous protection and advancement of the foreign economic interests of our country as a whole and serve as a guide for the Council in its activities. The first part of the Declaration customarily sets forth a position regarding overall foreign economic policy in broad and decisive strokes.

The second part of the Declaration contains individual recommendations on many specific questions of foreign trade policy, practice and procedure. Both sections of the Final Declaration are referred to throughout the year by all interested in determining the views of leaders of United States International business on the vital issues involved.

The theme of this 1952 Convention is inspirational in a practical way—"A Better World Through Increased Production and Wider Consumption." The Council believes that a better world can be achieved only through a multilateral system of international trade based on the principle of free, private, competitive enterprise. It believes that only through increased world production and a wider distribution of the fruits of such production among an ever growing number of the world's population can we reach the goals towards which all men's eyes are turned.

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Observations . . .

bullish one they are the means of fortunately building-up a pent-up demand.

War-and-peace news furnishes the clearest example of a vehicle affording opportunity for directly contradictory conclusions. For bearish-interpretative purposes there is the Cassandra-ish *peace scare* for business. In a bullish atmosphere, contrariwise, peace is "constructive." Likewise with prospects for, or arrival of war: its inflationary attributes can make it bullish, or alternatively, its tax-raising and generally "destructive" attributes may make it construed as a bearish explanation.

The Stock Scarcity-to-Plenty Seesaw

This double-talk process also is recurrently manifested concerning the status of the supply-and-demand balance of stocks. One of the popular justifications for the 1928-'29 propulsion of stock prices into the stratosphere and the "stocks-are-cheap-at-any-price" credo was their *scarcity* value; there could never be enough good stocks to go around. But not long after the cataclysm of October, 1929, the same people were certain that with the nation's banks popping-off there would never-never be buyers around to pay as high as 10 of their scarce dollars per share for such "drugs-on-the-market" as General Motors, General Electric, Sears Roebuck, International Nickel and other Dow-Jones Average leaders. Thus it followed that price earnings ratios in some cases first rose to 100 and then fell to ½ of 1.

Coming down to 1952: during the declining-sloppy market of last month a young customers' broker attending an investing course twice rose to picture his profession's doom because of the activity-emasculating tax situation; the high levies on current income confiscating new buying power. But—this week after the market's 10% advance, our man rose to report the new worry of his clients. Now there's a shortage of "good" stocks for their money, which they have meanwhile *somehow* found.

Inconsistency in the public's attitude is also clearly demonstrated in the chameleon quality it has been attaching to the institution of the holding company. Midst the roaring '20s this device, formed for a variety of speculative purpose, *per se* invariably commanded a market price implying that the whole is greater—two and three times as great—as the sum of its parts. Twenty years later prevalent investing credo holds that the whole is worth *less*—by discounts from 10 to 40%—than the sum of its parts; even in the case of public utility holding companies breaking-up to the tune of clear mathematical calculation, and under the rigid aegis of close government supervision.

An Opportunity for Constructive Exploitation

Fortunately, realization of the above-indicated foibles can be turned to highly constructive use in one's investing behavior. Recognition, via inquiry, of fallacy in the public's controlling reasoning is a highly valuable tool for validating one's own conclusions as to a specific security's under- or over- valuation based on quantitative and other sound criteria.

And recognition of the above-cited psychological aberrations in news interpretation should stimulate the investor reader to concentrate on the phases of financial literature that are factual and relevant to value, in lieu of its forecasting and other interpretative angles.

Continued from first page

An Inviting Stock Market!

ers, market value is controlling at least to the extent that it would take strong and convincing evidence of some other fact, as distinguished from mere opinion, to justify a departure from it; for under those circumstances market value is not merely a composite opinion of many persons making an intensely practical appraisal in their own interest—it is actually a factual report of what willing buyers are willing to pay and willing sellers are willing to accept, and no appraiser and no court can get closer to a determination of value than that."

Making Market Appraisal

Dividing this talk into three parts and basing the first two parts on this Judge's recent opinion, I shall try to correlate it with this present phase of the market's action. First, the Judge said that "market value is a composite opinion of many persons making a practical appraisal in their own interest." In making such an appraisal, many factors must be studied. But let me say at the outset that we are all living in a time when we see many uncertainties ahead, precedent-shattering confusion and dire predictions of things to come in 1953, and that tends to make all of us postpone decisions, expecting that a little later the outlook will be much clearer. This also tends to bring about under-valuation rather than over-valuation in security prices. But when the outlook becomes much clearer the opportunities for profitable action diminish. Most opportunities are born in periods of bewildering confusion and turmoil and I think too many of us right now are wearing the dark glasses of yesterday.

I, for one, believe the opportunities are just as great today as they ever were, with the development of new and better postwar products, even though it may take a little more shopping around and a more careful appraisal to uncover them. In making such a practical appraisal as the Judge referred to, the chief factors usually to take into consideration are earnings, dividends, book value, current asset position, profit-margin, management and research, and last but not least general business conditions. How these various factors are assembled and weighed may vary greatly from analyst to analyst and from company to company. The one goal we all have in common is a projection of the effect of these factors into the future of anywhere from at least six months to several years.

Today's Market Factors

Let's try to examine just a few of the broader factors which exist in the market today which most of us here are well aware of. At 279-286 Dow-Jones, on the Industrials, and with apologies to Harry Comer (as I am using one of the misleading stock averages), *earnings*, while 10% lower than 1951, are estimated at $24 for 1952 with dividends of $15 and a yield close to 6%. Hence the Dow is selling a little over 11 times earnings. The last time this average was selling at this level was in 1930 and the price-times-earnings ratio was over 20. In the past a 15 to 17 price-times-earnings ratio has been quite normal and not considered excessive. Book value has doubled on these Dow averages in the last 10 years and has also doubled in such leading stocks as du Pont, General Electric, General Motors, Johns-Manville, Standard Oil of N. J., General Foods and Sears, Roebuck. With declared dividends already 3% higher than last year, the yield today is almost twice as high as it was in 1946 when the Dow stocks were selling at 15.7 times earnings of $13.60, paying out $7.50 in dividends and yielding only 3½%. They are also selling about twice the yield that occurred at the 1937 top. In addition, the spread between bonds and stock yields is close to 3%. On the basis of these few statistical figures alone, it would appear that the market is not too high and even has room for a further advance.

Recession-Consciousness

In appraisal of the basic economic conditions, we have never witnessed a time when so many investors have been recession-conscious as they have been in the past two years. Yet we have been informed that government armament expenditures would be almost $10 billion higher next year should the Korean War continue; that capital expenditures would continue at high levels, mainly because of the tremendous amount of unfinished business that has not been completed under already authorized Certificates of Necessity; that inventories are now about in line with the general level of business; that disposable income has held up well regardless of taxes, and that accumulated savings are large and should act as a bulwark against any sagging tendencies in consumer spending. Furthermore, reports of industrial activity indicate boom levels with the Federal Reserve Board Industrial Index reaching a new postwar high of 225 in October.

At the same time, those bearishly inclined tell us that the pipelines have been pretty well filled and that productivity is so great that a highly competitive period lies ahead. Also they warn that while sales have doubled since 1945 net profit is the lowest for the past three years, and that this narrowing spread between gross and net income carries a serious threat when volume declines which it will when defense spending passes its peak. Many also believe that a continuing decline in the commodity markets will be the forerunner of a further collapse in the business picture. While historical precedent is usually of doubtful value, it might be recalled that the greatest period in the history of normal business prosperity came in the '20s, and from 1921 into the '30s commodity prices were in a stable to declining phase. Perhaps this is not a fair comparison as government support has been, and is now, an artificially stabilizing factor in most farm products. *These* are just a few of the things that we read and hear about on all sides and which constitute some of the elements which go into the making of a practical appraisal. The composite of thousands of independent judgments on these varied factors determines the price of a stock. These future projections of judgment cause violent swings in stock prices, many times out of all proportion to the true business figures which are finally published.

We are all prone to believe that a decline in business profits will cause a decline in stock prices and vice versa. Yet, it might be well to again recall 1946 when the trend of earnings was beginning to turn the corner and point higher, but stock prices collapsed; or, we might remember the early part of 1949 when earnings began to go down and the market started up. If you are one of those who believe that we are faced with a declining earning trend next year, you might bear in mind that there seems to be ample precedent for a higher selective market, especially since there has been no period of over-speculation or over-valuation of stocks except in isolated cases. While I believe it is safe and true to state that 75% of the fluctuation in stock prices is caused by changing fundamentals such as earnings, dividends and book values, the other 25% usually reflects not company reports but sudden sharp changes in public sentiment and psychology.

The Chartist

This leads me to examine the second part of the Judge's opinion, namely, that market value is a factual report of what willing buyers and sellers will agree on and no court can get a closer determination of value than that. This willingness of investors to buy or to sell has absorbed the painstaking efforts of studious followers of the market for many years in their endeavors to decipher price action. It can only be determined through the medium and study of various kinds of charts. Now, let me state emphatically that I have never known anyone who could forecast the minor and major swings in the market 100%, all claims to the contrary notwithstanding, for you cannot reduce to an exact mathematical formula anything so variable as the buying and selling of securities by human beings motivated by different opinions and purposes.

With your indulgence I shall digress for a moment to remark that I sense a growing regard and respect for the chartist. I can well remember the skepticism which at one time forced him to hide his labors. He developed an inferiority complex that caused him to make rash and unwarranted claims for this or that "system." I ought to know for I was one of them. Hard experience and many mistakes have tempered my opinions and refined my judgment. A considered and detached attitude permitted me to comprehend at once the strength and weakness of the tools employed by the chartist. It was clearly evident to me that I needed other elements to fill the gap in my market concepts. These I found in the basic research of the economist on the one hand, and the serious work of the analyst on the other. My widened vision relieved the scorn under which I had previously struggled. My experience was shared with other serious students of charts. We came to be tolerated, but toleration in the final analysis is a limited term since it only permits what it cannot approve. What the chartist desired was acceptance, and he began to experience it the moment he embraced the good in other tried and respected methods.

At this point he became a "technalasyst"—a coordinator weighing his own conclusions and incorporating other informed opinions. I can *commend* this course to every one here present as the road to better analysis and forecast. Remember that truth always lies between extremes. Truth and error are one and the same manifestation, being different only in degree. Many charts of various kinds are used in scientifically studying the daily buying and selling habits of the thousands of investors putting their money on the line so to speak. They *do* tell a story and are very helpful in providing an insight on what is the best time to buy and sell stocks. Sometimes the most obvious interpretation of news and statistics does not always turn out to be the correct one. Charts in this type of market can be to the investor what a compass is to a mariner. Charts, like the groundhog, sometimes provide the shadow of things to come and do reveal what buyers and sellers are doing.

Let me cite two brief practical illustrations of how I actually used a chart to good advantage. Back in 1949 and 1950 U. S. Smelting remained in a narrow 34-40 price range although earnings were only $1.51 and 16c per share. A careful statistical study of the company at that time revealed a rather unfavorable projected earnings indication for 1950. A factor of then unknown force was that the company has purchased 105,000 shares of Texas Pacific Land Trust around $29 a share. U. S. Smelting was obviously a highly speculative issue at that time. Yet an examination of the price action revealed very strong buying taking place in the 34-40 area. A careful study of the point and figure charting method which I use among others, showed that accumulation in this stock gave indications of a price advance to at least the 65-67 level. The shadow of things to come was there. It took courage to buy, but the stock later doubled in value and sold at 87½ this year. Subsequently SEC reports revealed that insiders were making purchases in 1950, but in all probability not the general public.

The other case was even more interesting. A high grade investment stock, American Chicle, was selling in 1950 and 1951 between 40 and 42 and showing remarkable resistance to all market declines at that level. The shadow again was in evidence and showed the technical base for substantial appreciation, but this time investigation revealed the fact that a chiclet gum with chlorophyll added, was becoming quite popular in the Midwest and promised to assume nation-wide distribution. This gum was manufactured and distributed by the American Chicle Company. The stock of this company has advanced 25% with indications pointing to still higher levels. In one case there was no substantiating news to justify purchase while in the second instance the justification and reason were apparent. In both cases the shadow of excellent market action was revealed by charts and suggested that a careful research investigation and appraisal should be made.

It must be pointed out that many stocks, despite excellent earnings, generous dividend yields and excellent technical patterns, will remain in a very narrow range for a long period of time. Such an example is Otis Elevator which has remained in a four point range for two years, illustrating dormant action as a result of an almost equally divided appraisal of the company's future by willing informed buyers and sellers. Also many times market value carries to excess because of the continued willingness of buyers to buy from reluctant sellers. The market value or price of a stock also often changes dramatically and drastically over very brief periods of time, so that constant supervision to determine under-valuation or over-valuation is rather necessary. For example, last spring it was clear that U. S. Smelting had been going through a period of distribution and over-valuation above 80. This October it sold at 53, a 40% decline in seven months. Certainly the assets, earnings and book value of this company haven't shrunk 40% during this short period. What has shrunk is the willingness of buyers based upon "intensely practical appraisal" of something more than just a close scrutiny of book value, earnings prospects and other statistics. That is why I believe that "technalasysts" or "securiticians" whichever word you prefer, have a place in the investment field.

Market Forecast

Now finally we come back to the outlook for the market with a forecast, and here's where I really get back in the so-called jungle. The election this month started a new era which should be highlighted by a restoration of American ideals, business confidence and eventually confidence in the value of service for each dollar received. This confidence is likely to cause investors, and has already caused them, to feel much better about common stock investments and to take a more positive instead of negative approach to their investment problems. While no one, least of all businessmen and investors, should expect miracles from the new Administration, nevertheless they can look for a lessening of harassing tactics by government agencies toward business, a trend which should prove constructive in and by itself. Even an anti-inflation policy by the government should make for a healthier economy and sounder security values where the market could get back to its former basis of evaluating earnings. In such an atmosphere of renewed confidence, venture capital long dormant is likely to come out of hiding. Granted that competition will be more severe in 1953 and salesmen will finally have to get out and ring some doorbells, it seems to me from what I read that the business applecart is rolling along on a pretty strong pair of wheels and ought to be able to take some pretty severe jolts without collapsing.

The market in terms of the averages has been selling in an 18% price range for the past two years against a 45% price range the previous two years 1949 and 1950, so the major trend today might best be described as sideways. But within that narrow range some rather severe readjustments have been taking place and many businesses have been in a declining trend since 1951. Witness the substantial price decline in the textiles, drugs, liquor and motion picture stocks. And since last spring we have had severe price readjustments in many of the oil, chemical, copper, lead, steel and merchandising shares. There has been no simultaneous reaction in the market as a whole during the past 15 months, but a staggered rolling and twisting readjustment within groups. Through all of this the averages are selling right back at their top area, yet approximately 52% of all the stocks on the big board have gone down during the year while 48% have gone up.

In the various groups it is interesting to note that since the first of the year prices of the aircrafts, automobiles, electrical equipment, food products, radio and television and tobaccos have rallied substantially and as high as 22% as in the case of the television stocks. On the other hand the airlines, chemicals, farm equipment, retail trade, drugs, liquors, sugars, textiles and steels have declined and as much as 21% in the case of the textile stocks. It would be most unusual for this bull market to end this way. In the background of the market is the supporting stable buying influence of the pension, profit-sharing, mutual, trustee and life insurance funds that are purchasing rather sizable amounts of so-called "blue chips" on a more or less permanent basis, and it seems likely that this type of buying will soon be forced to widen the list of approved securities.

Additional Investors' Money

I cannot help but think that with billions of investors' money going into equity investments during the next few years, that this by itself will gradually bring about higher prices, perhaps even rather violent movements in some cases. Market-wise, this demand is an important factor along with earnings and dividends.

Also a factor is the tremendous amount of investment money seeking yields on which to live which at today's prices seem mos attractive. While we cannot look forward to the same unrestrained optimism and be as rampantly bullish as in the past, my selectively bullish position, based on a careful appraisal of all known plus and minus factors, including technical studies, is offered as an opinion and it might prove completely wrong which I am well aware of. As I have said, bear markets usually do not start in an atmosphere of caution and relatively low price-earnings ratios, and right now after probable delayed tax selling in the next two or three weeks we are approaching the time of year when the most dependable of seasonal rallies occur. This year should be better than ever because fourth-quarter earnings for many companies should be the best of the year. Therefore in terms of the Dow-Jones Averages, regardless of a minor correction that should hold above the 273-275 level on the industrials and 101-102 D. J. on the rails, I look for further rise in the market that will carry to a new high around the 290-295 level in the industrials and at least as high as 108-110 in the rails. I believe this rise with minor interruptions will be attained between now and the end of January or early February —perhaps sooner—with quite a few more two-million-share days, after which I will be on the lookout for some signs on the horizon of a let-down or mild overall business readjustment that will take place carrying into the spring months, and an intermediate top in this phase of the market.

If this 290-295 level is reached, I would again advise investors to carefully appraise each situation and eliminate any undesirable issues which are operating on a thin margin of profit, perhaps reduce debit balances somewhat and switch into or purchase stocks of companies that can withstand competition under more normal conditions. At this point it is impossible to project how far down any setback may take the deceptive averages, for this will depend on a lot of things, such as the type of minor distributive top that is formed; but right now I doubt that we shall see a reaction below the 255-260 D. J. level on the industrials and 95-97 on the Rails.

As pointed out earlier in this talk, it must be constantly remembered in any appraisal of the market that the current level of earnings and dividends have been rather conservatively supporting present prices of stocks. Actually most companies in 1951 paid out only 61% of earnings against 76% in a year like 1937. It looks as though they would pay out about 65% this year. Cautiousness that has existed has been discounting a decline in these earnings for some time. Therefore if downward profits should continue, their effect on prices is not likely to be as severe as if the market had carried to extremes on the averages. Regardless of whatever adjustment is made in the first half of next year a recovery in the latter half is likely with a good chance of the market reaching a new high above 300 D. J. and as high as 114-115 on the rails. We should have some tax relief in 1953 and high preference should be accorded companies that are high in excess tax brackets, especially those paying an overall rate close to 70% such as DuPont, Allis Chalmers, Goodyear and Caterpillar Tractor and many others. With tax relief, companies are likely to be more generous with dividends.

Specific Stock Groups and Issues

Now no report or talk on the market should end without specific comments on groups of stocks and individual issues. We all know that the market has not been moving as a unit during the past two years, but has been a market of groups of stocks made up of conflicting pressures and different potentials. There is nothing wrong with the market except that it has gone *schizophrenic* on us, which in layman's language means that it has a split personality, and in your language means that it is highly selective. You don't buy the market as a whole, you buy individual stocks so I will try and be specific with brief comments on various groups of stocks and individual stocks within groups—from a Technalasyst approach.

Airlines — The airlines as a group appear to be quietly reaccumulating for another slow upward move and are recommended for purchase on periods of minor weakness. Of this group I favor United Airlines which indicates longer term objective of over 35.

Metals—Have recovered some from recent decline but should carry higher. There is certainly no technical indication from present price action as yet that new highs will be made in this group, but positions should be held. I especially like the Coppers and Anaconda, St. Joseph Lead and New Jersey Zinc at present levels. Cerro de Pasco also looks interesting.

Drugs—This group should benefit directly from elimination of E.P.T. Technically appear oversold and are entitled to a further recovery move.

Oils—Most of the stocks in this group have suffered a pretty healthy decline from their 1952 highs last spring and many are now selling close to a 6% yield basis. Expect seasonal strength in this group especially if we have a cold winter. Since it is difficult to project new highs for most of the issues in this group, would advise partial liquidation on such strength into January.

Rails — Have shown excellent action during the past three months, and while some of the higher priced issues such as Atchison, Illinois Central, Southern RR. should carry higher, believe the best percentage of appreciation lies in many of the eastern roads such as Erie, Baltimore & Ohio, Lehigh Valley, Pennsylvania and New York Central. Also many of the medium priced issues such as St. Louis San Francisco, Great Northern RR. preferred, Chesapeake & Ohio, and New York, Chicago and St. Louis indicate higher levels. All these stocks have favorable technical patterns.

Retail Trade—If consumer spending reaches a new high next year as predicted, it would appear that many of the department stocks are cheap for slow appreciation and longer term holding at present prices. Therefore recommend Allied Stores, Mercantile Stores, Federated and Associated Dry Goods. The mail order issues such as Montgomery Ward also look like good buys on any minor setback from present levels. The variety stores also present a strong technical position.

Tobaccos—This group has had a sharp recovery from their lows, but with the probable elimination of price controls and E.P.T. next year, stocks in this group should carry considerably higher. Technical position is strong. Advise holding.

Building—Reached peak last year but selective building stocks indicate higher levels. After a further period of reaccumulation many of the secondary stocks in this industry should rally. I particularly favor such stocks such as Flintkote, National Gypsum, U. S. Plywood, Masonite, Otis Elevator and Crane, and especially the cement stocks such as Penn-Dixie and Lone Star.

Steels—After tax selling period is over all the stocks in this group should have a pretty good recovery from present levels. Expect some excess capacity later in 1953, therefore would not advise holding too long.

Radio & Television—This group has had a substantial upward move and is currently enjoying a booming fourth quarter. Technical position in this group has been slightly weakened by this recent advance, but long term holdings should be maintained, especially in Radio which indicates a long term price objective of over 40. Sylvania Electric looks interesting and so does Magnavox. Zenith should be a candidate for a split.

Foods and Food Products—Most of the stocks in this group indicate higher levels, especially Standard Brands, California Packing, Corn Products, General Mills, National Biscuit and Safeway Stores.

Chemicals — Have recovered moderately from recent lows, but should carry still higher. While new highs are not technically indicated, elimination of E. P. T. would materially help this group. Favor du Pont, Monsanto, American Cyanamid and Davison. Air Reduction also appears rather attractively priced.

Electrical Equipment — Strong technical position still indicates higher levels for this group. A stock such as Square D seems relatively behind the others in the group and is recommended.

Motors—Are also in strong technical position. Chrysler should extend its recovery above 90 and General Motors close to 70, but should temporarily top out early next year. Particularly favored lower priced issues in this group are Studebaker, Nash-Kelvinator and Reo in the truck field.

Motor Equipment—This accessory group indicates much higher levels. Favor Electric Auto Lite, Bendix, Motor Products, Borg-Warner, Eaton Mfg. and Libby Owens Ford.

Textiles, Liquors and Amusement Shares—All have had deep declines and appear over-sold. While there is no substantial base pattern indicating any upward move of any importance in these issues, believe there is very little risk in buying such stocks as Celanese, Lowenstein, Burlington Mills and J. P. Stevens in the textiles; Distillers Seagrams, Schenley and National Distillers in the liquors and Paramount, Twentieth Century-Fox, Loews in the amusement shares.

Papers—Are shaping up into strong technical picture. International Paper and Kimberly Clark both indicate higher levels. Two lower priced issues, St. Regis at 19 and Meads at 23¾, look like interesting buys for long-term appreciation.

Aircrafts—Are presently in strong technical position indicating higher levels. Particularly favor stocks in ths group such as United Aircraft, Lockheed, Douglas and Grumman.

Air-Conditioning—This industry should do well in 1953. For long-term appreciation, stocks in this group indicate much higher levels. Particularly favor Carrier for price objective over 40, and Servel and York are also recommended in the lower priced field.

Rubbers—Longer term outlook is good and position should be held, but technical patterns do not indicate much higher levels for the present. Of the rubbers at this price I rather favor Goodyear.

Farm Equipment—Should do better a little later next year, and so should Meat Packing and Railroad Equipment, but for the present they do not show much greater appreciation from present levels.

Utilities — Technical studies show that companies in this industry should be held, but sharply higher levels do not seem probable. Particularly favor A. T. & T. and utilities in fast growing sections of the country such as in the Southwest.

Natural Gas—This group indicates higher prices and I believe long-term purchases in Northern Natural Gas, Chicago Corp. and Panhandle Eastern Pipe Line should be profitable.

One of the reasons why I haven't been able to get bearish on the market is because so many lower and moderate priced stocks, not in the Dow averages, are technically in a strong position, have not exhausted their longer-term potential and you are still not paying too high a premium for them. Some have had long drawn out corrections or actually have had bear markets of their own. Other stocks, not mentioned above, that are projecting favorable technical shadows for higher prices and should be carefully appraised at this point are as follows: Columbia Broadcasting, Container Corp., Fairbanks Morse, Pepsi-Cola, Western Auto Supply, International Tel. & Tel., Texas Gulf Producers, Ex-Cell-O, American Seating, Elliott, Worthington Pump, E. W. Bliss, Colgate Palmolive Peet, Yale & Towne, Procter & Gamble, Revere Brass & Copper, General RR. Signal, Bridgeport Brass, American Locomotive and Homestake.

Conclusion

In conclusion, since there is neither economic, statistical nor technical background existing, as near as I can figure, for an important decline in the market at the present time, I believe there is room for a very worthwhile advance in selective issues before they reach excessive or over-valued levels. As investment analysts, we must try to make an intensely practical appraisal of each situation with all the market tools at our command. Investment success will be assured if we act with confidence and patience combined with a policy of making purchases of undervalued desirable issues during intermediate setbacks and selling issues which individually become over-exploited. Profits lost by being out of the market for any length of time can be substantial. Stocks will return to previous levels eventually, but eventually can sometimes be a long time. Remember what the Judge said, "Seek for the correct market value for willing buyers and sellers." As Ken Ward said at the very end of this book by Zane Grey, when prophesying the uncertain adventures of the future, "I'll never spring another stunt like this one," and as I say, I sincerely hope that these remarks will not lead you into a deeper Jungle.

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The Personal Side of Investing

has it been a failure? Is there anything I can learn from my past experience?

(4) Am I a "collector" of securities, or just a trader? I have to "collect" them, just as some of you collect works of art.

(5) Am I a natural-born money-maker? Am I a good trader? Do I have talent to identify values? (There are some relatively poor people who should speculate, and there are others, perhaps blessed with much more money, who never should take risks. Some people have everything to gain and nothing to lose. Others have everything to lose, and nothing to gain.)

(6) How do I behave under stress? Can I be comfortable and not lose my head when things go against me? Some people who theoretically can afford to speculate, get rattled and become a pain-in-the-neck to themselves and their advisors.

(7) How much risk can I afford to take? Do I diversify? For my own part, I have learned that I must diversify in order to keep my perspective. Psychologically, I can't put too many eggs in one basket; but if I have lots of baskets and lots of eggs (even if some of them are small) I behave famously and get good results. I have clients who do better when they concentrate.

(8) Is there any type of investment for which I have a flair?

(9) What is my tax status? Should I seek taxable, or non-taxable income? Am I fooling myself about high yields by seeking income in the form of dividends that are fully taxable?

(10) Do I need advice, or am I capable of proceeding under my own steam? Most people need professional advice.

Individual Investment Personality

After you have answered all these questions you will begin to see that you have an investment personality all your own, and that this personality is far different from the person sitting beside you. As you get to know yourself better, you will be better able to pick out the securities which are compatible with your needs. Incompatability is just as bad a word in financial affairs as it is in domestic relations.

I run into some amusing ideas about investments. I know a man who will never buy a railroad stock because it is too speculative, but he will buy any kind of a mining stock—and at present he owns at least a dozen sugar shares. Now, I think that most of you know that sugar shares and mining shares are about as speculative as anything one can buy. One day I asked this man how he developed his peculiar prejudices. In a mellow moment he told me that years ago, purely by social accident, he became interested in astrology. An astrologer—he says she was a good one with a nation-wide reputation — advised him that, because he was born under a certain star, he was of the esthetic type and therefore would always make money if he associated himself with ventures and enterprises engaged in providing the finer things of life. For this reason, my very successful, quite wealthy, retired bank vice-president friend tells me, in all seriousness, that he always makes money in gold and silver mines, in amusement enterprises, in sugar shares (providing the sweet things of life), in objects of art and in stamp collections. Now, according to a recent issue of "Life," all astrologers are either charlatans or "fakes," and there is no scientific basis whatever for this type of character-analysis. So far as I am concerned, I don't wish to be involved in a discussion of the possible effects of cosmic rays on human nature and other scientific claims of astrologers. My client says he has applied astrology and it works in his case. I know he has made a lot of money, and I have learned over the years not to try to inflict my judgment on clients who are smarter than I am.

More seriously, without endorsing astrology as an aid to security analysis, I think this man's success has been due in no small measure to the fact that he has tried to fit his securities to his personality. I wish more of my clients would do the same thing, without necessarily employing a star gazer.

Continued from first page

Basis For a New Foreign Economic Policy

United States has been characterized in large part by a series of governmental efforts to support the economy of the Free World. I will not take up your time to review the efforts which have been made since the war to assist our friends and allies among the free nations to recover from the catastrophic economic effects of the war and to increase world trade.

You are all familiar with the Bretton Woods Agreements, with the Monetary Fund and the World Bank, the first British loan, the Marshall Plan, with E.C.A., and now with the Mutual Assistance Program and the complex organization which functions in Paris under the able direction of Ambassador Draper. It is sufficient to say that all of this expenditure and effort, while it has met the emergencies of the immediate postwar period, must now be supplanted by a sound, long-range program. As the President-elect, General Eisenhower himself declared in New York less than a month ago:

"If at the end of seven years after World War II, and $33 billion of foreign aid, the central problem is as far from solution as it is today, I think something has been wrong in our thinking. Certainly we must find a substitute for the purely temporary business of bolstering the free nations through annual handouts. This gets neither permanent results nor real friends."

In no year since the end of World War II has the country faced a more serious challenge than it does now. There is no longer any doubt in anyone's mind that the goal of the Kremlin is a world controlled by Moscow. The goal of the United States and our allies is a Free World in which all people can live and work together in peace.

In the vast contest which has resulted from these conflicting aims, we and our allies to date have had the advantage. Together we have far and away the world's largest and most efficient productive machine and the greatest body of skilled workers. The United States, in which there is the largest degree of free enterprise, is the leader both in the production of new weapons and in the capacity to build the huge new factories from which come machinery for mass production. Moreover, we in the United States have access in the Free World orbit to the bulk of the world's known supplies of every strategic raw material.

Our government has quite clearly up to now depended upon the fact that the mobilization of these great forces in the sight of the world was sufficient to intimidate even the redoubtable members of the Politburo. It is rapidly becoming clear, however, that we cannot decisively win even the cold war on the basis of superiority in productive capacity and military power alone; nor can our economic system, large and powerful as it is, indefinitely sustain the drain of an endless arms race and continuing grants-in-aid to our allies.

And we must not forget that our access to the existing supplies of raw materials is today being seriously threatened by the Communists in many parts of the world—for example, in Iran and in the strategically rich areas of Southeast Asia. One mistake on our part or on that of our allies in these delicately-balanced areas might result in some politically-unsettled region falling into the lap of the Kremlin.

Many of our allies in the Free World are in economic difficulties. With our aid they have weathered the first chaotic aftermath of war only to discover that their rebuilt industry and revived agriculture cannot now find markets for their growing output. A part of their problem is of course still in the field of domestic economic policy, but the key to the solution of most of the difficulties lies in an expanding world market.

The United States is the only free country with enough economic strength to meet this situation. Canada can help us and we know that it will help, but the key responsibility is ours. It has been ours for the last seven years. Weaker nations cannot wait indefinitely for us to prove our leadership. What we need now is a new long-range foreign policy—one which never underestimates the need for ample military strength on the part of ourselves and our allies but which supplements this with a dynamic economic strategy so bold and so vigorous that it will more than match the ruthless totalitarian expansion of the forces of Communism.

We must not allow ourselves to be overwhelmed by the magnitude of our problem. War in Korea, in Indo-China, the political crisis in South Africa, the problems of East-West trade in Europe, of trade with Communist China in the Far East, nationalization of the tin mines in Bolivia, the present shortage of dollars in Brazil—all of these of course require and must receive individual attention.

But I believe that there are four basic problems, the ultimate solution of which through the prompt initiative of this country, would eliminate many of the difficulties which we and our allies in the Free World now face. A vigorous effort to solve these problems is the only sound approach to the economic situation in which we find ourselves in this second half of the twentieth century. These four problems are:

(1) The existing inconvertibility of foreign currencies.

(2) The existing restrictions and dislocation of the world markets in key commodities.

(3) The existing restrictions on imports into this country arising from our tariff and other regulatory policies.

(4) The necessity for encouraging the investment abroad of American private capital.

All of these problems are vitally important and should receive prompt consideration.

1. The Existing Inconvertibility of Foreign Currencies.

A major task facing the Free World, in an effective mobilization of its economic strength, is the restoration of currency convertibility. The free convertibility of currencies played a decisive role in the economic development of the Western World. It underlay the great trade expansion of the Victorian period. It fostered the growth of multilateral trading, stimulated private foreign investment, facilitated the development of tourist travel and spurred the flow of immigrant remittances. The visible and invisible items in the world's balance of payments all soared to high levels of expansion within the benign framework of convertibility.

We in this country must help restore currency convertibility if the economic systems of free nations are to be integrated, if their productive power is to be consolidated, and if we are to present a united front to Communist imperialism. In my opinion, convertibility is achieved if currencies are freely convertibile into dollars on current account.

Since the end of World War II our progress in bringing about convertibility, and particularly the convertibility of such a key currency as the British pound, has been disappointing. In its recent annual report, the International Monetary Fund comments in the following terms on the slowness of our progress:

"It is a melancholy fact that seven years after the end of the war the Fund has to report that international payments are still far from having attained a state of balance and that exchange restrictions are again, over large parts of the trading world, the order of the day."

In contrast with the present melancholy situation, the world in the seven years following the first World War had made considerable progress in stabilizing exchange rates and in making the leading currencies of the world convertible in terms of gold or dollars.

In my judgment, the principal reason why convertibility has not been achieved and for the persistence of exchange controls has been inflation. The presence of inflation in the postwar period inself reflects a change in certain basic attitudes on the part of governments quite different from those prevailing after World War I. These attitudes have caused nations to live beyond their means, to adhere to easy money policies, to embark on uneconomic ventures and to endorse the idea that a little inflation is always a good thing.

Despite the disappointments that have plagued our efforts since World War II, I believe that we are now rapidly approaching the time when, if nations have the will, we can establish an appropriate environment for convertibility. My optimism is based on changes occurring in popular attitudes toward inflation and in growing appreciation of the vital need for convertibility as the basis of a strong and prosperous world. The way back will not be easy. Success will call for understanding and courage on the part of our friends abroad and ourselves.

To undertake overnight on a worldwide basis the convertibility of all currencies is clearly impossible. But it is entirely practical, I believe, to undertake this job on a piecemeal basis, starting with the key commercial countries.

2. The Existing Restrictions and Resulting Dislocations of the World Markets in Key Commodities.

In its stockpiling program, this country has followed somewhat erratic policies, with resulting dislocations in the prices of the key raw materials of the world. We can make an important contribution to economic stability if, in the future, our government acts with prudence and consistency in its stockpiling programs.

Prices of raw materials react sharply to small shifts in demand. The economies of countries specializing in the production of basic raw materials are particularly subject to violent fluctuations, with disastrous economic and political consequences. We are all cognizant of this problem and should devote our best efforts to protect the economies of these countries from such fluctuations, because their economic welfare is vital to the continuance of our own security.

3. The Existing Restrictions on Imports in the United States Arising From Our Tariff and Other Regulatory Policies.

Almost every country in the world lacks dollars. Some countries need them in order to buy agricultural products and modern machinery available only in the United States. Others need dollars in order to bolster their currencies. The quickest and surest way to get these dollars is to earn them by selling in the United States market.

Unfortunately, our country has gained—and with considerable justification—a bad reputation abroad for tariff instability. Though a creditor nation continuously since World War I, we have pursued the completely irrational policy of lending without allowing our borrowers the chance to repay by selling us adequate supplies of their goods. This situation must be changed if we are to succeed in restoring and maintaining currency convertibility.

Despite the reductions that have taken place in American tariff rates since the inauguration of the Reciprocal Trade Agreements Program, many rates are still restrictively high—so high as to exclude goods from the American market. In various ways the restrictive effects of our high tariff rates are further aggravated through import classification, changes in appraiser rulings and onerous marking requirements. Moreover, the American importer and foreign exporter are subjected to the handicap of complex consular invoices. The combination of rates, regulations and outworn practices all conspire to discourage foreign producers from trying to enter the American market and have the effect of reducing imports into this country.

Not alone the current high tariff rates but the possibility of increases in existing rates through recourse to "peril point" and "escape clause" procedures discourage foreign producers from entering the American market. Recently there has been a sharp increase in applications for relief under the "escape clause." This is a very disquieting development to our friends abroad, evidencing as it does a revival of protectionist sentiment within the United States. Recourse to the "escape clause" introduces great uncertainty in our tariff policy and impairs confidence in our willingness to engage in reciprocal economic cooperation.

In fact, it is time we admit that the whole foreign trade background of the United States has altered so much that not even the liberalizing effect of the Reciprocal Trade Agreements has been sufficient to meet our changing situation. We created our tariff system at a time when our country was young. Infant industries demanded tariff protection until they could become established.

Today many of our "infant industries" have reached maturity. At the same time they are outgrowing domestic sources of supply of the raw materials on which they depend. Instead of having an exportable surplus of raw materials, the United States is suddenly running low in many of them. We are now a net importer of petroleum products. By 1955 we shall have an important flow of iron ore from Canada and Venezuela to supplement the trickle that has long come from Chile. The Caribbean is pouring bauxite into our gigantic new aluminum mills; uranium is arriving from the Belgian Congo; manganese from India and Brazil, and a large part of our copper from Chile.

As the Paley Commission Report points out in detail, United States demand for minerals alone by 1975 will have increased 90%, a large portion of which must come from abroad. Our total imports which averaged less than $2 billion a year before the war have now passed $10 billion a year and they may easily double this total in the next 20 years as our population and our industries expand.

To grant foreign nations freer access to the American market we should therefore not only enact a constructive customs simplification bill but also should reduce our tariff rates still further. The United States today is in a position comparable to Britain a century ago. It possesses a long lead in the productivity of its industry, enabling it to foster and to direct the international division of labor.

The deficit nations of the world do not desire to be dependent upon our bounty. European nations and other parts of the world allied to ourselves wish to earn and pay their own way. This they will be able to do if we are willing to permit the importation of the products of their skill and ingenuity.

4. The Necessity for Encouraging the Investment Abroad of American Private Capital.

Immediately after the war it was assumed that private risk capital would flow from the United States to develop the world's resources much as private British capital went abroad in the nineteenth century. However, investment opportunities at home have been so great and the return so tempting that private capital, with the notable exception of the oil industry, has been reluctant to take risks abroad. Moreover, crippling exchange controls, tax regulations, and—above all—growing nationalism, with its tendency to confiscate private property, have discouraged private United States capital from moving outside our borders.

The United States alone cannot correct this situation. More than in any other field we must have the full cooperation of other countries in creating common agreement on private rights and the integrity of contracts if private capital is to be tempted into international investments.

Conclusion

It seems clear to me that the foundation for a new foreign economic policy in our country must be based on practical, realistic solutions of the four problems which I have briefly outlined to you.

The convertibility of major currencies on current account is essential if we are to maximize the economic strength of the Free World. Convertibility finds its roots in appropriate monetary and trade policies. The nations of Western Europe and the United States must take effective measures to curb excessive credit expansion and to halt inflation. As inflation is checked, confidence in currencies returns, production is stimulated and savings expand. Price controls and subsidies can be eliminated or reduced, and free markets established.

Seldom has history presented a nation with a greater challenge and a greater opportunity than it now presents to the United States of America. The challenge comes from the Soviet Empire, resting upon a directed and integrated economy stretching from the Elbe River to the Pacific Ocean, and from the Arctic to the borders of India. It encompasses 35% of the earth's surface and is the home of nearly one half of the world's peoples, living in an area within which are no controls or trade barriers to circumvent the will of the Kremlin dictators.

The economic and military strength of this slave world behind the Iron Curtain is formidable. But I believe that every person in this room tonight knows that the nations of the Free World have the courage, the tenacity, the productive capacity and the managerial genius to win the long-range economic conflict with the Kremlin. The realization of that objective is the keystone in the reconstruction of a peaceful world—a cause to which the people of our country and the rest of the Free World give their ardent and undivided support. This is our opportunity. The realization of the vision of a free world, economicaly strong enough to insure peace, should be the principal objective of our nation's new foreign economic policy.

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. 30	105.5	*106.5	107.3	104.0
Equivalent to—					
Steel ingots and castings (net tons)	Nov. 30	2,191,000	*2,212,000	2,229,000	2,079,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Nov. 15	6,621,800	6,612,300	6,527,500	6,237,150
Crude runs to stills—daily average (bbls.)	Nov. 15	‡7,036,000	6,860,000	6,898,000	6,616,000
Gasoline output (bbls.)	Nov. 15	23,973,000	23,465,000	23,152,000	22,114,000
Kerosene output (bbls.)	Nov. 15	2,472,000	2,713,000	2,597,000	2,802,000
Distillate fuel oil output (bbls.)	Nov. 15	10,898,000	10,376,000	10,183,000	9,688,000
Residual fuel oil output (bbls.)	Nov. 15	8,651,000	8,478,000	8,417,000	9,403,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 15	123,313,000	121,374,000	122,002,000	120,644,000
Kerosene (bbls.) at	Nov. 15	32,247,000	33,383,000	34,568,000	35,097,000
Distillate fuel oil (bbls.) at	Nov. 15	119,148,000	120,146,000	120,937,000	107,052,000
Residual fuel oil (bbls.) at	Nov. 15	51,942,000	53,602,000	54,450,000	49,589,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 15	828,723	829,198	838,377	814,258
Revenue freight received from connections (no. of cars)	Nov. 15	699,721	717,168	703,590	687,482
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 20	$269,883,000	$411,529,000	$260,335,000	$163,148,000
Private construction	Nov. 20	164,746,000	249,420,000	104,187,000	93,962,000
Public construction	Nov. 20	105,132,000	162,109,000	156,148,000	69,186,000
State and municipal	Nov. 20	76,422,000	90,479,000	123,313,000	56,201,000
Federal	Nov. 20	28,715,000	71,630,000	32,835,000	12,985,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 15	10,560,000	9,900,000	8,320,000	11,634,000
Pennsylvania anthracite (tons)	Nov. 15	917,000	929,000	960,000	1,021,000
Beehive coke (tons)	Nov. 15	81,200	*84,500	96,800	140,700
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Nov. 15	131	*118	124	130
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 22	7,971,149	7,883,878	7,696,243	7,157,038
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Nov. 20	167	148	154	149
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 18	4.376c	4.376c	4.376c	4.131c
Pig iron (per gross ton)	Nov. 18	$55.26	$55.26	$55.26	$52.72
Scrap steel (per gross ton)	Nov. 18	$42.00	$42.00	$42.00	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 19	24.200c	24.200c	24.200c	24.200c
Export refinery at	Nov. 19	34.575c	34.625c	34.700c	27.425c
Straits tin (New York) at	Nov. 19	121.250c	121.250c	121.500c	103.000c
Lead (New York) at	Nov. 19	14.500c	14.500c	14.000c	19.000c
Lead (St. Louis) at	Nov. 19	14.300c	14.300c	13.800c	18.800c
Zinc (East St. Louis) at	Nov. 19	12.500c	12.500c	13.500c	19.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Nov. 25	96.94	96.96	96.80	96.91
Average corporate	Nov. 25	109.60	109.24	108.88	109.06
Aaa	Nov. 25	113.70	113.31	112.93	113.70
Aa	Nov. 25	112.19	111.81	111.44	112.56
A	Nov. 25	108.88	108.88	108.34	107.98
Baa	Nov. 25	103.80	103.64	103.30	102.80
Railroad Group	Nov. 25	106.74	106.39	105.86	106.00
Public Utilities Group	Nov. 25	109.79	109.60	109.06	109.06
Industrials Group	Nov. 25	112.19	112.19	111.81	113.50
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Nov. 25	2.71	2.71	2.73	2.71
Average corporate	Nov. 25	3.19	3.21	3.23	3.22
Aaa	Nov. 25	2.97	2.99	3.01	2.97
Aa	Nov. 25	3.05	3.07	3.09	3.03
A	Nov. 25	3.23	3.23	3.26	3.28
Baa	Nov. 25	3.52	3.53	3.55	3.58
Railroad Group	Nov. 25	3.35	3.37	3.40	3.45
Public Utilities Group	Nov. 25	3.18	3.19	3.22	3.22
Industrials Group	Nov. 25	3.05	3.05	3.07	2.98
MOODY'S COMMODITY INDEX	Nov. 25	406.8	407.4	411.0	456.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 15	215,183	372,747	226,513	186,612
Production (tons)	Nov. 15	243,255	243,283	248,541	208,429
Percentage of activity	Nov. 15	96	97	97	86
Unfilled orders (tons) at end of period	Nov. 15	548,900	581,039	519,768	426,284
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Nov. 21	109.44	109.50	109.47	116.45
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. 8	27,676	26,528	24,144	25,435
Number of shares	Nov. 8	779,475	746,001	674,366	715,703
Dollar value	Nov. 8	$34,676,021	$32,901,935	$30,517,997	$31,940,676
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Nov. 8	20,649	20,261	21,027	20,094
Customers' short sales	Nov. 8	303	89	117	267
Customers' other sales	Nov. 8	20,346	20,172	20,910	19,827
Number of shares—Total sales	Nov. 8	578,681	584,913	592,967	569,897
Customers' short sales	Nov. 8	10,472	3,370	4,457	9,255
Customers' other sales	Nov. 8	568,209	581,543	588,510	560,642
Dollar value	Nov. 8	$2,215,493	$23,670,713	$23,768,696	$24,174,760
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 8	154,030	164,790	170,510	148,840
Short sales	Nov. 8	------	------	------	------
Other sales	Nov. 8	154,030	164,790	170,510	148,840
Round-lot purchases by dealers—					
Number of shares	Nov. 8	348,650	329,920	270,980	300,600
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	Nov. 1	187,370	199,170	169,660	439,850
Other sales	Nov. 1	6,056,000	5,572,710	5,964,260	8,554,740
Total sales	Nov. 1	6,243,370	5,771,880	6,133,920	8,994,590
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	Nov. 1	585,090	543,850	496,770	1,040,780
Short sales	Nov. 1	97,880	109,580	94,130	219,160
Other sales	Nov. 1	457,260	449,040	433,220	871,950
Total sales	Nov. 1	555,140	558,620	527,350	1,091,110
Other transactions initiated on the floor—					
Total purchases	Nov. 1	116,350	102,820	91,000	238,700
Short sales	Nov. 1	8,300	8,100	4,800	30,500
Other sales	Nov. 1	93,500	98,500	110,490	215,760
Total sales	Nov. 1	101,800	106,600	115,290	246,260
Other transactions initiated off the floor—					
Total purchases	Nov. 1	239,495	170,680	172,590	370,333
Short sales	Nov. 1	28,250	29,540	19,780	60,210
Other sales	Nov. 1	242,101	197,001	251,825	359,379
Total sales	Nov. 1	270,351	226,541	271,605	419,589
Total round-lot transactions for account of members—					
Total purchases	Nov. 1	940,935	817,350	760,360	1,649,813
Short sales	Nov. 1	134,430	147,220	118,710	309,870
Other sales	Nov. 1	792,861	744,541	795,535	1,447,089
Total sales	Nov. 1	927,291	891,761	914,245	1,756,959
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—(1947-49 = 100):					
Commodity Group—					
All commodities	Nov. 18	110.4	*110.7	110.6	------
Farm products	Nov. 18	102.6	104.3	105.1	------
Processed foods	Nov. 18	105.6	*106.3	107.4	------
Meats	Nov. 18	99.4	*101.3	105.2	------
All commodities other than farm and foods	Nov. 18	113.0	*113.0	112.5	------

*Revised figure. ‡Includes 612,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of Oct. 31:			
Imports	$237,106,000	$231,568,000	$226,405,000
Exports	113,855,000	108,487,000	106,098,000
Domestic shipments	7,869,000	7,439,000	9,267,000
Domestic warehouse credits	32,348,000	16,476,000	17,920,000
Dollar exchange	30,393,000	59,646,000	3,593,000
Based on goods stored and shipped between foreign countries	27,858,000	30,583,000	34,831,000
Total	$449,429,000	$454,199,000	$398,114,000
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of October (in millions):			
Total new construction	$3,007	$3,098	$2,849
Private construction	1,982	2,030	1,908
Residential building (nonfarm)	1,040	1,049	963
New dwelling units	930	935	858
Additions and alterations	92	96	91
Nonhousekeeping	18	18	14
Nonresidential building (nonfarm)	437	430	440
Industrial	190	187	205
Commercial	106	101	95
Warehouses, office and loft buildings	46	44	41
Stores, restaurants, and garages	60	57	54
Other nonresidential building	141	142	140
Religious	39	38	39
Educational	33	32	31
Social and recreational	12	12	10
Hospital and institutional	31	33	36
Miscellaneous	26	27	25
Farm construction	139	168	148
Public utilities	359	376	351
Railroad	36	37	40
Telephone and telegraph	49	48	44
Other public utilities	274	291	267
All other private	7	7	6
Public construction	1,025	1,068	941
Residential building	50	53	66
Nonresidential building	363	369	318
Industrial	152	156	105
Educational	137	137	136
Hospital and institutional	40	41	40
Other nonresidential building	34	35	37
Military and naval facilities	128	127	103
Highways	320	350	293
Sewer and water	62	63	58
Miscellaneous public service enterprises	20	22	20
Conservation and development	77	79	78
All other public	5	5	5
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of October:			
New England	$28,272,491	$15,982,982	$20,911,700
Middle Atlantic	72,626,574	72,483,788	82,299,475
South Atlantic	33,814,927	35,742,737	29,667,872
East Central	80,733,337	91,666,219	80,647,840
South Central	62,736,028	58,270,660	58,225,322
West Central	31,029,797	31,024,905	29,288,609
Mountain	15,836,649	11,657,832	16,458,180
Pacific	89,868,568	72,057,462	49,946,823
Total United States	$414,918,371	$388,886,585	$367,445,821
New York City	38,559,731	34,304,009	53,886,760
Outside New York City	376,358,640	354,582,576	313,559,061
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of Oct. 31 (000's omitted)	$591,000	$565,000	$409,000
CONSUMER PURCHASES OF COMMODITIES —DUN & BRADSTREET, INC. (1935-1939=100)—Month of October	338.7	331.6	329.5
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPARTMENT OF AGRICULTURE—As of Nov. 1 (in thousands):			
Corn, all (bushels)	3,302,875	3,256,550	2,941,423
Wheat, all (bushels)	1,298,921	1,298,921	987,474
Winter (bushels)	1,062,590	1,062,590	645,469
All spring (bushels)	236,331	236,331	342,005
Durum (bushels)	21,424	21,424	35,820
Other spring (bushels)	214,907	214,907	306,185
Oats (bushels)	1,265,660	1,265,660	1,316,396
Barley (bushels)	222,476	222,476	254,668
Rye (bushels)	15,759	15,759	21,410
Flaxseed (bushels)	31,033	31,033	33,802
Rice (100-lb. bags)	48,392	47,730	43,805
Sorghum grain (bushels)	70,674	70,996	159,265
Cotton (bales)	14,905	14,413	15,144
Hay, all (tons)	103,858	103,858	108,461
Hay, wild (tons)	11,083	11,083	12,563
Hay, alfalfa (tons)	42,040	42,040	42,937
Hay, clover and timothy (tons)	31,043	31,043	32,035
Hay, lespedeza (tons)	5,895	5,895	7,479
Beans, dry edible (100-lb. bags)	16,655	16,291	17,446
Peas, dry field (bags)	2,697	2,697	3,763
Soybeans for beans (bushels)	289,268	286,209	280,512
Peanuts (pounds)	1,262,820	1,225,145	1,676,125
Potatoes (bushels)	349,257	345,561	325,708
Sweetpotatoes (bushels)	29,362	30,814	28,273
Tobacco (pounds)	2,231,188	2,234,535	2,325,226
Sugarcane for sugar and seed (tons)	7,277	7,424	6,120
Sugar beets (tons)	10,392	10,334	10,485
Hops (pounds)	61,330	61,330	63,239
Apples, commercial crop (bushels)	92,696	95,975	110,660
Peaches (bushels)	62,622	62,622	63,627
Pears (bushels)	30,494	30,879	30,028
Grapes (tons)	3,140	3,092	3,386
Cherries (12 States) (tons)	202	202	230
Apricots (3 States) (tons)	174	174	183
Cranberries (5 States) (barrels)	786	812	910
Pecans (pounds)	126,482	127,256	154,895
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS—Month of September (000's omitted):			
Exports	$1,217,300	$1,070,000	$1,232,000
Imports	877,400	817,000	721,260
U. S. GOVT. STATUTORY DEBT LIMITATION As of Oct. 31 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	264,919,493	262,681,570	258,298,191
Guaranteed obligations not owned by the Treasury	44,803	40,061	37,483
Total gross public debt and guaranteed obligations	$264,964,296	$262,721,632	$258,335,674
Deduct—other outstanding public debt obligations not subject to debt limitation	628,001	630,223	670,412
Grand total outstanding	$264,336,294	$262,091,408	$257,665,262
Balance face amount of obligations, issuable under above authority	10,663,705	12,908,591	17,334,737

*Estimated.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

There's nothing as stimulating as a rising market. It is even stimulating to a sold out bull like myself. But underneath all this stimulation I see continued signs of a reaction.

* * *

On an economic basis there is plenty of encouragement. It looks like the incoming Eisenhower Administration and its new cabinet will do plenty to restore confidence. We've already heard that many of the controls will be eliminated. We've also heard that Truman may eliminate them himself before he exits from the White House. Most of us have already taken for granted that the Excess Profits Tax will also be dropped. All these are pleasant occurrences to look forward to. But because we all know it, or at least expect it, the chances are that its market significance is now being discounted. On the more basic fronts of national and international economy, the problems are far from being settled. There are too many wheels within wheels for Eisenhower, Dulles or Wilson to make any rapid changes.

* * *

Basically, however, it is the action of the current stock market that interests us the most. For the past few days you've seen a rising market. You've seen new highs. You've seen the Dow averages go through previous resistance levels. It is amusing to read the encouraging analyses of those who a few weeks ago said the Dow Theory was dead, and now point to it as having "proved" a continuation of the bull market.

* * *

Frankly I don't care if the Dow Theory, or any other theory, is dead or alive. At best they're what their names imply, "theories" and anybody who relies on them completely without regard to other factors isn't going to be around very long anyway.

* * *

Right now you have strength; good strength. That means that most people are bullish. Yet every bull is a bear because he's looking for a spot to sell. We also hear that sentiment is bullish. That's very nice. But sentiment does not make prices go up or down. It is money that does that.

* * *

Two weeks or so ago I suggested that right after the elections half holdings should be disposed of. Since then stocks have gone up some more. Now I see technical barriers looking up that I don't believe the market is capable of hurdling without a severe shakeout. Too many trading objectives have already been reached.

* * *

So I now suggest that the rest of your long holdings be sold on the rising market in anticipation of a setback. How far such a setback can go depends on other factors. But off-hand I would hazard a guess that a dip to about 270-275 is to be expected.

[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 23

Trade, Finance and Balance of Payments

ample, had no other funds been provided, these expenditures alone were enough to sustain exports from the United States to the value of more than \$10-\$11 billion. Thus, the reasons for the ever-present "dollar shortage"—which, incidentally, is in itself a pernicious term—must be sought elsewhere than in a dearth of commercial dollars.

Foreign Purchases in U. S.

We must look, therefore, to the demand and utilization side of the balance of payments. Since there is no way of realistically appraising true latent demand abroad, actual utilizations must serve as a guide. The total amounts expended here by foreign countries have varied far more than has the commercial dollar supply. Thus, foreign expenditures rose from about \$15 billion in 1946 to nearly \$20 billion in 1947, then dropped to \$17 billion in 1948, \$16 billion in 1949, and \$14.4 billion in 1950. As a result, in the latter year the gap between commercially supplied and commercially used dollars was virtually closed. In 1951, however, the gap again widened as expenditures moved up to more than \$20 billion.

Over the period there has been only a slight upward change in transportation, travel and miscellaneous services account. Interest and dividends payments have risen, however, from approximately \$80 million to \$2 billion in 1951. Purchases of merchandise have accounted for 75% to 80% of the total expenditures.

The maintenance of these abnormally heavy purchases has been made possible only by the extension of dollar grants and loans by the United States Government, either directly or indirectly through participation in the work of various international institutions. From 1946 through 1951 some \$34 billion were thus provided, nearly two-thirds in the first three years. There is no need to detain you here with any detailed survey of the purposes and justifications advanced for these programs. What I do wish to consider briefly is why, despite these vast dollar outlays, there is still such pressure on the demand side as evidenced by the retention of exchange and import controls in so many countries.

The 1950-52 experience may furnish a clue. Beginning in the last quarter of 1949 U. S. imports which had been drifting downward from the first of the year moved upward without check through the first quarter of 1951, in part stimulated by the needs and fears arising out of the onset of the Korean War. Foreign purchases in the United States, on the other hand, fell off sharply in the third and fourth quarters of 1949 and continued at this reduced level until the last quarter of 1950. This decline undoubtedly stemmed from several causes: the widespread devaluation of currencies in Sept. 1949; the introduction of new exchange restrictions and other conservation measures; and the decline in U. S. Government aid disbursements. There was also undoubtedly some running down of inventories and postponement in placing orders or inability to place orders as demand from the United States drove up prices of raw materials. As a result of these opposing movements, foreign gold and dollar reserves gained substantially in each quarter. In the final quarter of 1950, however, foreign countries once more stepped up their buying, with a consequent rise in U. S. exports which, except for one slight dip, continued on into the first half of this year. Imports into the United States, however, dropped abruptly in the third and fourth quarters of 1951. The two opposing forces thus combined to start a new drain on foreign reserves.

Yet, as we have seen, despite the drop in import expenditures between the first and second half of 1951, the total outlay on commercial, capital and government aid account reached an all-time high for the year as a whole. Thus, the dollar crisis which became the subject of concern in the latter part of 1951, particularly that of the sterling area, were almost wholly due to a new expression of foreign demand.

On almost every occasion that foreign countries throughout the world have relaxed or moderated their exchange and import controls, there has been a similar outburst of demand, directed usually but not always at the United States and Canada. In some instances this demand merely represents a shift at first opportunity away from other sources, but much of it undoubtedly represents excess internal purchasing power. Some of it may also reflect the fact that for certain items or products the dollar area is still the only satisfactory source. Finally, convinced of the need to expand the industrial base without delay, many countries and governments have embarked on vast programs of capital investment without reference to what funds are available for this purpose. In short, they have attempted to draw on slender resources without in any way curtailing consumption.

Capital Shortage, Not Dollar Shortage

Not to over-simplify the issue, it may be suggested that what we have had throughout much of the world and, for that matter, continue to have, is a shortage of capital rather than a shortage of dollars. Two impatient pressures have been at work, one for an immediately improving standard of living, the other for immediate large-scale capital development. Despite increasing production, the growth has been insufficient to meet both to the desired degree, with the result that a further shove has been given to the forces of inflation. While some of the aid from the United States has been advanced strictly for the support of the standard of living and personal consumption, the greater proportion has been ostensibly intended to fill the most pressing capital requirements. Whether it has, in fact, done so is another question.

Current Balance of Payments

While more might profitably be said on these matters, the remainder of our time perhaps should be devoted to a glance at the current U. S. balance of payments position and outlook. Early this year the NFTC Balance of Payments Group, comprising individuals drawn from member firms on the basis of their interest in this subject, estimated that in 1952 somewhere around \$23¼ billion, including government aid, would be made available to foreign countries, and that \$22½ billion would be utilized in the purchase of U. S. goods and services, with the difference going toward the replenishment of foreign gold and dollar reserves. It was then generally felt that while commercial exports in the ordinary sense would run somewhat less than in 1951, the overall total (including military-end items under the Mutual Security Program) would be slightly higher. In June this Group again checked their estimates against events during the first part of the year and made the indicated adjustments. Although for the most part the trends conformed to the expectations previously expressed by the Group, the total anticipated dollar outlay during the year was reduced from \$23¼ billion to \$22.3 billion. The decrease came entirely from a scaling-down of the amount of government military and economic aid, in view of the lower than expected levels of such expenditures during the first half of 1952. The revised estimates still assumed, however, a considerable acceleration of these expenditures during the second half of the year. On the utilization side, the Group agreed that there would be some decline of commercial exports during the second half of 1952. Since commercial exports during the early part of 1952 had shown strength, it was noted that there could be a decline in the second half of some \$500 million without any appreciable change in the estimate for the year as a whole. In view of the lag in shipments of military-end items during the first part of the year, the estimate for these exports was cut back so that the combined exports of commercial merchandise and military-end items were set at about \$1.3 billion less than had been estimated in January. The total, nevertheless, remained about \$800 million above the 1951 figure.

For the first time in several months foreign countries on balance were able to add to their dollar reserves during the second quarter of 1952 by an amount estimated at nearly \$400 million. This improvement did not occur to an equal degree in all countries, but with a few exceptions at least some gain was recorded. There was a further improvement of approximately one-half billion dollars in the third quarter, but many factors contributing to this gain in reserves related to temporary or unusual circumstances, such as large seasonal travel expenditures by Americans, a decline in U. S. exports particularly cotton, the incidence of the steel strike, and some speed-up in purchases by the United States. Commercial exports in July, particularly exports of manufactured goods were either at or not far from the bottom. Since that time there has been a gradual increase, which is expected to continue for at least the next few months.

There have been at least two and possibly three major forces at work to produce these results. First, after the experience of 1951 in which reserves were drawn down, there has been a strong tendency on the part of foreign governments to make every effort to strengthen the reserve position. Secondly, and in consequence, there has been a tightening of credit in many sections, as well as imposition or intensification of restrictions on imports and exchange. Thirdly, in some countries there has been an apparent downswing in business activity while in others there has been inventory liquidation, both combining to slow down the placement of new orders for certain types of products. Thus, again, the demand rather than the supply side has been the determining factor.

Future Prospects

What lies ahead? I am reluctant to attempt anything in the way of a definite forecast, since the NFTC Balance of Payments Group presumably will be preparing such a statement for 1953, on the basis of joint review and discussion, and I would not wish to anticipate their conclusions. Nevertheless, I realize that this is a matter of constant definite interest to all of you and particularly so at this time. Even the most skeptical of persons cannot entirely shake off the feeling that the reader of tea leaves and the caster of horoscopes might be right. I would venture to guess that the first Phoenician to venture to the far reaches of the Mediterranean was invited on his return to Tyre to address the local equivalent of the Export Managers Club on the subject of "The Outlook for Trade with the Iberian Penninsula." I am also certain that locked away in forgotten archives of the Florentine banks there must be a report prepared by one of their members bearing some such title as "The Prospects for Sterling." But rather than attempt a clear-cut forecast, I should like to indicate some of the influences which are likely to prevail.

The dollar supply side obviously will be affected not only next year but in subsequent years by two factors which in themselves are uncertain, namely, the level of domestic economic activity and the amount of governmental aid or expenditures abroad. There have been some suggestions that economic activity in the U. S. will decline in the latter part of 1953 and will not revive until some time in 1954. If this sag is no greater than that of 1949, its effect on the dollar supply is not likely to be overly heavy. Moreover, to the extent that the down-turn is accompanied by a price decline which thereby increases the purchasing power of the dollar, the two trends may cancel each other insofar as foreign dollar utilization is concerned. While no one can now foretell how far the new Administration might cut back on foreign aid, it at all, the probability is that it will not reduce appreciably the amounts made available in 1953, since there will not only be some carry-over but also commitments already incurred, particularly on the military side. Thus, barring some rapid changes in world conditions, the 1953 dollar supply is likely to be kept at or close to the 1952 levels, excluding for the moment the matter of capital investment. With respect to the dollar demand, the near-term prospect is for some slight continued upturn. The main question here, however, is whether the countries now replenishing and strengthening their reserves will continue to do so or will permit gradually greater expenditures on imports. The action to be taken undoubtedly will vary substantially from country to country depending on the specific situation and position there prevailing. There are, however, some signs that foreign countries will attempt to mop up excess purchasing power and, thus, relieve the pressure on their own balances of payments. To the extent that this is successful, the demand for dollars will be somewhat reduced. Moreover, it is apparent that many countries are giving increasing thought to how best they can adjust their position to eliminate the need for dollar aid and get on a pay-as-you-go basis.

From the long-term viewpoint there is every reason to expect a continued increase in the commercial dollar supply. Attention has been frequently drawn, most recently by the Paley Commission, to the increased requirements of the United States for basic materials. In its Report the Paley Commission suggested that projected levels of demand compared with prospective supply indicated that the United States would become increasingly dependent on foreign sources of supply for most major materials. This force alone would mean an expansion in the dollar supply made available to foreign countries, assuming that they are able to fill these increased requirements. In the case of manufactured items the situation is less clear. Barring a return to a strong protectionist policy by the United States, there should be a gradual increase in expenditures on this type of product. It is questionable, however, whether even with a more liberal tariff program the annual rate of increase will be such as to add appreciably to the total dollar outlay, in view of the taste and buying habits of the American public as well as the competitive vigor of American industry. For individual countries, however, the gain may be more significant than would appear from looking at the U. S. balance of payments alone. Other elements in the dollar supply, especially foreign travel, also are likely to show a steady rise. With the exception of travel, however, the outlay will probably rise very slowly.

Dollar demand will continue heavy for a long time to come regardless of developments now going on throughout the world. It should be emphasized, however, that the form in which this demand will be expressed may well undergo some highly important changes. For example, at least part of the dollars accruing to foreign countries will presumably have to be committed to amortization and debt service on the postwar intergovernmental loans and credits. Also, remittances of interest and dividends on private capital investment will take up another sizable segment of the supply. One objective of the present industrialization and productivity programs in various countries is to cut down on the need for dollar goods and make domestic production competitive. There is, therefore, reason to believe that as these operations proceed the trade pattern will be altered.

In this connection, one final word on the future of capital investments. To quote one short statement made last year from this same platform: "We all have heard a lot in these postwar years of economic aid, technical assistance to underdeveloped countries, investments to close foreign trade gaps and investments to meet our responsibilities to other nations. But let us be realistic, no one of us is going to invest a penny because our technical friends tell us that our international balance of payments is in a sad state of equilibrium." Nearly everyone recognizes the important need and desirability of increasing the flow of legitimate, private capital investment. But beyond this, for some years now the United States has even more emphatically been admonished that it *must* raise the total of its annual investment abroad, as though an increase of the proportions apparently envisaged could be brought about by exhortation and the stroke of a pen. Various sums have been mentioned, most of them ranging from $5 billion to $10 billion and up. Eighteenth and Nineteenth Century Britain has been held up as a shining example of what a highly developed nation should do by way of capital exports. What is so often forgotten or ignored is that in the heyday of British investment abroad, the world was a different place than it is today. Those who deplore the lack of investments from the United States are in many instances the same ones who would most strongly resist a return to the circumstances which encouraged British investment. Assuming, however, that the way is opened, that the requisites for attracting investment are established, then it well may be that the total dollar supply will be further enlarged and that private investment will take up the slack left by the cessation of governmental aid. The more this investment is increased, the more important it will be to expand the current dollar supply in order to provide the means for transferring dividends and interest.

As I come to the close of this address, I realize that there are many other aspects of the balance of payments which have been bypassed or but lightly touched. There is, for example, the relationship between the United States and specific areas. There is the question of the directional effects on our trade of foreign aid and investment. Both of these deserve consideration, but, to paraphrase the words with which the announcer closes each day's episode on any one of a number of radio serials, this is a continuing and, in fact, never ending story.

Securities Now in Registration

★ **INDICATES ADDITIONS SINCE PREVIOUS ISSUE**
● **ITEMS REVISED**

★ ACF-Brill Motors Co.
Nov. 24 (letter of notification) 2,000 shares of common stock (par $2.50). **Price**—At market (about $6.50 per share). **Proceeds**—To William S. Wasserman, the selling stockholder. **Underwriter**—None, but Vilas & Hickey, New York, will act as broker.

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 Buyers Credit Co., Phoenix, Ariz.
Nov. 17 (letter of notification) up to 300,000 shares of common stock to be issued upon exercise of stock options (minimum 50,000 shares). **Price**—At par ($1 per share). **Proceeds** — For working capital. **Office** — 410 Security Bldg., Phoenix, Ariz. **Underwriter**—None.

★ Atlantic Finance Co., Spartanburg, S. C.
Nov. 17 (letter of notification) $200,000 of 12-year 6% subordinated convertible debentures (in denominations of $20 each). **Price**—At par. **Proceeds**—For working capital. **Address**—P. O. Box 2265 A, Spartanburg, S. C. **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.

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.

★ Canadian Prospect Ltd., Calgary, Alta., Canada
Nov. 24 filed 303,595 shares of common stock (par 33⅓ cents), of which 235,000 shares are to be issued upon exercise of share rights and 68,595 shares are to be sold for account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To company to be used for operating expenses to pay for future exploration and development of leases, etc. **Underwriters**—White, Weld & Co., New York, for an undetermined number of shares; balance through a Canadian underwriter to be named later.

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.

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.
Nov. 6 filed 1,155,730 shares of $1.40 convertible preferred stock (par $25) being offered for subscription by common stockholders of record Nov. 24 at rate of one prefererd share for each 12 common shares held. Rights will expire on Dec. 10. **Price**—$31 per share. **Proceeds**—For construction program. **Underwriters**—Glore, Forgan & Co. and The First Boston Corp., both of New York.

★ Commonwealth Stock Fund, Inc., San Fran., Cal.
Nov. 21 filed 250,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

● Consolidated Gas, Electric Light & Power Co. of Baltimore (12/1)
Nov. 5 filed $16,484,000 of 3¼% 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 at office of company.

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.

★ Crown Finance Co., Inc.
Nov. 19 (letter of notification) $250,000 5% subordinated debentures due 1983. **Price**—At par (in denominations of $1,000 each). **Proceeds**—For working capital, to reduce debt, for expansion and investments. **Underwriter**—Hodson & Co., Inc., New York.

★ Daitch Crystal Dairies, Inc.
Nov. 20 (letter of notification) 3,000 shares of common stock (par $1). **Price**—At market (about $6.75 per share). **Proceeds**—To Louis Daitch, Chairman of the Board, who is the selling stockholder. **Underwriter** — None, but Hirsch & Co., and Thomson & McKinnon may act as brokers.

● Danielson Manufacturing Co. (12/1-3)
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 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.

● 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. It is anticipated that the warrants will be mailed on Dec. 2. **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.

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.

★ Electronic Devices, Inc., Brooklyn, N. Y.
Nov. 18 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For equipment and working capital. **Underwriter**—Tellier & Co., New York.

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.

★ Emerald Gas & Oil Co., Inc., Seattle, Wash.
Nov. 17 (letter of notification) 1,000,000 shares of common shares (par 10 cents). **Price**—25 cents per share. **Proceeds**—For drilling expenses. **Address**—c/o George Lusch, Beyers Bldg., Seattle, Wash. **Underwriter**—None.

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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.

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. (12/1-5)**
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. (12/1)**
Oct. 24 filed $15,000,000 of first mortgage bonds due 1982. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. The following have been invited to bid: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); The First Boston Corp. **Bids**—To be received in New York at 11 a.m. (EST) on Dec. 1.

● **Florida Telephone Corp., Ocala, Fla.**
Oct. 27 (letter of notification) 25,500 shares of common stock (par $10), offered for subscription by common stockholders of record Nov. 15 on a 1-for-7 basis; rights expire Dec. 1. **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.**
Nov. 20 (Letter of notification) 219 shares of common stock (par $1). **Price**—At market (estimated at about $22.23 per share). **Proceeds**—To be distributed to holders of scrip which expired on Nov. 15, 1952. **Underwriter**—None, but Eastman, Dillon & Co. will act as broker.

★ **Greyhound Parks of Arizona, Inc., Phoenix, Ariz.**
Nov. 17 (letter of notification) 1,198 of 6% cumulative debentures (in denominations of $250 each) and 29,950 shares of common stock (no par) to be offered in units of one $250 debenture and 25 shares of stock. **Price**—$250.25 per unit. **Proceeds**—For new construction. **Office**—Room 1601, Westward Ho Hotel, Phonix, Ariz. **Underwriter**—None.

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.

★ **Hawthorne House of Nevada, Inc.**
Nov. 17 (letter of notification) 30,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For new construction and furnishings of motel. **Office**—Room 4, Cornet Bldg., Las Vegas, Nev. **Underwriter**—Lester L. LaFortune, Las Vegas, Nev.

★ **Hoosier Crown Corp., Crawfordsville, Ind.**
Nov. 19 (letter of notification) $100,000 of 5% sinking fund debentures, 1952 series, due Oct. 1, 1962, with stock purchase warrants attached; and 2,000 shares of common stock (no par) covered by stock purchase warrants which give the owner the right to purchase common stock in units of 10 shares each per $500 debenture at $220 per 10 share unit. **Price**—Of debentures, at par. **Proceeds**—For working capital. **Office**—100 Harrison St., Crawfordsville, Ind. **Underwriter**—None.

★ **Hugoton Production Co., New York**
Nov. 21 (letter of notification) 2,200 shares of common stock (par $1). **Price** — At market (about $44.50 per share). **Proceeds**—To common stockholders entitled to receive fractional shares in connection with 5% stock dividend payable Dec. 1, 1952. **Underwriter**—None.

Idaho Maryland Mines Corp.
June 6 filed 200,000 shares of common stock (par $1). **Price**—At market (on the San Francisco Stock Exchange). **Proceeds**—To selling stockholder (Gwendolyn MacBoyle Betchtold, as executrix of the last will and testament of Errol Bechtold, deceased). **Office**—San Francisco. Calif. **Underwriter**—None.

International Glass Corp., Beverly Hills, Calif.
Sept. 22 (letter of notification) 299,635 shares of common stock, to be issued as follows: To William Hoeppner, 6,985 shares; to stockholders of Soft-Flex Glass Fabrics Corp., 17,650 shares; and to public, 275,000 shares. **Price**—At par ($1 per share). **Proceeds**—For general corporate purposes. **Office**—119 South Beverly Drive, Beverly Hills, Calif. **Underwriter**—Douglass & Co., Beverly Hills, Calif.

★ **International Industries & Development, Inc.**
Nov. 20 (letter of notification) 80,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—To acquire formula for cleaning silver and silverware and for working capital. **Office**—15 William Street, New York 5, N. Y. **Underwriter** — George B. Wallace & Co., New York.

Ispetrol Corp., New York
Oct. 29 filed 49,500 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—To finance purchase of crude oil for Israeli enterprises and to purchase crude oil and oil products for resale in Israel. **Underwriter**—Israel Securities Corp., New York.

Israel Industrial & Mineral Development Corp.
Oct. 6 filed 30,000 shares of class A stock. **Price**—At par ($100 per share). **Proceeds**—For industrial and mineral development of Israel. **Underwriter** — Israel Securities Corp., New York.

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.

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.

★ **Leavell & Bates, Inc., Tipton, Ind.**
Nov. 17 (letter of notification) $25,000 of 5¼% sinking fund debentures, 1952 series. **Price**—At par (in denominations of $1,000 and $500 each). **Proceeds**—To make small loans. **Underwriter**—City Securities Corp., Indianapolis, Ind.

★ **Lee Paper Co., Vicksburg, Mich.**
Nov. 13 (letter of notification) 30,000 shares of common stock to be offered for subscription only by stockholders of record Aug. 18. **Price**—At par ($10 per share). **Proceeds**—For working capital. **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.**
Nov. 7 filed 266,227 shares of common stock (par $10) being offered for subscription by stockholders of record Nov. 26 at rate of one new share for each 2⅜ shares of stock held; subscription rights to expire Dec. 11. **Price**—$24.50 per share. **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.

★ **Maine Slate Products Corp., Bangor, Me.**
Nov. 17 (letter of notification) 299,970 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For machinery and equipment. **Office**—8 Harlow Street, Bangor, Me. **Underwriter**—Charles J. Maggio, Inc., New York.

Marsh Steel Corp., North Kansas City, Mo.
Oct. 27 filed $500,000 of 5% debentures, series A, due $50,000 annually from Nov. 1, 1953 to Nov. 1, 1962, inclusive. **Price**—At 100% of principal amount. **Proceeds**—For working capital. **Underwriter**—The First Trust Co. of Lincoln (Neb.).

★ **(J. W.) Mays, Inc., Brooklyn, N. Y.**
Nov. 19 (letter of notification) 27,000 shares of common stock (par $1), to be offered for subscription by employees. **Price**—$9 per share in some cases; $8 in others. **Proceeds**—Approximately $81,965 to reimburse company for purchase of 9,000 shares from Joe Weinstein, President; balance for general corporate purposes. **Underwriter**—None.

McCarthy (Glenn), Inc.
June 12 filed 10,000,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds** — For drilling of exploratory wells, acquisition of leases and for general corporate purposes. **Underwriter**—B. V. Christie & Co., Houston, Tex. **Dealer Relations Representative**—George A. Searight, 50 Broadway, New York, N. Y. **Telephone** WHitehall 3-2181. **Offering**—Date indefinite.

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.

★ **Midvale Co., Philadelphia, Pa.**
Nov. 21 (letter of notification) up to but not exceeding 4,350 shares of capital stock (no par). **Price**—At market (about $14.62½ per share). **Proceeds**—To Baldwin Securities Corp. **Underwriter**—None, but Drexel & Co., will act as broker.

Mineral Exploration Corp., Ltd., Toronto Canada
July 29 filed 2,000,000 shares of common stock, each share to have attached an "A," "B" and "C" warrant, each giving the holder the right to buy one additional share for each two shares purchased in two, three, or five years, at $1, $2 and $3 per share, respectively. **Price**—For 2,000,000 shares, $1 per share—Canadian. **Proceeds**—For exploration, development and acquisition of properties. **Underwriter**—Brewis & White, Ltd., Toronto, Canada. Names of United States underwriters to be supplied by amendment.

Mississippi Chemical Corp., Yazoo City, Miss.
Sept. 29 filed 2,000,000 shares of common stock (par $5), of which 849,038 shares have been subscribed, paid for and issued, and an additional 107,550 shares have been subscribed for as of Aug. 28 and will be issued in connection with expansion of ammonia plant. The remaining shares will be offered for sale primarily to farmers and farm groups. **Price** — At par. **Proceeds** — For new construction. **Underwriter**—None.

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.

★ **Mt. Union Mines, Inc., Reno, Nev.**
Nov. 17 (letter of notification) 2,167,806 shares of nonassessable capital stock (par 10 cents), of which 122,000 shares will be offered at 16 cents per share and 1,522,106 shares at 10 cents per share, with the balance to be offered and issued to certain individuals for services rendered. **Proceeds**—For construction of mill. **Address**—c/o Nevada Agency & Trust Co., 139 North Virginia St., Reno, Nev. **Underwriter**—None.

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.

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. No general offer now planned.

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.

★ **New England Telephone & Telegraph Co. (12/12)**
Nov. 20 filed 232,558 shares of capital stock to be offered for subscription by stockholders of record Dec. 10 at rate of one new share for each ten shares held; rights to expire on Jan. 12. Subscription rights will be issued on Dec. 12. **Price** — At par ($100 per share). **Proceeds** — To repay borrowings made from American Telephone & Telegraph Co., the parent, and for other corporate purposes. **Underwriter**—None.

★ **Nielco Chemicals, Inc., Detroit, Mich.**
Nov. 19 (letter of notification) 34,800 shares of common stock. **Price**—At par ($5 er share). **Proceeds**—To liquidate notes. **Office**—8129 Lyndon Ave., Detroit 21, Mich. **Underwriter**—None.

★ **Northland Oils, Ltd., Calgary, Alta., Canada**
Nov. 21 filed 1,000,000 shares of capital stock (par 20 cents—Canadian) and subscription warrants for 600,000 shares, of which the stock and subscription warrants for 400,000 shares are to be offered in units of 100 shares of stock and subscription warrants for 40 shares. **Price**—$52 per unit. **Proceeds**—For drilling of additional wells and to purchase producing wells. **Underwriter**—M. S. Gerber, Inc., New York.

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 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.

★ Panhandle Eastern Pipe Line Co.
Nov. 21 (letter of notification) a maximum of 3,500 shares of common stock (no par). **Price** — At market (around $78.50 per share). **Proceeds**—To common stockholders entitled to receive fractional shares in connection with 2½% stock dividend payable Dec. 15, 1952. **Underwriter**—None.

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.

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.
Oct. 24 filed 186,715 shares of capital stock being 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)
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.

★ Pioneer Oil & Gas Co., Inc., Fairbanks, Alaska
Nov. 13 (letter of notification) 100,000 shares of class A common stock. **Price** — $1 per share. **Proceeds** — For equipment and drilling expenses. **Address**—P. O. Box 511, Fairbanks, Alaska. **Underwriter**—None.

★ Pittsburgh-Des Moines Co., Pittsburgh, Pa.
Nov. 18 (letter of notification) 5,000 shares of common stock (no par) to be offered to employees. **Price**—$45 per share. **Proceeds**—For working capital. **Underwriter**—None.

★ Pittsburgh-Des Moines Steel Co.
Nov. 18 (letter of notification) 9,921 shares of beneficial interest to be offered to present participants in Employees' Trust Fund. **Price**—$15.75 per share. **Proceeds**—For working capital and an equipment expansion program. **Underwriter**—None.

★ Post-Glover Electric Co., Cincinnati, Ohio
Nov. 18 (letter of notiifcation) 8,400 shares of common stock (no par). **Price**—$21.22 per share. **Proceeds**—For working capital. **Office**—221 West Third St., Cincinnati 2, Ohio. **Underwriter**—None.

Powers Manufacturing Co., Longview, Tex.
Sept. 25 filed 250,000 shares of common stock (par $1). **Price** — $2 per share. **Proceeds** — For machinery and equipment and new construction. **Business**—Production of heavy duty power transmission chain, prockets, gears, etc. **Underwriter**—Dallas Rupe & Son, Dallas, Texas.

• Read (D. M.) Co., Bridgeport, Conn.
Nov. 3 (letter of notification) $300,000 of 10-year 5% debentures being 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.

★ Rolock, Inc., Fairfield, Conn.
Nov. 17 (letter of notification) 1,750 shares of common stock (par $1) to be offered for subscription by stockholders on Nov. 25. **Price**—$14 per share. **Proceeds**—To expand facilities. **Office** — 1350 Kings Highway, Fairfield, Conn. **Underwriter**—None.

NEW ISSUE CALENDAR

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 11 a.m. EST)

Danielson Manufacturing Co.……Pfd. & Common
(Coburn & Middlebrook, Inc.)

Federal Electric Products Co.……Common
(H. M. Byllesby & Co., Inc.)

Florida Power Corp.……Bonds
(Bids 11 a.m. EST)

December 2, 1952

Davison Chemical Corp.……Common
(Offering to stockholders—underwritten by Alex Brown & Sons)

Seaboard Air Lines RR.……Equip. Trust Ctfs.
(Bids noon EST)

December 3, 1952

New York, Chicago & St. Louis RR.…Eq. Trust Ctfs.
(Bids noon EST)

December 4, 1952

New Orleans Terminal Co.……Bonds
(Bids noon EST)

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.)

Standard Coil Products Co., Inc.……Debentures
(F. Eberstadt & Co., Inc.)

State Securities, Inc.……Common
(Paul C. Kimball & Co.)

December 9, 1952

Copperweld Steel Co.……Preferred
(Riter & Co.)

New England Telephone & Telegraph……Debs.
(Bids 11 a.m. EST)

Pillsbury Mills, Inc.……Debentures
(Goldman, Sachs & Co. and Piper, Jaffray & Hopwood)

December 10, 1952

Wabash RR.……Equip. Trust Ctfs.
(Bids to be invited)

December 11, 1952

Southern Ry.-New Orleans & Northeastern RR.……Bonds
(Bids noon EST)

December 12, 1952

New England Telephone & Telegraph Co.……Com.
(Offering to stockholders—no underwriting)

December 15, 1952

Garrett Freightlines, Inc.……Debentures
(Allen & Co.)

December 17, 1952

Charter Oil Co., Ltd.……Common
(Lehman Brothers and Bear, Stearns & Co. in the U. S.)

New York Central RR.……Equip. Trust Ctfs.
(Bids noon EST)

January 7, 1953

New York, New Haven & Hartford RR.……Bonds
(Bids to be invited)

Ohio Edison Co.……Common
(Bids to be invited)

January 13, 1953

Ohio Edison Co.……Preferred
(Bids to be invited)

January 20, 1953

Kansas City Power & Light Co.……Bonds
(Bids to be invited)

Ohio Power Co.……Bonds & Preferred
(Bids 11 a.m. EST)

January 26, 1953

Culver Corp.……Common
(Offering to stockholders—no underwriting)

January 27, 1953

Iowa-Illinois Gas & Electric Co.……Bonds & Pfd.
(Bids 11 a.m. CST)

Safeway Stores, Inc.
Sept. 12 filed 1,900 shares of 4% cumulative preferred stcok (par $100) and 18,000 shares of common stock (par $5) to be issued to James A. Dick Investment Co. (formerly The James A. Dick Co.) in exchange for inventories, fixtures, operating supplies, good will and other assets of Dick. It is anticipated that the Dick Company will sell all or a substantial part of these shares from time to time on the New York Stock Exchange. **Underwriter**—None.

Sapphire Petroleums Ltd., Toronto, Canada
Oct. 28 filed 50,000 shares of common stock (par $1—Canadian). **Price**—To be supplied by amendment. **Proceeds**—To Ken Kelman, the selling stockholder, who will offer the shares from time to time either on the New York Curb Exchange or in the over-the-counter market. **Underwriter**—None.

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.

★ Sightmaster Corp., New Rochelle, N. Y.
Nov. 21 (letter of notification) 5,000 shares of common stock (par five cents). **Price**—44 cents per share. **Proceeds**—To Michael L. Kaplan, President, who is the selling stockholder. **Underwriter**—Willis E. Burnside & Co., Inc., New York. No general offering contemplated.

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.

★ Southeastern Public Service Co.
Nov. 18 (letter of notification) 22,400 shares of common stock (par 10 cents). **Price**—At market (about $7.50 per share). **Proceeds**—For working capital. **Underwriters**—Troster, Singer & Co.; Bioren & Co.; Paul & Lynch; Barrett Herrick & Co., Inc.; C. T. Williams & Co., Inc.; C. D. Robbins & Co.; Cohu & Co.; Harper & Turner, Inc.; Stirling, Morris & Bousman; Shea & Co., Inc.; and Glidden, Morris & Co.

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. (12/8)
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
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.

• State Securities, Inc., Santa Fe, N. M. (12/8-12)
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. **Offering**—Expected week of Dec. 8.

State Street Investment Corp.
Oct. 24 filed 180,556 shares of capital stock (no par) being offered for subscription by stockholders of record Nov. 5, 1952, at rate of one new share for each 10 shares held; rights to expire on Dec. 20. **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.

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★ Stonewall Insurance Co., Mobile, Ala.
Nov. 17 (letter of notification) 3,750 shares of common stock (par $20). **Price**—$40 per share. **Proceeds**—To enlarge business. **Office**—154 St. Louis St., Mobile, Ala. **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, has withdrawn as underwriter.

★ Stout Oil Co., Denver, Colo.
Nov. 18 (letter of notification) 1,182,497 shares of common stock (par five cents). **Price**—Nine cents per share. **Proceeds**—To pay notes and for equipment for drilling. **Office**—1729 Stout St., Denver, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

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.

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.

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) being 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**—$16 per share. **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.

★ Trojan Mining & Milling Co., Inc., Lovelock, Nev.
Nov. 19 (letter of notification) 100,000 shares of capital stock. **Price**—$1 per share. **Proceeds**—For mining and milling operations. **Underwriter**—None.

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 Petroleum & Mining Corp., Bismarck, N. D.
Nov. 17 (letter of notification) 150,000 shares of class A voting stock and 150,00 shares of 4% class B non-voting stock. **Price**—$1 per share. **Proceeds**—To purchase oil and gas leases. **Office**—222 Main Street, Bismarck, N. D. **Underwriter**—John G. Kinnard & Co., Minneapolis, Minn.

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.

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.

★ Washington National Insurance Co., Evanston, Ill.
Nov. 24 filed participations in the company's Employees' Savings and Profit Sharing Pension Fund for a two-year period involving an estimated $750,000 of employees' contributions during such period.

★ West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price**—To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sale of $55,000,000 first mortgage bonds, to be used to build a 1,030-mile crude oil pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York.

★ West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York.

★ West Flagler Amusement Co., Inc., Miami, Fla.
Nov. 20 filed 170,000 shares of common stock (par 50 cents). **Price**—$10 per share. **Proceeds**—To nine selling stockholders. **Business**—Amusement park. Is owner of West Flagler Kennel Club. **Underwriter**—Floyd D. Cerf Jr. Co., Miami, Fla., and Chicago, Ill.

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.

★ Winn & Lovett Grocery Co.
Nov. 18 (letter of notification) 14,192 shares of common stock (par $1) to be offered for subscription by employees under Employees' Stock Purchase Plan. **Price**—At 95% of market value (approximately $21.13¾ per share). **Underwriter**—None.

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.
Nov. 17 (letter of notification) 500,000 shares of common stock (par five cents). **Price**—25 cents per share. **Proceeds** — For oil and gas leases. **Underwriter** — R. L. Hughes & Co., Denver, Colo.

Prospective Offerings

Aluminium Ltd.
Oct. 15 directors expected that additional financing will be undertaken in 1953 to meet the major part of the increase in the estimated cost of the expansion program. The First Boston Corp., and A. E. Ames & Co., Ltd., acted as dealer-managers in stock offering to stockholders in Oct. 1951.

American Trust Co., San Francisco, 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, viz: $8,000,000 of first mortgage bonds and about $2,000,000 of common or preferred stock. **Proceeds**—For new construction and repayment of bank loans. **Underwriters**—May be determined by competitive bidding. Probable bidders: (1) For bonds only—Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler. (2) For bonds and stocks: 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.

★ Charter Oil Co., Ltd. (12/17-18)
Nov. 18, it was reported that company plans to offer and sell 900,000 additional shares of common stock (no par). **Price**—To be named later (around $1.70 per share). **Proceeds**—For expansion program. **Underwriters**—Lehman Brothers and Bear, Stearns & Co. for about 800,000 shares; balance to be offered in Canada. **Registration**—Tentatively expected this week.

★ Chicago, Rock Island & Pacific RR.
Bids will be received by the company up to noon (CST) on Dec. 9 at its office, Room 1136, La Salle Street Station, Chicago 5, I ll., for the purchase from it of $4,440,000 equipment trust certificates, series O, to be dated Jan. 1, 1953 and to mature in 24 equal semi-annual instalments from July 1, 1953 to and including Jan. 1, 1965. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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. (1/26)
Nov. 22 it was announced that company proposes to offer to stockholders on or about Jan. 26, 1953, a total of 23,640 additional shares of common stock on a share-for-share basis; rights to expire Feb. 9. **Price**—At par ($2 per share). **Proceeds**—For investment. **Office**—105 West Madison Street, Chicago, Ill. **Underwriter**—None.

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).

★ Equitable Gas Co.
Nov. 20 it was announced company may offer early next year $10,000,000 of preferred stock. **Proceeds**—To repay $8,000,000 of bank loans and for construction program. **Underwriters**—May be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Kidder, Peabody & Co.; White, Weld & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane. **Meeting** — Stockholders will vote Jan. 20 on authorizing an issue of $20,000,000 preferred stock.

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. (12/15)**
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. (1/20)**
Nov. 19, H. B. Munsell, President, announced company plans to issue and sell $12,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Blyth & Co., Inc. and Lazard Freres & Co. (jointly); The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Equitable Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc. **Bids**—Tentatively scheduled to be received on Jan. 20.

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.

★ **National City Bank of Cleveland**
Nov. 17 it was reported bank may in January offer additional capital stock for subscription by its stockholders. **Underwriter**—Merrill, Turben & Co., Cleveland, Ohio.

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 Orleans Terminal Co. (12/4)**
Bids will be received up to noon (EST) on Dec. 4 at the office of the company, Room 2018, 70 Pine Street, New York 5, N. Y., for the purchase from it of $8,000,000 first mortgage bonds to be dated Nov. 1, 1952, and to mature Nov. 1, 1977. Proceeds, together with other funds, will be used to repay $11,423,000 bonds which mature on July 1, 1953. New bonds will be guaranteed unconditionally as to principal, interest and sinking fund instalments by Southern Railway Co. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.

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 will be received by the company at Cleveland, Ohio, up to noon (EST) on Dec. 3 for the purchase from it of $2,430,000 equipment trust certificates to be dated Jan. 1, 1953 and to mature annually from Oct. 1, 1953 to Oct. 1, 1967, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

New York, New Haven & Hartford RR. (1/7)
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.; W. C. Langley & Co. **Bids**—Expected to be received on or about Jan. 7.

Northern Indiana Public Service Co.
Sept. 18 it was reported company may issue and sell shortly after the close of this year some additional preferred and common stock. **Underwriters**—May be Central Republic Co. (Inc.), Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane.

Northern Natural Gas Co., Omaha, Neb.
Sept. 17 company sought FPC authority to construct pipeline facilities to cost an estimated $69,826,000. This would include about 442 miles of main pipeline additions; installation of a total of 73,600 h.p. in new and existing compressor stations; and numerous branch line additions. Probable bidders for debentures or bonds; Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First mortgage pipeline bonds, and preferred and common Boston Corp. and Kidder, Peabody & Co. (jointly). Common stock financing will probably be done via rights.

● **Ohio Edison Co. (1/13-1/7)**
Nov. 20 company sought SEC authority to issue and sell, early in 1953, of 150,000 additional shares of preferred stock (par $100) and 479,846 additional shares of common stock (par $12), the latter issue to be first offered for subscription by common stockholders of record Jan. 7 on a 1-for-10 basis at a price to be determined by the company. **Proceeds**—To finance construction program. **Underwriters** — To be determined by competitive bidding. Probable bidders: (1) For perferred 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. **Bids** — For preferred, expected Jan. 13; for common, Jan. 7.

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 over $3,000,000 of common stock (probably around 500,000 shares to be offered to stockholders on a 1-for-2½ basis. **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 preferred 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 common stockholders at rate of $100 of debentures for each 12 shares of stock held. **Price**—To be de-

Continued on page 46

Continued from page 45

termined 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. (12/11)
Nov. 2 it was announced company and New Orleans & Northeastern RR. plan to issue and sell $15,000,000 of joint 25-year mortgage bonds due Nov. 1, 1977. **Proceeds**—For refunding. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co. **Bids**—To be received by John B. Hyde, Vice-President, Room 2018, 70 Pine Street, New York 5, N. Y., up to noon (EST) on Dec. 11.

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.**

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. and Glore, Forgan & Co. (jointly); Union Securities Corp.; Smith, Barney & Co.; White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers. 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 early in 1953; and of stock, late 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; rights to expire about Dec. 16. **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 at its office, 44 Wall St., New York 5, N. Y., up to noon (EST) on Dec. 10 for the purchase from it of $6,360,000 equipment trust certificates, series D, to be dated Jan. 1, 1953 and to mature in 30 equal semi-annual installments from July 1, 1953 to Jan. 1, 1968, inclusive. 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 $50), 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.**

★ Wisconsin Public Service Corp.
Nov. 14 company announced that it will undertake permanent financing prior to maturity (June 1, 1953) of $6,300,000 bank borrowings. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Union Securities Corp.; Kidder, Peabody & Co.; Shields & Co.; Merrill Lynch, Pierce, Fenner & Beane; Harris, Hall & Co. (Inc.); Carl M. Loeb, Rhoades & Co.; Salomon Bros. & Hutzler.

Our Reporter's Report

The old saying that "it's an ill wind that blows no good" appears to be working out at the moment in the new issue market. At least you would have some difficulty in convincing corporate issuers who are in the market just now that things are not really good.

With the dearth of new offerings of this type becoming more pronounced and no relief in sight for the remaining few weeks of the year, bankers have been unusually keen in bidding for such business as has been reaching the market.

Almost without exception, because of the lean yields afforded, such issues have been slow in getting under way. But because of the paucity of new offerings these undertakings seemingly work out over a period. Bankers, of course, have done their buying with the expectation of having to hold such material for a spell.

It may be, however, that as we draw nearer the end of the year bankers will be less willing to reach for new issues because of the increasing danger that they might have to carry such purchases through until January.

Insurance companies, still the major outlet for such investment material, will start arranging their financial affairs for the year-end in another week or so. And, as those who distribute new securities know from experience, it's got to be something really special to interest such buyers from that time forward.

Approaching the Line

Bidding for this week's offering of $35,000,000 of Pacific Telephone & Telegraph Co.'s 27-year debentures appeared to pose an early test of how high in price ultimate investors are willing to go in their quest for outlets for their funds.

The successful group paid the company 101.533 for a 3¼% interest rate. The second bid, 101.40999, was a mere $1.23 per $1,000 bond lower and the lowest of four bids received, 101.37589 was but $1.57 a bond below the winning tender.

This would indicate that all bidders were thinking pretty much the same. Report has it that several big buyers had expressed interest in a 3.18% yield basis and might have come in readily even on a 3.15% level.

But the issue was priced for reoffering at a price of 102.176 to yield an indicated 3.13%. For the moment at least, prospective buyers appeared a bit hesitant.

Others Cleaning Up

Last week's offering of Long Island Lighting Co.'s $20,000,000 of 30-year bonds priced at 101 to yield 3.32% found buyers reluctant at the start. But ultimately this issue took hold and sponsors were able to report oversubscription and closing of the books.

Again this week, Gulf States Utilities Co. received a price of 100.17 for $10,000,000 of 30-year bonds, with bankers specifying a 3⅛% coupon and fixing a reoffering price of 100¾ for a yield of just under 3.09%.

Here again the initial reception was slow. Yet buyers began to show interest in a day or so and while not completely sold out it is reported moving.

Pillsbury Mills

Another of those industrial issues which come along from time to time via the negotiated route is reported to be arousing considerable investor interest at the moment.

Pillsbury Mills Inc., has an offering of $15,000,000 of new debentures well along toward the marketing stage. And this one, judging by Street interest, has caught the fancy of potential buyers.

The maturity, 20 years, makes it attractive on that score, not to mention the opportunity for diversification which it offers. Carrying a Double A rating, it is understood the sinking fund is liberal thus tending to cut down the over-all life of the debentures. Meanwhile it is expected to be priced to yield somewhere from 3.15% to 3.20%.

DIVIDEND NOTICES

GEORGE W. HELME COMPANY
9 Rockefeller Plaza, New York, N. Y.

A quarterly dividend of 43¾ cents per share on the Preferred Stock has been declared, payable January 2, 1953, to stockholders of record at the close of business December 9, 1952.

A quarterly dividend of 40 cents per share and an extra dividend of 20 cents per share on the Common Stock have been declared, payable January 2, 1953, to stockholders of record at the close of business December 9, 1952.

J. P. McCAULEY, Secretary
Dated: November 26, 1952.

AMERICAN METER COMPANY
Incorporated
1513 RACE STREET
Phila. 2, Pa., Nov. 25, 1952

A quarterly dividend of Fifty Cents ($.50) per share has been declared on the Capital Stock of the Company, payable December 15, 1952, to stockholders of record at the close of business November 28, 1952.

W. B. ASHBY, *Secretary.*

The American Tobacco Company
INCORPORATED
111 Fifth Avenue New York 3, N. Y.

193RD PREFERRED DIVIDEND

A quarterly dividend of 1½% ($1.50 a share) has been declared upon the Preferred Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on January 2, 1953, to stockholders of record at the close of business December 10, 1952. Checks will be mailed.

HARRY L. HILYARD, *Treasurer*
November 25, 1952

Borden's
DIVIDEND No. 171

The final dividend for the year 1952 of one dollar ($1.00) per share has been declared on the capital stock of *The Borden Company*, payable December 20, 1952, to stockholders of record at the close of business December 5, 1952.

E. L. NOETZEL
November 25, 1952 *Treasurer*

THE BYRNDUN CORPORATION

The Directors of the Byrndun Corporation at its meeting held on November 25, 1952 declared a dividend of $1.50 per share on the Participating Preferred Stock, a dividend of $2.50 per share on the Class "A" Participating Stock, and a dividend of $3.50 per share on the Second Preferred Stock; also a dividend of Thirty Cents (30¢) per share on the Class "A" Participating Stock, Class "A" Common Stock and Common Stock; no dividend on fractional shares, all payable on December 18, 1952 to stockholders of record at 3:00 P.M. December 8, 1952.

H. G. FAHLBUSCH, *President*
November 25, 1952.

Bayuk Cigars Inc.

A dividend of fifteen cents (15¢) per share on the Common Stock of this Corporation was declared payable December 16, 1952, to shareholders of record December 1, 1952. Checks will be mailed.

John A. Snyder
TREASURER
Philadelphia, Pa.
November 21, 1952

PHILLIES
America's No1 cigar

DIVIDEND NOTICES

THE GAULEY MOUNTAIN COAL COMPANY

At a meeting of the Board of Directors of The Gauley Mountain Coal Company held November 19, 1952, a dividend of $1.00 per share on the Capital Stock of the Company was declared payable December 10, 1952 to shareholders of record at the close of business November 28, 1952.

CHARLES E. HEWITT,
Treasurer

Johns-Manville Corporation
JOHNS-MANVILLE JM PRODUCTS
DIVIDEND

The Board of Directors declared a dividend of 75c per share on the Common Stock, and, in addition thereto, a year-end dividend of $1.25 on the Common Stock, both payable December 12, 1952, to holders of record December 1, 1952.

ROGER HACKNEY, *Treasurer*

CRANE CO.

The Board of Directors of Crane Co. has declared a regular quarterly dividend of $.50 per share, and a special dividend of $.25 per share on the outstanding Common Shares of the Company, payable on December 20, 1952, to Shareholders of record at the close of business on December 5, 1952.

K. L. KARR, Secretary.

The Colorado Fuel & Iron Corporation

At a meeting of the Board of Directors of The Colorado Fuel and Iron Corporation, held on November 25, 1952, the regular dividend in the amount of thirty-seven and one-half cents per share was declared on its common stock, together with the regular dividend in the amount of sixty-two and one-half cents per share on the series A $50 par value preferred stock of the corporation, both payable December 31, 1952 to stockholders of record at the close of business on December 5, 1952.

D. C. McGREW, Secretary.

C.I.T. FINANCIAL CORPORATION

Extra Dividend on Common Stock

An extra dividend of 50 cents per share in cash has been declared on the Common Stock of C. I. T. FINANCIAL CORPORATION, payable December 24, 1952, to stockholders of record at the close of business December 10, 1952. The transfer books will not close. Checks will be mailed.

Dividend on Common Stock

A quarterly dividend of $1.12½ per share in cash has been declared on the Common Stock of C. I. T. FINANCIAL CORPORATION, payable January 1, 1953, to stockholders of record at the close of business December 10, 1952. The transfer books will not close. Checks will be mailed.

FRED W. HAUTAU, *Treasurer*
November 25, 1952.

CHEMICALS
TEXTILES
PLASTICS

CELANESE CORPORATION OF AMERICA
180 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

4½% PREFERRED STOCK, SERIES A
The regular quarterly dividend for the current quarter of $1.12½ per share, payable January 1, 1953, to holders of record at the close of business December 5, 1952.

7% SECOND PREFERRED STOCK
The regular quarterly dividend for the current quarter of $1.75 per share, payable January 1, 1953, to holders of record at the close of business December 5, 1952.

COMMON STOCK
50 cents per share, payable December 22, 1952, to holders of record at the close of business December 5, 1952.

R. O. GILBERT
Secretary
November 25, 1952.

DIVIDEND NOTICES

KENNECOTT COPPER CORPORATION
161 East 42d Street New York 17, N.Y.

November 21, 1952

A cash distribution of Two Dollars and Twenty-five Cents ($2.25) a share has been declared today by Kennecott Copper Corporation, payable on December 20, 1952, to stockholders of record at the close of business on December 1, 1952.

ROBERT C. SULLIVAN, *Secretary*

LIBERTY PRODUCTS CORPORATION
Farmingdale, New York

November 25, 1952

The Board of Directors of Liberty Products Corporation declared the regular quarterly dividend of Fifteen Cents (15¢) per share on its common stock, payable December 23, 1952 to stockholders of record at the close of business on December 9, 1952.

An extra dividend of Fifteen Cents (15¢) per share has also been declared payable December 23, 1952 to stockholders of record at the close of business December 9, 1952.

William G. Holman
Treasurer

ROME CABLE Corporation
ROME CABLE ROME, N.Y.
ROME · NEW YORK

55th Consecutive Dividend

The Board of Directors of Rome Cable Corporation has declared consecutive Dividend No. 55 for 30 cents per share on the Common Capital Stock of the Corporation, payable December 24, 1952, to holders of record at the close of business on December 3, 1952.

The Directors also declared Dividend No. 26 for 30 cents per share on the 4% Cumulative Convertible Preferred Stock of the Corporation, payable January 2, 1953, to holders of record at the close of business on December 3, 1952.

JOHN H. DYETT, Secretary
Rome, N. Y., November 25, 1952

FAMILY FINANCE CORPORATION

90th CONSECUTIVE QUARTERLY DIVIDEND ON COMMON STOCK

Quarterly dividends were declared by the Board of Directors as follows:

COMMON STOCK
$.35 per share on the Company's $1 par value common stock.

CUMULATIVE PREFERENCE STOCK
$.56¼ per share on the Company's 4½% cumulative preference stock, series A; $.62½ per share on the Company's 5% cumulative preference stock, Series B.

The dividends are payable January 2, 1953 to stockholders of record at close of business, December 9, 1952.

WILLIAM B. PAUL, JR.
Vice-President and Secretary
November 25, 1952

DIVIDEND NOTICES

St. Louis, Rocky Mountain & Pacific Co.
Raton, New Mexico, November 26, 1952
COMMON STOCK DIVIDEND NO. 112

The above Company has declared a dividend of 50 cents per share on the Common Stock of the Company to stockholders of record at the close of business December 1, 1952, payable December 15, 1952. Transfer books will not be closed.

P. L. BONNYMAN, Treasurer.

SOUTHERN PACIFIC COMPANY
DIVIDEND NO. 140

A QUARTERLY DIVIDEND of Seventy-five Cents ($.75) per share on the Common Stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y., on Monday, December 22, 1952, to stockholders of record at three o'clock P. M., on Monday, December 1, 1952. The stock transfer books will not be closed for the payment of this dividend.

J. A. SIMPSON, Treasurer.
New York, N. Y., November 20, 1952.

MERCK & CO., INC.
RAHWAY, N. J.

MERCK

Quarterly dividends of 20¢ a share on the common stock, 87½¢ a share on the $3.50 cumulative preferred stock, and $1.00 a share on the $4.00 convertible second preferred stock have been declared, payable on January 2, 1953 to stockholders of record at the close of business December 12, 1952.

JOHN H. GAGE,
November 24, 1952 *Treasurer*

AROUND THE WORLD FOUNDED 1897

RAYMOND CONCRETE PILE CO.
140 Cedar Street, New York 6, N. Y.
Soil Investigations • Foundations Heavy Construction

The Board of Directors has this day declared an extra dividend of 50¢ per share on the Common Stock, payable on December 18, 1952, to stockholders of record on December 5, 1952, bringing total 1952 dividend distribution to $3.50 per share.

M. M. UPSON, *Chairman of Board*
W. V. McMENIMEN, *President*
November 24, 1952

Edison

Southern California Edison Company

DIVIDENDS

ORIGINAL PREFERRED STOCK
DIVIDEND NO. 174

CUMULATIVE PREFERRED STOCK
4.32% SERIES
DIVIDEND NO. 23

The Board of Directors has authorized the payment of the following quarterly dividends:

50 cents per share on Original Preferred Stock;

27 cents per share on Cumulative Preferred Stock, 4.32% Series.

The above dividends are payable December 31, 1952, to stockholders of record December 5, 1952. *Checks will be mailed from the Company's office in Los Angeles, December 31, 1952.*

P. C. HALE, *Treasurer*
November 21, 1952

THE SAFETY CAR HEATING AND LIGHTING COMPANY, INC.
DIVIDEND NO. 222

The Board of Directors has declared a year end dividend of 50¢ per share on the outstanding Capital Stock of the Company of the par value of $12.50 per share, payable December 29, 1952, to holders of record at the close of business December 5, 1952.

J. H. MICHAELI,
November 18, 1952 *Treasurer*

20th CENTURY FOX

TWENTIETH CENTURY-FOX FILM CORPORATION

A quarterly cash dividend of $.25 per share on the outstanding Common Stock of this Corporation has been declared payable December 24, 1952 to stockholders of record at the close of business on December 9, 1952.

DONALD A. HENDERSON,
Treasurer.

TEXAS UTILITIES COMPANY

DIVIDEND NOTICE

The Board of Directors today declared a dividend of 47 cents per share on the Common Stock of the Company, payable January 2, 1953 to stockholders of record at the close of business December 5, 1952.

JOHN HUME
Secretary
November 21, 1952.

TENNESSEE CORPORATION
TENNESSEE CORPORATION
61 Broadway, New York 6, N. Y.

November 18, 1952.

A dividend of fifty (50¢) cents per share has been declared, payable December 17, 1952, to stockholders of record at the close of business December 3, 1952.

An extra dividend of thirty (30¢) cents per share also has been declared, payable December 17, 1952, to stockholders of record at the close of business December 3, 1952.

JOHN G. GREENBURGH
Treasurer.

Materials Handling Equipment
•
Locks
Builders' Hardware

YALE & TOWNE

257th and 258th Dividends Declared

On Nov. 25, 1952, an extra dividend, No. 257, of $0.50 per share, was declared by the Board of Directors out of past earnings, payable on Dec. 22, 1952, to stockholders of record at the close of business Dec. 5, 1952.

The Directors also declared dividend No. 258, of $0.50 per share, payable on Jan. 2, 1953, to stockholders of record on Dec. 5, 1952.

F. DUNNING
Executive Vice-President and Secretary
THE YALE & TOWNE MFG. CO.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—What will happen in the way of tax reduction, when it will happen, and whether it will be necessary to boost the statutory debt limit belond th present maximum of $275 billion, are among the important things which will be determined in large part by the operations of a tough and anonymous, and hence almost unknown group of genuine experts upon Capitol Hill.

While some of the newly-arrived Congressional leaders have been sounding off with a promise or hint of quick tax relief, this is not the prevailing belief of those most informed on fiscal matters. The latter want to determine just how deeply are sewed up beyond recapture the $107 billion of funds which the Pentagon has at its disposal this year.

It is at this point that the special technical staff of the House Appropriations Committee comes to the fore.

Toward the end of the 79th Congress, controlled by the Democrats, Rep. Clarence Cannon (D., Mo.), the Chairman of the Appropriations Committee, called J. Edgar Hoover, Director of the FBI. Mr. Cannon said that he wanted the FBI to send to the Committee the best man on the entire FBI staff with a technical and investigative background fitting him to investigate government expenditures.

Robert E. Lee, an FBI agent, was the man recommended by Mr. Hoover and the man employed by Chairman Cannon.

Mr. Lee began to find so many possibilities for achieving reductions in expenditures that Mr. Cannon soon lost his enthusiasm for the services of Mr. Lee. This investigator might have disappeared from the scene but for the fortuitous fact that the people in November, 1946 elected a Republican Congress. This made Rep. John Taber (R., N. Y.) the Chairman of the Appropriations Committee and Mr. Taber picked up Mr. Lee, as it were, before Mr. Cannon could lay him down.

Key Method: Use Outsiders

Lee headed a group of seldom more than six or seven investigators, most of them, like Lee, former FBI men with accounting and investigative experience. These men were never around the "front office" of the Appropirations Committee in the Capitol. As a matter of fact, they had offices uptown.

So little has been known of this group that many legends about it prevail around the cocktail lounges. Even some members of Congress will tell you that there were "15 FBI investigators" and outside Congress the number has been put as high as 25.

Actually, the great bulk of the work was done by outside experts of great experience and business stature. An executive Vice-President of one of the largest corporations in the United States was engaged to run down the expenditures in one field. Business and industry men of solid achievement and leading private accountants, were engaged on a consultative or per diem basis to do most of the work. The slender pay these men got from the allowances that Mr. Taber could pay out of Committee funds was but a small fraction of their value. These men worked primarily out of a sense of patriotism.

And they worked largely anonymously.

The fruit of this arrangement was that the 80th Congress found ways to save $8 billion in government spending. Another fruit of this labor was that the 80th Congress was marked by the first two fiscal years of surplus since the great depression of the 1930's set in. Another fruit was tax reduction.

Needed, A Miracle

With the appropriations outlook what it is, it would seem that almost a miracle will be needed to bring government spending under control during the first part of the prospective Eisenhower Administration.

Thus, for example, it is the private but sincere view of one of the most informed officials of the Truman Administration on fiscal matters that it will be all but impossible, regardless of sharply reduced appropriations voted next year, to keep government spending in fiscal '54 even a shade below $80 billions and in fiscal '55 to $70 billion, without rescissions in contracts already let, projects already started, or commitments already made to the "free world."

Short of the miracle, the Lee group may prove to be the next best thing. Mr. Lee and his staff will be back on the job shortly after Jan. 3. In 1947 and 1948 the government also thought it was nicely fixed in the way of obligating and thereby protecting its spendings. The Lee group with its outside experts found numerous cases in which the obligations to spend were not so carefully sewed up.

It may prove to be so again. Of the $107 billion of funds available for the Pentagon in the present fiscal year, only $15.8 billion had been spent up to Nov. 1. This performance suggests that even though the Pentagon is protesting privately and publicly that it will meet its schedules, that it is failing to spend the money as fast as it thinks it is.

There is a belief in highly informed quarters that the defense program is so big that in many details the Defense Department simply doesn't know what it is doing. It will be the job of outside accountants and industrial executives engaged by Mr. Taber to run down defense spending closely and see if it is not possible to bring in an appropriation rescission bill of some $5 to $6 billion. Such a project is a serious possibility. Where the services claim they have "obligated" an expenditure, they will have to be prepared to show the contract or other evidence of obligation.

Have Other Plans

So the first effort will be made through Mr. Taber and his staff to literally recapture from $5 billion to $6 billion of appropriations and authorizations already made. This alone should make it possible to let the excess profits tax (latest estimates reduce the yield from this tax to $2 billion from $3 billion) lapse June 30, and the "11% bite" of the personal income tax to end Dec. 31, 1953, or possibly even to kill this higher rate as of June 30.

There are other plans, however. With the cooperation of the White House, the first cooperation on economy possible in 20 years, Congress may be able to impose an overall dollar spending limit upon the Defense Department.

When such a limit, of $45 billion, was tentatively approved by the House, Defense screamed bloody murder. With a President committed to reduced expenditures, it is possible the Defense Department would go along. Furthermore, it is said, if the Defense Department knew in advance that it would be compelled to live within a spending limit of so many specific billions, it could accommodate its planning and procurement to that schedule.

Wilson Appointment Will Help

In this connection the appointment of GM's Charles E. Wilson to be Defense Secretary will be of invaluable aid to the economy drive.

What few people realize is that the Service Secretaries, Defense, Army, Navy, and Air, have little or nothing to do with military affairs. Their traditional job is (1) to administer the affairs of the Department, and (2) to produce the supplies for the Services.

So organization and arranging supply is the present prime job of the Secretary of Defense. Wilson as an industrialist is therefore expected to be suited ideally for the job. If he attempts, however, to simplify in any way the variety of weapons for the sake of efficient, cheaper, and faster procurement, he will have to have White House backing, for the military can be relied upon to try to override him with the appeal to the President that the Defense Secretary is dabbling in "military matters."

Can Blast Democrats Loose

Despite the fact that thousands of professors, "economists," and tired newspaper men have got themselves seemingly riveted on the Federal payrolls under the protection of civil service, the retiring of these tax eaters from the payroll is far from a difficult task, despite the civil service, if the new Administration is determined to save money.

There are two ways of doing this.

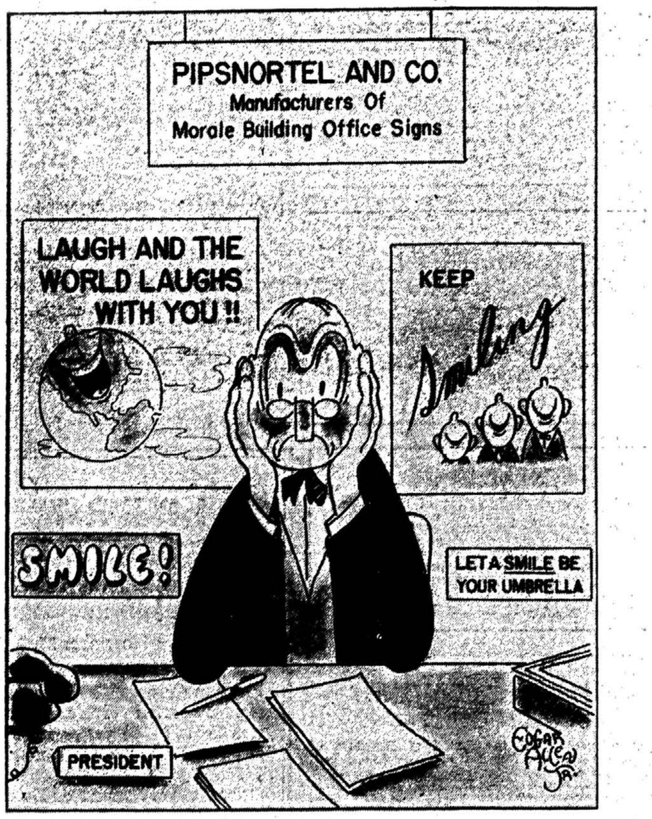
One of the least promising is the method followed by Roosevelt. FDR's method was simply to create new Federal agencies to duplicate and do the work of the old-line agencies staffed with genuine public servants. For instance, the Board of Economic Warfare practically took over the foreign trade analysis work of the Bureau of Foreign and Domestic Commerce and this correspondent remembers when employees of the latter, with nothing to do, literally begged BEW to be given a chance to help.

This method is less promising because it involves leaving existing agencies alone whilst setting up new ones, adding to total expenses.

The other method is simply for the new Secretaries as they come in to reorganize their departments one by one. All they have to do is to shift functions. In shifting functions they can re-write what are called "job descriptions" by the Civil Service Commission. They can thereby abolish existing jobs, leaving the Democratic appointees with no work. Civil Service only guarantees them a job within their qualifications as set up under each particular "job description."

(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



Business Man's Bookshelf

Accounting Problems with Answers—118 problems and 4 final examinations with explanatory notes and solutions—Joseph Schabacher and Paul Schroeder — Barnes & Noble, Inc., 105 Fifth Avenue, New York 3, N. Y. — paper—$1.50.

Are There Justifiable Limits to Consumer Credit?—M. R. Neifeld —Beneficial Management Corporation, Newark, N. J.—paper.

Balance of Payments Yearbook, Volume 4 (1950-1951)—Balance of Payments Division, International Monetary Fund, Washington, D. C. —cloth.

Cost Account and Productivity: The Use and Practice of Cost Accounting in the U. S. A.—Organization for European Economic Cooperation — Columbia University Press, 2960 Broadway, New York 27, N. Y.—paper—$1.25.

Executive Development: A Survey of Experience in 50 American Corporations — John W. Riegel — University of Michigan Press, Ann Arbor, Mich.—cloth—$6.00.

How to Improve the Utilization of Engineering Manpower — National Society of Professional Engineers, 1121 Fifteenth Street, N. W., Washington 5, D. C. — paper—$2.00 per copy up to 25 copies ($1.00 per copy for NSPE members up to 25 copies); prices for larger quantities on request.

Let Freedom Ring—A history of the conflict between freedom and Soviet totalitarianism—Office of Public Affairs, Department of State, paper—Government Printing Office, Washington 25, D. C.— 50c.

Turn on the Light — Brochure defining some of the electric power companies problems—National Association of Electric Companies (Mr. P. L. Smith), 1200 Eighteenth Street, N. W., Washington 6, D. C.

Working Wives and Mothers — Stella B. Applebaum—Public Affairs Committee, Inc., 22 East 38th Street, New York 16, N. Y. — paper—25c.