UNIVERSITY OF MICHIGAN
DEC 29 1952
BUSINESS ADMINISTRATION LIBRARY

INVESTMENT BANKERS ASSOCIATION CONVENTION ISSUE

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S Pat. Office

Volume 176 Number 5178 New York 7, N. Y., Thursday, December 18, 1952 Price 40 Cents a Copy

EDITORIAL

As We See It

"Trade not aid" as the primary need of European countries is in danger of becoming one of those popular slogans which at best "half reveal and half conceal the truth within." It is true, of course, that if European peoples are to regain an economically self-respecting place in the society of nations they must find some way of independent self-support. They will find that necessary in any event at one time or another for the simple reason that in all likelihood neither this country nor any other will continue indefinitely to support the millions in European lands, or even to contribute a substantial part of their support, for very much longer. For better or for worse, the American people would, we should suppose, come to the reluctant conclusion that perpetual subsidies to peoples who either cannot or will not stand on their own feet hardly contributes to the defense of the United States.

In more than one sense of the phrase, therefore, it is evidently true that trade rather than aid is the basic need of Europe—since, of course, none of these countries is or can be self-sufficient. They must have markets for their products in order that they may be able to buy and pay for goods they must have from abroad—goods essential not only to their export trade itself but to their very existence. Aid may reduce, and doubtless has in the past few years actually reduced, the immediate necessity of finding a way to pay for imports out of current production at home, but it is a temporary expedient at best and may actually get in the way of the development of self-reliance and self-support.

Continued on page 90

Shall We Have Global Parity Prices?

By MELCHIOR PALYI

Commenting on world-wide decline in commodity prices and accumulation of surpluses in last year and half, Dr. Palyi ascribes this to reluctance of industrial consumers to make speculative purchases, and the virtual cessation of stockpiling throughout world. Sees, also, end of postwar pent-up consumer demand, so that a fresh inflationary outburst is "not in the cards." Points likewise, to overgrown producing capacities, and calls Paley Report "primitive rehash of the discredited Malthusian Theory."

One of the numerous international organizations which are supposed to make the world a happly place is the United Nations General Assembly's Economic and Financial Committee. In its plenary meeting earlier this month, the self-styled underdeveloped countries aired their lack of happiness in unmistakable terms. What bothered them is the decline of world prices of basic commodities.

Dr. Melchior Palyi

Fazal Elahi of Pakistan said that the raw - material - producing countries were already passing through a recession. "They have apprehensions of further serious repercussions on their economies as well as on their development projects if there is even a mild recession in industrialized countries," he reported. Mr. Elahi said that when the prices of primary commodities "came down with a crash" after the post-Korea upsurge, "the falling market also adversely affected the volume of our exports, with the result that our trade balance has been seriously upset."

Not only did this shatter dreams of financing imports of capital equipment from current export earnings, he said, but imports even of some vitally needed consumer goods had to be curtailed. "The irony of the situation is that just when the supply position in respect of capital

Continued on page 75

The Investment Bankers Association of America Holds 41st Annual Convention

Meeting at Hollywood Beach Hotel, Hollywood, Fla., Nov. 30-Dec. 5, is addressed by retiring President, Joseph P. Johnson, and incoming President, Ewing T. Boles. Addresses also by William McC. Martin, Jr., Carrol M. Shanks, William A. Patterson, Harry A. McDonald and Canadian Ambassador H. Hume Wrong. Text of these Addresses, also Committee Reports and other activities, given in this issue.

The Forty-first Annual Convention of the Investment Bankers Association of America was held at the usual place, Hollywood Beach Hotel, Hollywood, Fla., from Nov. 30 to Dec. 5, inclusive. The Association elected as President for the ensuing year, Ewing T. Boles, President of The Ohio Company, Columbus, Ohio, who succeeds Joseph T. Johnson, President of The Milwaukee Company, Milwaukee, Wis. The Vice-Presidents elected were Malon C. Courts, of Courts & Co., Atlanta Ga.; Lewis Miller, of The First National Bank of Chicago, Chicago, Ill.; Ralph E. Phillips, of Dean Witter & Co., Los Angeles, Cal.; Walter A. Schmidt, of Schmidt, Poole & Co., Philadelphia, Pa., and Norman Smith, of Merrill Lynch, Pierce, Fenner & Beane, New York City.

Ewing T. Boles

The principal speakers at the convention, in addition to Joseph T. Johnson, the retiring President, and Ewing T. Boles, the incoming President, were William McC. Martin, Jr., Chairman of the Board of Governors of the Federal Reserve System; His Excellency, Mr. H. Hume Wrong, Canadian Ambassador to the United States; Harry A. McDonald, Administrator of the Reconstruction Finance Corporation; Carrol M. Shanks, President of the Prudential Insurance Co. of America, and William A. Patterson, President of United Air Lines. (These addresses, in

Continued on page 77

IBA PICTORIAL SECTION—Pictures of incoming Officers and Governors of the Investment Bankers Association of America, also candid shots taken during course of the Association's recent Annual Convention at Hollywood, Fla., appear on pages 47 to 62 incl.

DEALERS
in
U. S. Government, State and Municipal Securities
TELEPHONE: HAnover 2-3700
CHEMICAL BANK & TRUST COMPANY
BOND DEPARTMENT
30 BROAD ST., N. Y.

Pacific Coast & Hawaiian Securities
Direct Private Wires
DEAN WITTER & Co.
14 Wall Street, New York, N. Y.
Members of Principal Commodity and Security Exchanges
San Francisco • Los Angeles • Chicago
Boston • Honolulu

STATE AND MUNICIPAL BONDS
THE NATIONAL CITY BANK OF NEW YORK
Bond Dept. Teletype: NY 1-708

WESTERN OIL & MINING SECURITIES
Direct Private Wires Coast to Coast
J. A. HOGLE & CO.
ESTABLISHED 1915
Members of All Principal Exchanges
50 BROADWAY • NEW YORK CITY
Salt Lake City Denver
Los Angeles Spokane
and 10 other Western Cities

State and Municipal Bonds
Bond Department
THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK

STOCK and BOND BROKERAGE SERVICE
for Banks, Brokers and Dealers
HARDY & Co.
Members New York Stock Exchange
Members New York Curb Exchange
30 Broad St. New York 4
Tel. DIgby 4-7800 Tele. NY 1-733

NATIONAL BANK of INDIA, LIMITED
Bankers to the Government in Kenya Colony and Uganda
Head Office: 26, Bishopsgate, London, E. C. 2
Branches in India, Pakistan, Ceylon, Burma, Aden, Kenya, Tanganyika, Uganda, Zanzibar, and Somaliland Protectorate.
Authorised Capital £4,562,500
Paid-up Capital £2,281,250
Reserve Fund £3,675,000
The Bank conducts every description of banking and exchange business.
Trusteeships and Executorships also undertaken

PRAIRIE OIL ROYALTIES
CANADIAN DEPARTMENT
GOODBODY & Co.
ESTABLISHED 1891
MEMBERS NEW YORK STOCK EXCH.
115 BROADWAY NEW YORK 1 NORTH LA SALLE ST. CHICAGO

CANADIAN BONDS & STOCKS
DOMINION SECURITIES CORPORATION
40 Exchange Place, New York 5, N.Y.
Teletype NY 1-702-3 WHitehall 4-8161

Central Maine Power Co.
COMMON
Prospectus on request
IRA HAUPT & CO.
Members New York Stock Exchange and other Principal Exchanges
111 Broadway, N. Y. 6
WOrth 4-6000 Teletype NY 1-2708
Boston Telephone: Enterprise 1820

Digitized for FRASER
http://fraser.stlouisfed.org/

WE POSITION and TRADE IN
Arkansas Missouri Power
Central Public Utility
Colorado Interstate Gas
Eastern Utilities Assoc.
Common & Conv.
Iowa Public Service
Kansas Gas & Electric
Pacific Power & Light
Southern Production
Southwestern Public Service

American Maize Products
Metal & Thermit
Polaroid Corp.
Smelters Development

New York Hanseatic Corporation
Established 1920
Associate Member N. Y. Curb Exchange
120 Broadway, New York 5
BArclay 7-5660 Teletype NY 1-583

Specialists in
Rights & Scrip
Since 1917
McDONNELL & Co.
Members
New York Stock Exchange
New York Curb Exchange
120 BROADWAY, NEW YORK 5
Tel. REctor 2-7815

Trading Interest In
American Furniture
Bassett Furniture Industries
Camp Manufacturing
Commonwealth Natural Gas
Dan River Mills
Life Insurance Co. of Va.
STRADER, TAYLOR & CO., Inc.
Lynchburg, Va.
LD 39 TWX LY 77

LAMBORN & CO., Inc.
99 WALL STREET
NEW YORK 5, N. Y.
SUGAR
Raw — Refined — Liquid
Exports—Imports—Futures
DIgby 4-2727

Established 1856
H. Hentz & Co.
Members
New York Stock Exchange
New York Curb Exchange
New York Cotton Exchange
Commodity Exchange, Inc.
Chicago Board of Trade
New Orleans Cotton Exchange
And other Exchanges
N. Y. Cotton Exchange Bldg.
NEW YORK 4, N. Y.
CHICAGO DETROIT PITTSBURGH
GENEVA, SWITZERLAND

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

New York Central and Hudson River RR. Collateral 3½s of 1998 — Arthur Marx, Partner, Wilson & Marx, Inc., New York City. (Page 2)

Maine Central RR. Co. 5% Preferred—Bernard F. Seligmann, General Partner, Seligmann & Co., Milwaukee, Wis. (Page 2)

ARTHUR MARX

Partner, Wilson & Marx, Inc., New York City

New York Central & Hudson River RR. Collateral 3½% 1998

There are $19,336,000 of the above-mentioned bonds outstanding. They are secured by deposit with the Guaranty Trust Co. as trustee of 168,143 shares out of a total of 187,380 outstanding shares of Michigan Central RR., being at the rate of $115 in these bonds for each share of Michigan Central stock. This stock was acquired by N. Y. Central in 1898 by exchange of these bonds for the Michigan Central stock at the ratio of one share for each $115 of bonds.

Arthur Marx

In February, 1930, N. Y. Central leased the Michigan Central and agreed to pay $50 a share per annum on the publicly owned stock. This fact gives you an idea of the value of the Michigan Central RR. to the N. Y. Central system in 1930. On a 5% basis the Michigan Central stock would have been worth $1,000 a share and the collateral in back of each N. Y. Central collateral 3½% 1998 would have been worth approximately $9,500. On Dec. 31, 1929, the last year before the lease took place, Michigan Central RR. had a total debt of about $61½ million. By May, 1952, this had been reduced to $17,700,000, and there was enough cash or equivalent on hand to call the 4½% bonds of the Michigan Central RR (if the management wished to) which would reduce the debt to a little over $6 million. This naturally leads me to believe the stock of the Michigan Central RR. is a great deal more valuable now than it was in 1930.

I believe that, because of the value of the collateral, the N. Y. Central-Michigan Central 3½% 1998 are as good if not better than any bond in the N. Y. Central system.

BERNARD F. SELIGMANN

General Partner, Seligmann & Co., Milwaukee, Wis.

Maine Central RR. Company 5% Pfd.

Maine Central is a Class 1 railroad with slightly less than 1,000 miles of track. The company serves the area from Portland to Bangor, and around Augusta through most of Maine, and as far west as St. Johnsbury, Vt. There Maine Central's tracks connect with Canadian Pacific and give the company access to traffic from Montreal and all Western Canada.

B. F. Seligmann

Principal freight handled by the road is pulpwood, potatoes, soft coal, woodpulp, and printing paper. Most of this traffic is originated on the company's own lines. Unprofitable passenger travel comprises only 6% of all the company's revenues.

The company has operated profitably since 1939, and has had only two years in which they showed no profit since 1933. (We have no available records prior to 1933.) Earnings on the 5% preferred are more than adequate to cover current dividend payments. More than $45 was earned on each preferred share to cover the $7.50 disbursement.

Current figures show an increasingly fine trend of economic operations. Operating ratios have tended to be steadily lower since a high of 84% in 1945. Present operations resulted in a ratio of 76%.

Conservative financial operations have resulted in decreasing the company's funded debt from approximately $31 million in 1939 to less than $20 million currently. In October of this year Maine Central offered publicly $1.5 million dollars worth of new divisional mortgage bonds and have offered to prepay almost $2 million worth of divisional bonds due in November of 1953. The company is faced with a maturity of $8 million worth of first mortgage bonds in December of 1954, but should be able to refund this issue with very little trouble.

Capitalization of Maine Central is as follows (as of 12-1-52):

*Funded Debt— (Incl. Equip. Obl.)	$25,679,223
6% Cum. Prior Pref. $100 Par	1,325,500
5% Cum. Pref. $100 Par	3,000,000
Common Stock $100 Par	12,000,000

*Excluded $1,676,000 Portland & Ogdensburg 4½s of 1953 which have been prepaid.

All securities senior to the 5% preferred stock are on a current basis. At the present date there is $82.50 in cumulative dividends in arrears on this issue. Payments against these arrears were instituted in 1950 and $7.50 per share has been paid each year since that time. This issue not only provides a much better than average current return, but the prospect of accelerated dividend payments to eliminate arrears provides an excellent chance for considerable investment appreciation. The stock is traded both on the Boston Stock Exchange and over-the-counter.

A Christmas Editorial

"Is Life Worth Living In These Times?"

By Alexander Wilson*

At this Christmas Season, in a world torn asunder by hatred and strife, mankind is confronted as never before with the age-long question, "Is Life Worth Living?"

Living on this earth carries with it both pleasure and the responsibility of molding character and educating the human soul in all that is good and true and beautiful both ethically and spiritually.

If and when a person becomes a pessimistic pessimist, he forfeits, in great measure, the opportunity to love his fellow man, to enjoy the romance of a woman's love, the affection and innocence of children, the ebullience of youth, the faith of a mother, or sister, or brother, the esteem of relatives and friends as well as the respect of neighbors.

Moreover, he is deprived of the privilege of appreciating the work of countless mortals who have the capacity and genius to compose musical harmonies, to paint pictures, to sculpture statues, write poems or books, to perpetuate the classics, or to heal the sick.

One is gifted, indeed, too, who has the sensibility to appreciate nature's revelations in the beauty of a raindrop, the ocean vista, the sky, the starry constellation, the moon and the sun, for from them, he will learn something of the poetry of living and discover some of the innermost secrets of existence. And wonder of wonders! The person who can find God in "rocks and rills, woods and templed hills," is thrice blessed!

The drama of life in all its broadest manifestations, its successes and failures, its mysteries and possibilities is worth living even when unknowing or cynical individuals conclude that the average person's life is just boresome—a monotonous round of routine and uneventful movements.

So, all honor to him or to her who follows in the footsteps of the Great Master by doing their utmost to make this old Orb a better place to work and live in.

There is always hope and courage in this world for every one who rises above his daily difficulties, **yes even for the man or woman who is a successful failure!**—like the Saviour of Mankind whose ignominious death on the Cross has been the inspiration for all religious thought and belief through the Ages!!!

*Editorial writer on political and international problems.

Alabama & Louisiana Securities
Bought—Sold—Quoted
STEINER, ROUSE & Co.
Members New York Stock Exchange
Members New York Curb Exchange
25 Broad St., New York 4, N. Y.
HAnover 2-0700 NY 1-1557
New Orleans, La.-Birmingham, Ala.
Mobile, Ala.
Direct wires to our branch offices

Missouri Pacific
Serial 5¼s
Missouri Pacific
Common
GERSTEN & FRENKEL
Members N. Y. Security Dealers Assn.
150 Broadway New York 7
Tel. DIgby 9-1550 Tel. NY 1-1932

Allied Paper Mills
Industrial Brownhoist
L. A. Darling Co.
Monroe Auto Equip. Pfd.
Financial Information and Market on Request.
Moreland & Co.
Members:
Midwest Stock Exchange
Detroit Stock Exchange
1051 Penobscot Building
DETROIT 26, MICH.
Branch Office—Bay City, Mich.

Buyers of
BLOCKS OF stocks
OF SEASONED COMPANIES
IN SOUTHERN CALIFORNIA
HARRY AND MYRON KUNIN
private investors
403 W. 8th ST. LOS ANGELES • TU-5630

Over-the-Counter Quotation Services for 40 Years
National Quotation Bureau
Incorporated
Established 1913
46 Front Street New York 4, N. Y.
CHICAGO SAN FRANCISCO

Digitized for FRASER
http://fraser.stlouisfed.org/

The Institutional Market for Equities

By JULES I. BOGEN*
Professor of Finance, New York University

Dr. Bogen calls attention to growing use of financial and thrift institutions as media for individual savings and the impact of this change on securities market. Points out, under present restrictions, institutions are required to invest mainly in bonds, thus contracting demand for equities. Reveals growing gap between bond and stock yields and holds this distortion can be corrected if institutions will buy more equities. Indicates institutions will be faced with a shortage of investment outlets when supply of home mortgages diminishes.

Among the many striking economic changes of the last decade, one of the more important and spectacular has been the institutionalization of savings. Twenty or 30 years ago liquid savings were invested for the most part directly in securities and other investments by individuals.


Dr. Jules I. Bogen

Corporate bonds in the '20s were distributed mainly to individual investors. Dwight Morrow, when he was a partner at J. P. Morgan and Company, studied the distribution of a large corporate bond issue by a Morgan syndicate in the mid-twenties and found that the average sale was $3,500. The business was different then because the market was different. The market for bonds was primarily individual and not institutional.

The market for mortgages also was mainly individual. Mortgages were sold in the form of guaranteed mortgages and certificates, Straus bonds and other real estate mortgage bonds chiefly to individuals.

The demand for stocks in the '20s came largely from individuals in the higher income brackets. The bulk of the national savings at that time was in the high income brackets, and people in the high income brackets could hold stocks for dividend income to advantage because of the lower tax burden.

The Savings Trend

In the last 20 years there has been a steady, unremitting trend towards the institutionalization of savings. There are several reasons for this. For one thing, as a result of severe depression losses, people lost confidence in their ability to invest their own money safely. Considering that defaults were widespread among guaranteed mortgage certificates, real estate mortgage bonds, and many corporate bond issues, it is clear why people lost confidence in their ability to invest directly with safety.

The corporate bond study of the National Bureau of Economic Research—and this is of special interest to those who seek to foster equity investment by institutions—showed that of all corporate bonds put out between 1900 and 1943, fully 20% suffered default. The actual yield on these bonds, after deducting losses due to default and reorganization, was less than half the contractual yield based on offering price.

When people lost confidence in their own ability to invest their money, they preferred to let the savings bank, the commercial bank, the life insurance company or the savings and loan association do the job for them.

Secondly, there has been a great shift in the ownership of savings. People in the middle and upper income brackets have accounted for less and less of the total of savings as our highly progressive income tax has siphoned away their earnings. Inflation has lifted their cost of living, while taxes have taken so much of their income that the narrow margin left for savings has been squeezed more and more.

Individual investors have been under less pressure to seek a higher dividend return, since the net yield after tax could not justify the risk involved for those in the middle and upper income brackets.

The result has been that the bulk of the nation's liquid savings at the present time is flowing through financial institutions. Here are the figures for this year:

Life insurance companies are going to add over $4½ billion to their resources in 1952.

Savings and loan associations are reporting a net gain of approximately $3 billion.

Commercial banks report a net gain of over $2 billion in time deposits, which are primarily savings.

Mutual savings banks are gaining something over $1½ billion.

Pension funds, you know from what Dr. Murray said last week, are gaining $1.2 billion. This figure applies only to independently administered pension funds. As for the insured pension plans, they are included in the life insurance figures cited.

Mutual investment funds are reporting net sales of some $600 million. Compared to the others, they are still not in the big

Continued on page 85

*Stenographic report of a lecture by Dr. Bogen 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. 26, 1952.

INDEX

Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
Thursday, December 18, 1952

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.)

Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone STate 2-0...

1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Copyright 1952 by William B. Dana Company

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $45.00 per year; in Dominion of Canada, $48.00 per year. Other Countries, $52.00 per year.

Other Publications

Bank and Quotation Record — Monthly, $30.00 per year. (Foreign postage extra.)

Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

B. S. LICHTENSTEIN AND COMPANY

Season's Greetings

Let us make it a Merry and Obsolete-less Holiday for you!

Obsolete Securities Dept.
99 WALL STREET, NEW YORK
Telephone: WHitehall 4-6551

Cenco, Inc.
Lear, Inc.
Hailey Mines
Gechell Mines

J. F. Reilly & Co.
Incorporated
61 Broadway, New York 6
BO 9-5133 Teletype NY 1-3370
Direct Wires
Philadelphia • Los Angeles
Chicago • Detroit

Associated Development and Research Corp.
Cinerama, Inc.
Fresnillo
Reeves Soundcraft
U. S. Airlines

SINGER, BEAN & MACKIE, Inc.
HA 2-0270 40 Exchange Pl., N. Y. 5
Teletype NY 1-1825 & NY 1-1826

A SERVICE for SECURITY ANALYSTS
Write for Booklet C to
GEORGESON & CO.
Specialists in Stockholder Relations
52 WALL STREET
NEW YORK 5, N. Y.
BOSTON • PHILADELPHIA
CHICAGO • SAN FRANCISCO
LOS ANGELES • PITTSBURGH
CLEVELAND
Representatives in all Principal Cities

For many years we have specialized in PREFERRED STOCKS
Spencer Trask & Co.
Members New York Stock Exchange
25 BROAD ST., NEW YORK 4, N. Y.
TELEPHONE HAnover 2-4300 • TELETYPE N. Y. 1-5
Albany • Boston • Chicago • Glens Falls
Manchester, N.H. • Nashville • Schenectady • Worcester
Private Wire to CROWELL, WEEDON & CO.
LOS ANGELES, CALIFORNIA

for FRASER
r.stlouisfed.org/

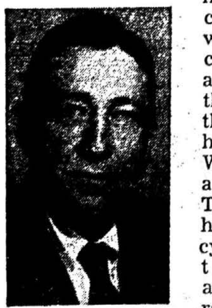
Resurgent Rails, or the Choo-Choo Named Expire

By IRA U. COBLEIGH

Author of "Expanding Your Income"

A short hauled account of rising railroad profitability, together with some comment on the current switch to rails on the Stock Exchange.

Railway shareholders are getting some valuable Christmas presents this year — expanding earnings, fatter dividends and the honor, and capital gains, which are customarily accorded to the leaders of the Dow Jones hit parade. Well, it's about time. The pendulum has swung full cycle. Twenty-three years ago, a dozen railway shares ranked among the most elegant equities our economy could boast and New York Central sold at almost seven times its current price. New York Central and its stockholders were relatively lucky! That system eluded receivership, a feat which one-third of our railway mileage could not perform; and what happened to stockholders in some of those submerged financial situations was 100% tragic. Between 1930 and now, the reorganization plans of, I believe, 13 railroads wiped out common stock entirely. Such roads as New Haven, Soo, Minneapolis and St. Louis, etc., gave their common owners wallpaper for their whoopee rooms, and an understandable aversion to rail securities that has, in many quarters, persisted unto this day. St. Louis Southwestern common just missed a rub-out in 1941 and sold at a measly buck; rising from its near-doom to sell about 300 in the 1950's; and it earned—think of it—$58 a share for the first 10 months of this year. Only by the stoutest battle, and with plenty of legal in-fighting, has Missouri Pacific kept its old common alive, till the dawn of a now brighter day.



Ira U. Cobleigh

But I came to praise Caesar, not to bury him. As I said, the pendulum has swung back. Union Pacific, Atchison, Coast Line, Northern Pacific, Burlington, and Southern, are getting that Tiffany look back after a quarter century; and who would ever have thought five short years ago, to see Seaboard common then quoting at 20 or below, breaking par and soaring like an eagle past 110? We need to revive the quote from Gabriel Heatter, "Ah yes, there's good news tonight."

Benefits of Dieselization

Bear in mind, all this financial forward motion has not been a matter of luck; it's been modernization and management played back to back. We are, of course, all familiar with the $8 billion poured, postwar, into railway property — new cars, yards, line and signal improvements, and, most of all, new diesels. Depending on the type of service, a diesel can save from 18% to 55% in operating cost, over the steam engine it replaces. Multiply that efficiency by thousands and you get at the vital factor in back of restored railway earning power. Most of the carriers that are forging ahead fastest on the earnings statements, are the ones 100%, or nearly so, dieselized. Gulf Mobile, New Haven, Southern, Seaboard, and Rock Island all build up the evidence for this case history.

Apart from technical and engineering cost reduction by the rails, the most important over-all industry-wide factor has been the new and higher rate structure applying to traffic throughout the country for 1952. While it appears that total railway car loadings may be, perhaps, 6% below 1951, gross revenues will be at an all time high—around $11 billion; net income, $765 million, will enable a bountiful $345 million to be paid out in cash dividends to an exceedingly patient group of security holders. If, as it appears, 1952 is to be the best railway year since 1930, are we now to conclude that we're at the top of the cycle, that rail shares should be sold, and that the cyclical nature of this industry historically should be restudied to temper current carrier enthusiasm? Let's see where we are, and whither we may be going, by a little railroad hopping—gleaning topical items and bits of news about different lines that may help define the trend.

Seaboard

Seaboard, we already mentioned. Its emergence from bankruptcy has been magnificent. Smart management here has achieved virtually 100% dieselization. Redemption, this year, of its 4½% income bonds and 5% preferred stocks have now streamlined the corporate structure, and placed the equity, 979,790 shares of common, in a favorable position. Ten months of operation till November first in 1951 delivered a net of $12.69 on each of the 850,000 then outstanding. Due to conversion of the now extinct Income 4½s, there are almost 130,000 more shares of common listed in 1952; but the first ten months of this year showed $16.30 net per share. This is a wonderful gain. It has prompted an increase of the quarterly dividend from $1.25 to $1.50; and the recent high market altitude of Seaboard has suggested to some the possibility of a stock dividend or split-up in 1953. Seaboard is no longer a single lurching cinder-laden streak of North-South rattlers; it's an elegant hunk of high iron.

Denver & Rio Grande Western

Denver and Rio Grande Western ran into a lot of hard luck this year. About the toughest snows and floods on record drained profitability with heavy, and we trust, non-recurring costs. Even so, net per share should approach the $18.09 of last year; and if more orthodox meteorology prevails in the Denver-Rio Grande country next year, the improved revenue prospect is considered bright. You can choose here between the common at 78 paying $4, or the preferred at 91 (convertible share for share into common) and paying $5.

Northern Pacific

Don't forget that Northern Pacific is still a railroad, even though a lot of people talk about it as a listed oil royalty. Nipper's crack transcontinental train, the North Coast Limited, is going high hat with 16 new dome-type cars, costing $6,200,000. $17 million more will be spent next year in new equipment, involving 8 diesels, 200 ore cars, and 500 "reefers." At around 80, paying $3, and 14 points below its year's high, the stock has an eager following. They like it as a road, and for the 3½ acres of land per share that may prove petroleum prone.

Chicago & Northwestern

Chicago and Northwestern common is highly leveraged, so that good results show up swiftly on a per share basis, and vice versa. This year a tough winter, strikes in lumber, steel and coal treated Northwestern harshly and earnings for the early months were a little on the dismal side. Recently the road has done much better, and net of perhaps $1 on the common for the full year is a possibility. The road has a tradition of paying out a large percentage of available earnings. At 19, Northwestern seems a volatile speculation. If, however, the system could just lay off about 700 miles of light density branch lines, with a lot of losing passenger trains, then NW common might do a bit of real highballing.

New York Central

New York Central started off slowly enough in 1952, dribbling out a meek 4c a share for the first seven months. In August, however, CN got a new President, William White, formerly of D. L. & W. Under his leadership the road seems already to have taken on a new tone. The $500 million spent on the property from 1945 to date are beginning to strike pay dirt. This is shown in part by the tranportation ratio, which went for almost 47% for the first ten months in 1951 to 43.85% this year. It was only 40% in October.

Central did not chuck the choo-choo as fast as some of the others, and today is only about 50% dieselized, throughout. This percentage is moving up all the time and as it does, important new conversions of gross to net should be possible. At 22¼, with a lot of leverage, CN is getting an interesting following among analysts and investors traditionally astute in their judgment of rail equities. 1952 net per share at around the $3 level is being predicted, all made in the last five months!

Louisville & Nashville

Peering elsewhere among the rails we note Louisville and Nashville is having good hunting, and should earn at least $10.50 this year (for 1951—$9.75). The $4.50 in dividends for 1952 is about a 7% yield and growth in territory served is impressive. My guess would be that the road is above $65% dieselized; and the switch from steam continues steadily. Not impressively underpriced at present levels, L & N common seems to be quietly moving into an improved investment status.

Baltimore & Ohio

B & O, for October, moved its operating ratios down to below 74, its debt is being reduced faster than in the case of any other major road, and the common, after a dividend Sahara of 21 long years, finally broke into print with 75c a share this past month. Earnings of perhaps $10 a share (before funds) seem possible for 1952, and the stock has been picking up quite a speculative following.

New Haven

New Haven has a splendid cash position, paid $9 in preferred dividends this year, and has led the rails in a new type of tonnage—overnight haulage of motor truck trailers on flat cars between New York and Boston. Congestion over the highways suggests an interesting future for this freight movement.

Southern Railway

Southern has only the last 5% of its complete dieselization remaining unfinished. Per share net gain so far this year is about 35% over 1951 and the common stock has been acting as though the $4 dividend rate could, or would, be hoisted. $15.50 a share earnings, which some have predicted for 1952, could give some substance to this sort of optimism.

Other Promising Prospects

As you may note, this is the breeziest sort of current treatment of rails, and I've probably skipped over quite a few situations of promise. At around the 20 level, in particular, there do seem to be a lot of interesting situations. Soo, Penn, Milwaukee, Central, Northwestern, Lehigh Valley, and New Haven, give you quite a shopping list if you're drawing a bead on capital gains, while Great Northern and Southern Pacific may attract you on a yield basis. Above all, get the facts about the resurgent rails before boarding any of same. When choo-choos expire, the earnings go higher.

ESTABLISHED 1894

STATE AND MUNICIPAL BONDS
CORPORATE BONDS
LOCAL STOCKS

The Robinson-Humphrey Company, Inc.

RHODES-HAVERTY BLDG. ATLANTA 1, GEORGIA
WALNUT 0316 LONG DISTANCE 421

Birth Rates

By ROGER W. BABSON

Mr. Babson lists births in U. S. from 1932 through 1951, and holds, as there were fewer born in the early '30s, there will now be fewer marriages, and hence, fewer births. Says births are a factor in stock and bond prices. Points out, because of lengthening life span, every manufacturer and shopkeeper is getting more business now from older people than ever before.

Once in awhile it is well to consider the past. There is an old-time saying—even if unconfirmed—"History is always repeating itself about every 20 years." Let us look back at the stock market "lows" and "birth rates" of 20 years ago. The only logical reason for the above old saying is that people "mature" at about 20 years of age. Even this reasoning should not be taken seriously if the *same number* of people become 20 years of age every year! For this old theory to work, there must be a differential in the maturity rate. We then can apply this theory as *one* factor determining stock market movements.

Roger W. Babson

Let's Look at the Record

Although a certain percentage of babies and young people die before 20 years of age, it is fair to assume that the same *ratios* apply to all who reach the age of 20 during these years. The following table gives an approximate idea of what has happened:

Births 1932-1951

1932	2,074,042
1933	2,081,232
1934	2,167,636
1935	2,155,105
1936	2,144,790
1937	2,203,337
1938	2,286,962
1939	2,265,588
1940	2,360,399
1941	2,513,427
1942	2,808,996
1943	2,934,860
1944	2,794,800
1945	2,735,456
1946	3,288,672
1947	3,699,940
1948	3,535,068
1949	3,581,000
1950	3,451,608
1951	3,648,954

As there were fewer born in the early 30's, there will now be fewer marriages and, hence, fewer births.

The above figures suggest that an abnormally small number are now reaching 20 years of age. Hence, according to this theory, there should be a decline in business, wages, prices, real estate, etc., around 1953. Of course, *births are only one factor;* but they should have a bearing on stock and bond prices, notwithstanding the recent Republican victories.

Opportunities for Merchants

The above figures also indicate possible optimistic relationship of the birth rates to certain businesses. For instance, sometimes they are bound to cause an increased demand for everything from diapers to toys; while at other times they help real estate and furniture sales. It is important that manufacturers and merchants, as well as parents, should keep this in mind. This increase in business will first appear as the birth wave develops needs for new babies; then in needs for the young children; then the demands of the teenagers; then in needs for the older youths; and finally the needs of adults.

Statistics show that there has been a great increase in older people, due to various causes. Social Security is reducing worry amongst the aged and certainly they all should thank Francis Townsend of California for this. The new drugs, vitamins, etc., have done much to eliminate disease and lengthen life. What penicillin has done to save the lives of pneumonia patients is a story in itself. Finally, the shorter day and the five-day week have protected the older members of our families. Every manufacturer and shopkeeper is getting more business from older people today than ever before.

Outlook for Colleges

Just now, most colleges are operating at a deficit from temporary lack of students, due to the great drop in the birth rate which came eighteen to twenty years ago. These colleges, however, should take heart because the crest of another wave of high birth rates will begin to benefit them a few years hence. Not only will more men and women demand an education, but better economic conditions will give more families the money to provide such.

In connection with birth rates, we must not forget the returning G. I.'s from Korea. These will be given the same rights to a free college education as were provided to the veterans of World War II. In view of the election of General Eisenhower as our new President, veterans will receive other advantages and compensations, from which many manufacturers and merchants should benefit. Hence, we should watch birth rate figures for both pessimistic and optimistic signals.

Digitized for FRASER
http://fraser.stlouisfed.org/

The State of Trade and Industry

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

The trend of total industrial production for the nation-at-large continued its upward course rising slightly above the previous week. It also continued to surpass the level of a year earlier. Aggregate output was, however, about 7% under the all-time high attained during World War II and at the highest level in several years. With respect to employment, claims for unemployment insurance benefits rose slightly but were substantially below the level of a year ago.

The labor force of the United States will reach 89,000,000 by 1975, the United States Department of Commerce predicted. That would compare with 63,600,000 last month and 41,000,000 in 1920. The 1975 projection "implies" an average annual increase of 1.3%, the department said. This would be slightly under the rate of growth over the past 30 years.

Optimism of steel-using manufacturers is growing by leaps and bounds, according to "The Iron Age," national metalworking weekly. Instead of relaxing pressure on their steel suppliers, they are increasing it. This is reflected by mill sales officials who are frankly surprised at the continuing clamor for steel from nearly all types of durable goods fabricators.

Many steel people had expected first signs of easing demand to start showing about the first of the year. This, they thought, would forecast a balancing of supply and demand about the middle of the year. It might still turn out that way, but the people who have to say "yes" or "no" to anxious customers aren't as sure as they were a few weeks ago. If anything, the steel market looks tighter now than it has for several weeks, declares this trade journal.

Where is all the pressure for steel delivery coming from? The answer is just about everybody. Autos, appliances, oil and gas, freight cars, construction, and military hard goods are a few front-line bulwarks of demand. But many other less easily classified consumers are just as hungry for steel, it states.

Auto makers have plotted an ever-rising production line for themselves through the first half of 1953. During the entire year they would like to build 6.5 million cars and 1.5 million trucks, this trade authority notes.

Appliance makers are far more optimistic than they were a year ago. Continuing high levels of retail sales, combined with interrupted shipments during the steel strike last summer, have over-corrected inventories that had grown fat. Christmas sales in several lines are better than had been expected. Expanded manufacturing capacity and renewed optimism are causing an exciting run on steel suppliers, "The Iron Age" observes.

General Motors Corp.'s shutdowns for model changeovers cut United States auto output about 5% last week from a week ago.

There were 89,924 cars assembled in the week, compared with 94,886 the preceding week and 85,483 in the like week a year ago, according to "Ward's Automotive Reports."

Only the General Motors shutdowns "prevented the industry from establishing a new 1952 (weekly) high of 150,000 units (cars and trucks) the past week," said "Ward's". This year's weekly high was in the closing week of October, when 146,654 cars and trucks were rolled out. Last week the car-truck total was 117,746.

"Sharpest plunge a week ago came at Chevrolet," said the agency, "where change to '53 model output contributed to the General Motors' decline to only 19% of industry passenger car output against a more-normal share of around 42%."

Nash and Studebaker preparations for 1953 model production also reduced their production last week.

It is learned from a joint report by the Securities and Exchange Commission and the United States Department of Commerce that corporate outlays for new plant and equipment are headed for new highs. United States companies have scheduled such expenditures at an annual rate of $28.3 billion in the final quarter this year and $28.7 billion in the initial three months of 1953. This compares with spending at a yearly pace of $27.4 billion in the first half of 1952, and $25.7 billion in the third quarter.

The survey explained that the June-July steel strike reduced stated outlays in the third quarter by 10%. This amount will be spent in the final quarter this year and in the subsequent

Continued on page 100

COMING EVENTS

In Investment Field

Dec. 19, 1952 (Denver, Colo.)
Bond Club of Denver-Rocky Mountain Group of Investment Bankers Association annual Christmas party at the Albany Hotel.

Dec. 19, 1952 (San Francisco, Cal.)
San Francisco Security Traders Association annual Christmas party at the St. Francis Yacht Club.

Dec. 29, 1952 (New York City)
Security Traders Association of New York special meeting at the Blue Room, Bankers Club.

Jan. 16, 1953 (Baltimore, Md.)
Baltimore Security Traders Association 18th annual Mid-Winter Dinner at the Lord Baltimore Hotel.

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

Feb. 13-14, 1953 (Chicago, Ill.)
Investment Bankers Association of America winter meeting at the Edgewater Beach Hotel.

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

May 13-16, 1953 (White Sulphur Springs, W. Va.)
Investment Bankers Association of America Spring meeting at the Greenbrier Hotel.

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

Nov. 29-Dec. 4, 1953 (Hollywood, Fla.)
Investment Bankers Association of America Annual Convention at the Hollywood Beach Hotel.

Observations . . .

By A. WILFRED MAY

THERE IS NO SANTA CLAUS—With Tax-Avoidance Gifts

For investors this is the season of dampening of the spirits that have been basking in the profits taken during this year's leg of the long bull market. For now at the year-end there looms the other side of the medal: Uncle Sam's cut-in on the juicy arithmetic gross profits, with the anguishing reminder, particularly to the shorter-term speculator that he is playing a heads-you-win-tails-I-lose game. Fortunately for his peace of mind, if not for his understanding, amelioration of his anguish is being vouchsafed to him by outpourings of advice on various tax-saving moves.

A. Wilfred May

But we feel constrained to offer four quite cheerless observations above the current barrage of literature on year-end planning for tax saving. In the first place, harmful impact from our present tax structure, or anything near it, is inexorable. In the second place, some prevalently popular tax-saving devices through omission of material counterbalancing factors, are not all that they are believed to be. In the third place, the actual impact of the tax incidence on the individual situation should be realistically measured, in lieu of sacrificing hard-boiled investment considerations for a tax-saving mirage. And finally, we advise taking into consideration the general impact of taxation on the market as an aid to its appraisal and portfolio management.

In the forefront of behavior without taking complete recognition of all the pertinent factors in "the deal" is the prevalent year-end switching between securities to *register* a paper loss.

"For investors desirous of maintaining their approximate present position and still establish tax losses:—sell and buy comparable amounts and types of securities," with an appended list of similarly-priced issues arranged by industries, is typical of the encouragement streaming from brokerage houses to swap issues. It assumes that an accrued paper loss can be used against an outstanding gain to a maximum extent of 26%, or against ordinary income up to $1,000 annually for five years.

The Unrealized Catch

But this ass omits consideration of the aftermath with the offset of an added taxable capital gain if all goes well, and you sell the new issue at a profit before your death; or if all goes ill, an equivalent reduction of the later loss that can be registered.

Thus the net result of "tax-loss-switching," *per se* and apart from surrounding circumstances, may (unless you are rescued by death or a change in the law) well be merely a lowering of your cost basis at the cost of brokerage commissions and transaction taxes.

This process of subsequent offset through reduction of cost

Continued on page 106

We wish to announce that

EDWARD M. CORLEY

has become associated with us in our
Corporate Bond Trading Department

Tucker, Anthony & Co.
Members New York Stock Exchange

December 17, 1952

NEW ISSUE

$11,625,000

New York Central Railroad
Equipment Trust of 1953

3⅛% Equipment Trust Certificates

To be dated January 1, 1953. To mature $775,000 each January 1 from 1954 to 1968

Issued under the Philadelphia Plan with 25% cash equity

MATURITIES AND YIELDS

1954	2.40%	1959	3.00%	1964	3.20%
1955	2.60	1960	3.05	1965	3.225
1956	2.75	1961	3.10	1966	3.25
1957	2.85	1962	3.15	1967	3.275
1958	2.95	1963	3.175	1968	3.30

These certificates are offered subject to prior sale, when, as and if issued and received by us, subject to approval of the Interstate Commerce Commission.

SALOMON BROS. & HUTZLER

DREXEL & CO. UNION SECURITIES CORPORATION

STROUD & COMPANY
Incorporated

December 18, 1952

Digitized for FRASER
http://fraser.stlouisfed.org/

Equities vs. Mortgages as Savings Bank Investment

By ALFRED J. CASAZZA*
Vice-President, Savings Banks Trust Co., New York

After noting increase in mortgage holdings of savings banks, due to attractive yields, Mr. Casazza discusses relative attractiveness as savings bank investments of equities compared with mortgages. Says savings banks are aware of greater risks in equities, and for that reason, despite their higher yield and lower service costs, are not purchasing them with the eagerness which characterizes their mortgage lending. Concludes, because of statutory and other limitations, equities cannot become serious rival of mortgages as saving bank investments.

Mutual savings banks have found real estate mortgages by far the most desirable class of investments available to them during the past five years. All savings banks in the United States increased their holdings of mortgages by $6.1 billion from the end of 1947 to Nov. 1, 1952. The increase in their deposits was only $4.5 billion during this period. So attractive have mortgages been to savings banks during these years, therefore, that they have invested not only all new deposits received in them, but also a substantial part of the proceeds derived from the reduction of $2.4 billion in their government security holdings.

Alfred J. Casazza

Mortgages have proved so attractive to savings banks because they have provided a higher yield than could be obtained from high-grade bonds. Since savings banks have sought to step up earnings because of increased dividend payments to depositors, rising expenses and the need for more surplus to keep pace with deposit growth, they have been among the most active institutional mortgage lenders.

Mutual savings banks still find mortgages, as a class, more attractive as investments than bonds, despite the rise in bond yields. This is shown by the fact that the bulk of the deposit gain this year has once again been invested in mortgages, although substantial purchases of corporate and tax-exempt bonds also have been made.

A new outlet for funds has been provided savings banks in this state for the first time this year by the action of the New York State Legislature which authorizes savings banks to invest in equities. The question therefore arises whether mortgages will continue to be as attractive as before, or whether a large part of the funds hitherto invested in mortgages will now be put into preferred and common stocks, reducing the demand for mortgages among savings banks.

How Attractive Are Equities?

To appraise the relative attractiveness of equities and mortgages to savings banks, we must first determine just how desirable equities are as savings bank investments. We know, from the record of the past five years, that mortgages have proved quite desirable to savings banks under the conditions that have prevailed during this period.

Equities, as a class, offer higher yields and larger net rates of return after taxes than other investments available to savings banks. High-grade preferred stocks offer average yields of nearly 4% today, and the average yield of a representative group of investment grade common stocks listed on the New York Stock Exchange is over 5%. Unlike mortgages, there are no substantial servicing costs that are to be deducted from the income received on equity investments.

The yield advantage of equities is far greater for mutual savings banks which pay Federal income taxes. Interest income, except from tax-exempt bonds, is fully taxable for such banks, whereas they are entitled to a dividend credit of 85% on dividends from stocks, except for certain public utility preferreds. This makes the effective tax on dividend income only 7.8%, as compared with 52% on interest income.

Common stocks offer a further advantage in that corporations pay out as dividends merely a part of net earnings. For all business corporations, dividends this year constitute only a little over half of earnings available for common stock, according to the U. S. Department of Commerce. The balance of earnings, reinvested in the business, may lead to increases in profits and dividends in the future.

Risks of Equities

Savings banks are well aware, at the same time, that equity investment involves greater risks than do mortgages. This is particularly true of common stocks.

In the first place, the risk of possible ultimate loss is greater, as shown by the past experience of investors with common stocks. When corporations encounter financial difficulties, common stocks feel the full brunt because they represent the residual interest in the enterprise. Creditors and preferred stockholders hold senior positions and so receive priority.

Secondly, stocks are proverbially the most volatile of securities so far as market prices are concerned. In past business depressions, stock prices, especially of common equities, have proved very vulnerable.

Thirdly, many corporations reduce dividends when their earnings suffer a serious decline, so that the yields realized by investors may ultimately prove considerably smaller than those offered when the stocks are purchased. This risk is greater when equities are acquired in a period of prosperity when profits and dividends are around a peak.

Finally, the Banking Department now requires that 1% of the cost of the equities be set aside out of the income as a reserve for future losses or depreciation. For examination purposes, the equity portfolio is carried at cost or market, whichever is lower, so that if the reserve is inadequate the balance of depreciation in the equity portfolio is charged against surplus or undivided profits as computed for examination purposes.

Because savings banks are keenly aware of these risks, they are not purchasing equities with the eagerness that has characterized their mortgage lending in recent years. Rather, they are proceeding with caution and circumspection, adopting equity investment policies that are designed to minimize the risks. A number of savings banks are not purchasing any equities for the time being, or are limiting purchases mainly to preferred and guaranteed stocks and a few "defensive" commons like utilities, food companies, and certain retail chain store stocks. Others have resorted to the principle of "dollar averaging," under which the same sum is invested in stocks each year over a period of five or ten years so as to lessen the risk that purchases will be concentrated at a time when prices happen to be comparatively high.

Limits on Equity Purchases

Keeping in mind both the yield advantages of equities and the risks that affect a savings bank's willingness to buy them freely, we can estimate the extent to which the savings banks of New York State are likely to invest in preferred and common stocks.

In the first place, total investment in equities is now severely limited by law. Savings banks can invest in preferred, guaranteed and common stocks at the maximum only 50% of their surplus and undivided profits, or 5% of assets, whichever is the lesser sum. Moreover, a lower limit of one-third of the surplus and undivided profits or 3% of assets, whichever amount is less, applies to common stocks.

For savings banks of New York State, this puts a limit of $637 million on their total possible purchases of equities at the present time. Of this maximum, $406 million may be put in common stocks, including shares of the Institutional Investors Mutual Fund, Inc., which is being set up by savings banks, in accordance with the New York law, to provide a medium through which they can invest in equities jointly to mutual advantage.

The savings banks of New York State increased their net holdings of mortgages by $1,186 million in 1951 and will increase them by about $950 million in 1952. The demand for mortgages from savings banks reflects not only the investment of new savings, but also the reinvestment of amortization and satisfaction receipts. The funds received each year from amortizations and satisfactions of mortgages held in the portfolio alone will be far larger in amount than the total that equity purchases will reach for many years to come.

Relative Position of Equities And Mortgages

It is thus evident that equities, attractive as they are as a class, cannot possibly become a serious rival of mortgages as major investments for mutual savings banks.

Statutory limitations on total purchases of equities, the fact that a number of savings banks, especially those that do not pay an income tax, have little or no interest in equity investments, and the desire of many banks that do want to buy equities to acquire them gradually over a period of years will combine to curb the extent to which savings bank funds will be diverted from mortgages to equities. At most, equity investment can attract only a relatively small percentage of savings bank investment funds from mortgages. To some extent, also, the funds that will be invested by savings banks in equities would otherwise have gone into bonds, rather than into mortgages.

Mortgages remain an outstandingly attractive class of investment for mutual savings banks for a number of reasons. The banking law permits virtually unlimited investment in mortgage loans when FHA and VA loans are included. Savings banks have evolved strong mortgage lending organizations possessed of long and varied experience in lending under all kinds of economic conditions. By contrast, up to only 3% of assets can be invested in common stocks at the most, only up to 5% as a

Continued on page 95

*An address by Mr. Casazza before the Mortgage Bankers Association of New York, Inc., New York City, Dec. 2, 1952.

From Washington Ahead of the News

By CARLISLE BARGERON

It is a fact that General Eisenhower repeatedly emphasized during the campaign, both before and after his announcement that he would go to Korea, that he had no quick panacea for bringing the war to an end. But there is going to be a terrible disappointment if, in a reasonable length of time, he doesn't evolve some method of ending it.

Carlisle Bargeron

There is no way of definitely evaluating the importance of the various issues in the campaign, of course, but in my opinion the two which weighed most against the party that has been in power for 20 years, were Korea and Communism in the Washington government. Corruption figured in the picture of the general mess, but Communist coddling and Korea, I believe, had most to do with the outcome.

In the early part of the campaign I felt, in my travels and talks with just plain people and business and political leaders, a yearning to punish the Administration on account of the Korean fiasco, but there wasn't a full acceptance of Eisenhower as the alternative. He became a fully accepted alternative when he dramatically stated that he would go to Korea.

It is true that he followed this up with repeated statements that too much was not to be expected from such a trip, that he just wanted to see the situation at first hand. But the statement about his going had its political effect, and there is no doubt in my mind that on the part of his political advisors, that effect was calculated. Mr. Truman and Governor Stevenson think it had a tremendous effect and this is the reason Mr. Truman is so bitter about it. Governor Stevenson has been more gracious.

So there are many of the General's well wishers now who hope he will be able to accomplish something and there is a belief among them that he will. To pursue the Korean fiasco in the manner of futility with which Truman has pursued it is the height of absurdity. The Truman policy has been that we must wage an ineffective campaign else we will incite the Russians; we must apply a limited amount of weapons, fire a limited amount of ammunition, cover a limited amount of territory, apparently just enough to keep the war going.

We are told that we can't withdraw because we would take the heart out of Asia. It is difficult to see how what we are doing can give any spirit or heart to anybody. We make it plain that we are afraid to go any farther. Why would it be any different if we said we were tired of going even this far?

Manifestly, there is something more to the story of Korea than that which has been peddled to the American people. To do what we are doing is accomplishing nothing anywhere, in Asia, Russia, or even in Korea.

The Administration's outward attitude has been that it doesn't want to extend the war, extend it simply to the point of wiping out the Chinese bases, because Russia might "come in," might attack in Europe, might invade Iran. China might move on Indo-China. The reasoning in regard to Indo-China is that China now is satisfied with waging war on Americans in Korea, but if we strike back to the extent of really hurting her, it will add to her strength and spur her on to attacking Indo-China. None of it makes much sense, which is not my opinion alone but a rather widespread opinion in both Washington military and political circles. The argument that going so far in Korea and no farther deters Russia in any way, shape or form is an insult to the intelligence.

I am not privy to any plans General Eisenhower may have or to any of his thinking on this subject, and if I were, I would not reveal them. But whatever he does will be against this background, because it was, in general, the picture he got from the military leaders in Korea and what he has gotten and will get from the military leaders here. The strategy in the Korean war has not been dictated by the military; it has been dictated by Mr. Truman and the State Department. So there will be plenty of room in which the General may operate to accomplish something.

And when that something is accomplished, we have the warning of Representative Walter Judd of Minnesota, an expert on Far Eastern affairs, a highly respected one, that Japan sooner or later must fall into the Chinese orbit to survive. China is her natural market, we cannot possibly supplant it, Mr. Judd warns. He could go further and say that no stability can come to Europe until trading between East and West is resumed, but Europe is not the sphere of his experting.

All of this, however, is not of the General's making; neither is the Korean fiasco. But in the latter case he is expected to accomplish something and there will be considerable of a let-down if he doesn't.

itized for FRASER
://fraser.stlouisfed.org/

Progressive Tax Changes in 1952

By VICTOR R. WOLDER*
Attorney at Law, New York City

Mr. Wolder reviews revisions and amendments of tax laws and decisions, among which were: (1) reinstatement of excessive depreciation deductions; (2) Employees' Profit-Sharing Trusts; (3) abandonment losses; (4) net operating carry-back losses, and (5) tax status of property held primarily for sale in regular course of business.

As we look back over this past year, we must say that it has been a year of progress. Long needed revisions have been made in the reorganization of the Bureau of Internal Revenue. Some procedures have been speeded up or simplified. Some progressive tax legislation has been enacted by Congress. And the courts have been neither too rough nor too lenient on the taxpayer.

Victor R. Wolder

While there has not been too much legislation, the few laws which were passed were needed.

Reinstatement of Excessive Depreciation Deductions

Most significant of these changes is the fact that it reflects the continued intent and desire of Congress to give retroactive tax relief to taxpayers when inequitable situations come into being. For example, taxpayers who took excessive depreciation deductions during any taxable year commencing with Jan. 1, 1932, and received no tax benefit for the deduction may now elect to have the excessive amounts of deduction reinstated to cost basis. This election to reinstate must be made by Dec. 31, 1952. To give an example: Suppose taxpayer acquired assets in 1938 at a cost of $100,000. It took depreciation deductions at the rate of 10% per annum, or $10,000 annually, with the result that its cost basis was entirely exhausted by 1948. Let us assume that taxpayer had losses after depreciation each year of at least $5,000 annually. Let us assume also that a reasonable rate of depreciation was only 5%, or $5,000 annually. Under this set of facts, taxpayer would be allowed to reinstate to cost basis the sum of $50,000, representing excessive depreciation taken and obtain depreciation deductions thereon, commencing with 1948. This change in the law now counteracts the famous (or infamous) decision made by the Supreme Court in the Virginia Hotel case in the early 1940s.

Sale of Homes by Members of Armed Forces

Members of the Armed Forces are the beneficiaries of an amendment designed to prevent them from being deprived of the income tax provision for non-recognition of gain from the sale or exchange of a residence. As you know, when a taxpayer sells his residence, the gain thereon is not taxable to the extent that the proceeds of sale of the old residence are reflected in the purchase of a new home made within one year from the sale of the old one or one built within 18 months. Of course, this provision of law was a little hard on men and women who went into the Armed Forces and particularly those who sold their homes for this reason. Most of them have to serve over a year whether they volunteer or are drafted. Because of this, Congress passed a law which said that the running of the one year to 18 months limitation in the law is suspended for a period not exceeding four years from the date of sale if the taxpayer serves on active duty in the Armed Forces pursuant to a call or order to such duty for a period in excess of 90 days or for an indefinite period.

Employees' Profit-Sharing Trusts

Congress continues to make extensions to the tax benefits to be derived by beneficiaries of qualified tax-exempt trusts under Section 165 of the Internal Revenue Code. Under Section 165, a taxpayer can set up a profit-sharing plan, or a pension plan, or a stock bonus plan for the benefit of the employees, obtain an immediate tax deduction for the contribution made into the plan, and the beneficiaries need not report any income until their interest under the plan is distributed to them. Usually, this is not until they retire at the age of 65, leave the company for permanent and total disability, or are discharged or resign after, perhaps, 10 years of coverage. Among the numerous tax advantages to be achieved is the one which says that if the total benefits under the plan are distributable in one lump sum to an employee by reason of his severance from employment, the income is to be taxed as a long-term capital gain and not ordinary income. In the Revenue Act of 1951, an amendment to the law provided that where the distribution to the employee included securities of the employer corporation, there shall be excluded from income the unrealized appreciation in value of such securities of the employer corporation if acquired from the employer's contribution. Now, in 1952, Congress has made a further amendment by providing that a similar result occurs when securities of the employer corporation having an unrealized appreciation in value are distributed and such assets had been acquired out of contributions made to the plan by the employee.

Very frankly, any employer who has not studied the possibilities of deferred compensation under a qualified profit-sharing plan with a tax-exempt trust ought to do so. There are so many tax benefits which result to the employer, the employees, the officers, the management, the rank and file employees, as well, that the subject should not be overlooked. In addition to this, Congress has under consideration at this time legislation which will permit partners and sole proprietors to set up pension and profit-sharing plans for themselves, with substantial tax benefits. At the present time such coverage, with tax benefits, is not available to the partners and sole proprietors of a business.

On this subject of profit-sharing plans, there is one item which has been the particular subject of litigation, and a recent case brings this point into sharp focus. The law says that a contribution for a taxable year must be made within 60 days of the close of the taxable year and dated back to the preceding year. But it must be remembered that a trust cannot be deemed to have been in existence in any taxable year prior to its actual execution and establishment. Therefore, in the first year of its existence, a trust cannot be made retroactive to a prior year just because it was established within 60 days of the close of such prior year.

Reorganization of the Bureau

As we all know, the reorganization of the Bureau of Internal Revenue has been progressing. In many areas the new set-up has been installed. Actually, there is not too much change as yet. Perhaps, there will be some lasting benefits. The real trick would be for the Bureau to speed up the processing of cases. This situation is, in my opinion, constantly getting worse. More and more, the agents have been rejecting cases, and sending them "upstairs" and "upstairs" is getting crowded. On top of this, the Tax Court is jammed. At least there, the Court has now been appointing Commissioners to hear the cases, instead of the Judges themselves. This has some advantages. It has worked well in the past in the United States Court of Claims; perhaps it will work well in the Tax Court.

Jury Trials

Congress has passed a law which says that if you sue the Director of Internal Revenue for a tax refund then you can obtain a jury trial, as you could when you sued the Collector of Internal Revenue. This was an important point, because as we know, juries had a tendency to favor the taxpayer against the government. Congress is now considering a law which would permit taxpayers to have a jury trial in tax refund cases when the suit is directly against the United States Government. Frankly, this may or may not be an advantage to the taxpayer. It all depends. For example, when you sue the Director, you can recover Court costs as well, but when you sue the government, you cannot.

Charitable Deductions

In 1952, the law was amended so that individuals may deduct up to a maximum of 20% of the adjusted gross income (instead of 15%) for contributions made to charitable, religious, educational and other similar types of organization.

Amortization of Leasehold Improvements

As we all know, generally any improvement a corporation taxpayer makes on a business property results in a deduction to the taxpayer spread over the life expectancy of the improvement. One advantage—the way to obtain a much higher deduction—however, was discussed in two Tax Court decisions this year (Halsam and Schunk cases). Briefly, if instead of building the improvement on property owned by the Corporation taxpayer, the Corporation erects the improvement on leased property, then the cost of the improvement is amortized over the term of the lease instead of over the life of the improvement. This is of particular advantage where the owner of the property happens to be the controlling stockholder of the Corporation. At the end of the term of the lease, the controlling stockholder still owns the property. He can again lease it to the Corporation — this time at a higher rental. In the interim, his property has been improved; the Corporation has completely written off the cost and obtained a deduction for it. And under a special section of the Internal Revenue Code the improvement is not treated as income to the controlling stockholer at the time he receives it upon the termination of the lease. On top of this, it is an effective way to reduce accumulated surplus.

Estimated Declarations

It is appropriate to give some thought to estimated declarations. A much greater effort is developing in the Bureau of Internal Revenue to obtain penalties and interest from taxpayers who fail to properly file or to pay their estimates when due. An estimated declaration for calendar year individual taxpayers must be filed by March 15 each year; or he might be required to file one on any one of the other three estimation dates, June 15, September 15 or January 15 (of the next year). An estimated declaration may be amended once in each quarter of the year remaining after the original is filed.

Failure to make and file an estimated declaration (except when due to reasonable cause and not wilful neglect) results in a penalty of 5% of each installment due but unpaid, plus 1% per month of the unpaid amount of each installment due—until a total of 10% maximum penalty is reached. For the purposes of computing the penalty, the correct tax eventually found to be due is used.

When an estimated declaration is duly made and filed, in case of a failure to pay an installment of the estimated tax when due (except where there was reasonable cause and not wilful neglect), a similar penalty is added, i.e. 5% of the unpaid amount of each installment, plus 1% per month of the unpaid amount of the installment, until a total of 10% maximum penalty is reached.

If the taxpayer's estimated declaration is less than 80% of his correct tax, then he is penalized an amount equal to the difference, or 6% of the difference, whichever is the lesser. There are a few exceptions as to this, in the case where a taxpayer dies during the year, or he is a farmer. Nor does this section dealing with substantial underestimation of tax apply where the estimated tax paid "is an amount at least as great as though computed on the basis of taxpayer's status with respect to personal exemption and credit for dependents on the date for filing the estimated declaration, but otherwise on the basis of the facts shown on his return for the preceding year."

Giving consideration to proper estimated declaration is very important. Penalties from this source are appearing more and more in the Tax Court decisions.

Deductibility of Illegal Payments

During the past year, there were a large number of cases dealing with deductibility of illegal payments. Foremost among these was one handed down by the Supreme Court which said that a rebate payment not made in violation of Federal or state law, or in violation of a sharply defined Federal or state public policy, is properly deductible if made in the ordinary course of business, particularly where it is necessary to meet competitive practices. The mere fact that the payment is unethical does not condemn its deductibility.

Deduction to cover penalties for unlawful conduct are generally disallowed. For example—penalties for violation of state anti-trust laws or for violation of Federal or state laws. But then again, an overcharge under the Emergency Price Control Act was allowed to be deducted because it did not frustrate any "sharply" defined policies of the Act. Items which generally enter into the cost of goods sold will be recognized although they are illegally made. Thus, over-the-ceiling payments made for purchase of goods will be permitted to stand as cost of goods sold. The reason is easy to understand, although sometimes difficult in its application. Deductions for expenses are a matter of statutory grace. Congress can allow them or not. But

Continued on page 92

*An address by Mr. Wolder before the Accountants Association of New York, Inc., New York City, Dec. 4, 1952.

This announcement is not to be construed as an offer to sell or as an offer to buy the securities herein mentioned. The offering is made only by the Prospectus.

Standard Coil Products Co. Inc.

$5,000,000 5% Convertible Subordinated Debentures
due December 1, 1967

Price 100%
plus accrued interest from December 1, 1952

250,000 Shares Common Stock, $1 Par Value

Price $16.75 per share

Copies of the Prospectus may be obtained from the undersigned only in states in which the undersigned is qualified to act as a dealer in securities and in which the Prospectus may legally be distributed.

F. EBERSTADT & CO. INC.

December 11, 1952

gitized for FRASER
p://fraser.stlouisfed.org/

Recent Inflation Developments In Western Europe

By MRS. VERA LUTZ, Ph. D., Princeton, N. J.*
Formerly Economic Adviser to the International Credit Conference in Rome, 1951

Mrs. Lutz traces new inflation spurt in Western European countries that followed Korean war outbreak. Citing halting of inflation in most countries by end of 1951, she concludes such pressures have subsided. Notes reversion to orthodox monetary policy in countries where such had been discarded over long period. Asserts there are other serious problems than monetary policy, as need for greater mobility of labor, decline of the capital market, and higher wage demands by organized labor.

In Western European countries, as in the United States, there no longer prevails the same anxiety about the continuance of inflation as existed 12 months ago. In most countries the upward movement in prices had been halted by the end of 1951, and the current year has been a period of near stability, or even a slight falling tendency, except for the continued rises in the cost of living in some of the countries, notably in Great Britain where it was, however, largely due to the reduction of food subsidies. On the basis of the wholesale price indices, in each case converted to the base June, 1950=100, we may divide the major countries into three groups, arranged in order of the extent of the price rise during the first 18 months following Korea. The top group, showing the highest price rise over that period, contains France and Sweden. In France the level rose from 100 in June, 1950 to 148 in December, 1951, but had fallen back to 140 by August of this year. In Sweden the level rose from 100 to 143, and stood at this same level in August. Into the middle group fall Belgium, Western Germany, the United Kingdom and the Netherlands. The wholesale price level of the United Kingdom, for example, rose from 100 to 120 and fell back to 126; that of Western Germany rose to 132, and was still at this level in September of this year. In the lowest group come Italy and Switzerland, with wholesale price movements roughly similar to those of the United States.

Vera Lutz

The arresting in 1952 of the rapid rate of price rise which had prevailed previously followed the adoption in France, Sweden, and the United Kingdom of stricter credit policies in the autumn of 1951. With the measures already introduced somewhat earlier in Western Germany, the Netherlands, and elsewhere, resort had now been had almost everywhere to the active use of the weapons of monetary policy as a means of combating inflation. And at the moment at least, it would seem that there is no longer that marked division between the "easy money" countries and the "tight money" countries which had existed over much of the post-war period.

For some of these countries we must, however, be careful not to exaggerate either the extent of the tightening of the monetary screw, or the degree to which it has removed, or can remove, the economic difficulties by which they are faced. In the case of Great Britain, we may say that, as a break-away from two decades of uninterrupted easy money conditions, the change is impressive. In terms of interest rates it has meant a rise, between the autumn of 1951 and the autumn of 1952, from ½% to nearly 2½% in the Treasury Bill rate, and from 3¾% to about 4¼% in the long-term rate (rate on Consols). What is equally important, it has meant the abandonment by the Bank of England of its war- and post-war practice of always standing ready to provide additional cash to the market by buying all Treasury Bills offered to it at a fixed rate. Nevertheless, these steps in the direction of a return to monetary orthodoxy cannot by themselves be expected to cure the economic malaise by which Great Britain has so long been afflicted. Broadly speaking, what the new monetary policy in Great Britain has accomplished is the removal of the danger, which existed prior to last autumn, that further inflationary pressure might be exerted by increases in the total volume of bank lending to the private sector, a danger which, it was feared, could no longer be held in check by mere exhortations to the banks to exercise restraint when the means for financing the additional lending were constantly available to them via the market's easy access to accommodation from the Bank of England. What was done was to cut off this easy access.

Stability in Britain

We may note that the total volume of bank deposits, movements in which are normally taken as indicative of the movements in the money supply, have been very nearly stable in Great Britain not only since last autumn, but ever since the middle of 1948; and it is not in this index, therefore, that the source of the post-Korean inflationary pressure expressed itself. In fact, the increase between June, 1950 and September, 1952 was only 2%. The near stability in the volume of money does not, however, mean that the volume of monetary demand remained stable over this period. There has been a very substantial movement upwards since the end of the war in rate of turnover of the money supply, after this rate had been reduced below the normal level by wartime controls over consumers' and businessmen's expenditures, controls which have gradually been removed in the post-war years. A rough calculation of the income velocity of the money supply shows that, whereas in 1938 it was about 2.2, in 1946 it was only about 1.7, representing a fall of 23%. After 1946 the velocity gradually rose as the result of the unloading of idle balances, especially by businessmen, and by 1950 it had climbed back to 1.9, a figure which was still some 13% below the pre-war level. Consumers' cash balances are still presumably abnormally high, so that the gradual unloading of these is likely to be sufficient to take care of the growth in production, at constant prices, for some time to come without any increase in the volume of money.

What the tighter monetary policy did, then, was to break the threat that the total volume of bank lending, and with it the volume of money, would increase, and thus add to the inflationary pressure already deriving from the faster spending of the existing money, or create a new source of pressure if the first source should be exhausted. This is an important enough achievement. As regards prospects for the future, however, we must remember that so far the squeeze has been on bank credit to the private sector, which in the last few months has even declined slightly. With the reappearance, since 1951, of overall budget deficits, rather than surpluses, in Great Britain, the government is again exercising a demand for new finance, which has temporarily been largely taken care of by the overseas borrowing, and the proceeds of the sales of gold and foreign exchange, associated with the deficit in the balance of payments, which it must be hoped will not continue. In future this demand may fall on the banks which will be able to meet it—unless they actually call in loans from the private sector—only if the Central Bank provides new cash. It is likely to fall on the banks unless the government is willing to fund part of its floating debt and to offer terms on the corresponding long-term issues which are attractive enough to allow them to be placed with the public. This means that the government may have to be prepared to see interest rates on gilt-edged securities rise still higher than the present level, if further inflation is to be avoided in the future.

Moreover, even if the renewal of inflationary pressures continues to be prevented by appropriate monetary and public debt policies, Great Britain is left with very serious problems which, were they to depend on monetary policy alone for their solution, would require much more drastic action than that so far taken. Among these problems, first place should probably be given to the inflexibility of the production structure, due to the lack of mobility of labor between industries. Here we at once touch the balance of payments problem. For it is the recurrent crises in the balance of payments that are the mirror in which Britain's adjustment difficulties are most dramatically reflected. There are already signs that the rising trend in the volume of exports which has been evident since the war's end has come to a halt. With the return of German and Japanese competition, it is increasingly necessary for Britain—dependent as she is on foreign trade for her economic existence—to be ready to adjust her output to the demands of her customers or potential customers overseas. At the present time the demands of these customers are very largely for capital goods rather than for consumers' goods, and it is widely recognized that labor and other resources must be shifted from the consumers' goods industries into the capital goods industries, if the export level is to be expanded or even maintained. One, old-fashioned, inducement to greater mobility of labor would be larger wage differentials between the sectors to which labor must be attracted and those from which it must be drawn away; but under present conditions it is scarcely possible for individual industries to bid up wages without provoking an all-round rise. In order, on the other hand, to induce labor shifts by means of monetary policy, the authorities would have to restrict credit very much more drastically than they have done up to the present—to enforce, that is to say, a degree of curtailment of credit, and of the money supply, which would press on total expenditures and on the

Continued on page 87

*An address by Dr. Lutz before The American Assembly, Arden House, Harriman, New York, Dec. 6, 1952.

Dealer-Broker Investment Recommendations & Literature

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

Convertible Bonds and Stocks—Discussion of a new approach to their appraisal—Talmage & Co., 115 Broadway, New York 6, N. Y.

Electric Utilities—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Latin-American Business Highlights—Brochure review industrialization of Latin-America—The Chase National Bank of New York, Pine Street corner of Nassau, New York 15, N. Y.

Natural Gas Prospects — Analysis — Sutro Bros. & Co., 120 Broadway, 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 Switches—Leaflet of suggestions—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Service For Security Analysts — Brochure describing newly developed service ask for Booklet C—Georgeson & Co., 52 Wall Street, New York 5, N. Y.

Tax Rates — Booklet setting forth current Federal and State stock original issue and transfer tax rates—Registrar and Transfer Company, 50 Church Street, New York 7, N. Y.

Tokyo Stock Market Quotations—Bulletin—Nomura Securities Co., Ltd., 1-1 Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan. Also available is a tabulation by industries of dividend earnings as of half-year business term ended Sept. 30, 1952 for Japanese securities.

• • •

Allied Paper Mills—Data—Moreland & Co., Penobscot Building, Detroit 26, Mich. Also available are data on **Industrial Brownhoist, L. A. Darling Co., and Monroe Auto Equipment.**

Aluminium Limited—Review—James Richardson & Sons, 173 Portage Avenue East, Winnipeg, Canada, and Royal Bank Building, Toronto, Canada.

American Marietta Co.—Analysis—A. C. Allyn and Company, Inc., 44 Wall Street, New York 5, N. Y.

Boeing Aircraft—Data in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. In the same issue of "Gleanings" there are suggested "packages" of stocks; also available is a list of 40 "Tax Loss Selling" Type stocks.

Carborundum Company — Analysis — R. M. Horner & Co., 52 Broadway, New York 4, N. Y.

Chattanooga (Tennessee) Gas Company—Analysis—Sheridan Bogan Paul & Co. Inc., 1528 Walnut St., Philadelphia 2, Pa.

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

Erie Forge & Steel Corporation—Bulletin—de Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Falstaff Brewing Corp.—Bulletin—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Glass Fibers, Inc.—Analysis—F. L. Putman & Company, Inc., 77 Franklin Street, Boston 10, Mass.

Indiana Gas & Water Co. — Annual report — Indiana Gas & Water Co., Inc., Indianapolis, Ind.

James Manufacturing Co. — Analysis — In current issue of "Business and Financial Digest" — Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also in the same issue is an analysis of **Maryland Casualty Company.**

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

Mercast Corporation—Analysis—J. G. White & Company, Inc., 37 Wall Street, New York 5, N. Y.

Middle South Utilities—Memorandum—Faroll & Co., 209 South La Salle Street, Chicago 4, Ill.

New York Chicago & St. Louis Railroad — Memorandum — Hirsch & Co., 25 Broad Street, New York 4, N. Y. Also available is a memorandum on **Sharmrock Oil & Gas.**

Northrop Aircraft, Incorported—Analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Continued on page 107

*Western Natural Gas Co.

Common—Preferred—Rights

*Prospectus on Request

TROSTER, SINGER & CO.

Members: N. Y. Security Dealers Association

74 Trinity Place, New York 6, N. Y.

itized for FRASER
://fraser.stlouisfed.org/

T. L. Watson-Turnure Merger Announced

Two of Wall Street's oldest Stock Exchange firms will merge, effective Jan. 1, according to a joint announcement by T. L. Watson & Co., established in 1866, and Lawrence Turnure & Co.-Blyth & Bonner, established 1832. The merged firm, to be known as T. L. Watson & Co., will offer its customers the greatly increased facilities of the combined organization, and all partners and customers men of the two firms will be connected with the new partnership, except for Robert H. Harding, John R. Marshall, Gerard L. Pears, William P. Haring and Ralph H. Hubbard, who are retiring from the Turnure firm.

The merged firm's main office will be maintained at 50 Broadway, New York City, present headquarters of the Turnure organization. Branch offices will be maintained in Bridgeport, Conn., Perth Amboy, N. J., and 160 Varick Street, New York.

Partners of the new firm will be Louis N. De Vausney; Daniel J. Morgan, Bridgeport; Frost Haviland, member of the New York Curb Exchange; George R. Payne; Kenneth B. Gordon; Lawrence Turnure; William T. Veit; Henry G. Bruns; William C. Farley; Sylvester F. Hennessey, member of the New York Stock Exchange; Lester E. Farley, Bridgeport; Quentin Syme, John Kerr, H. Thurston W. Huntting and John E. Judson, a limited partner.

The Turnure firm, eighth oldest Stock Exchange house, was founded on May 10, 1832 by Moses Taylor under his name, as merchant bankers. Lawrence Turnure, grandfather of the present Lawrence Turnure, became a partner on Dec. 31, 1851, and since that time there has always been a Turnure in the firm. In 1888 the firm took the name of Lawrence Turnure & Co., which name has been retained since. In 1942 the Turnure organization was merged with Blyth & Bonner under the name of Lawrence Turnure & Co.-Blyth & Bonner.

T. L. Watson & Co. was established in 1866 and for many years operated a private banking business in Bridgeport, Conn., and had the distinction of being the oldest private banking organization in that state. In 1933, however, all private banking operations were discontinued.

Gellerman Adviser for Knickerbocker Hospital

Henry E. Gellermann

Knickerbocker Hospital, 70 Convent Avenue, N. Y. City, has appointed H. E. Gellermann as Adviser on Public Relations, according to an announcement by L. B. Dana, Administrator of the hospital. Mr. Gellermann is Director of Public Relations for Bache & Co., members of the New York Stock Exchange.

Two With Slyaton Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Phelim F. O'Toole, Jr. and Frederick G. Vogt are now connected with Slayton & Company, Inc., 408 Olive Street.

With William Ginn

(Special to THE FINANCIAL CHRONICLE)

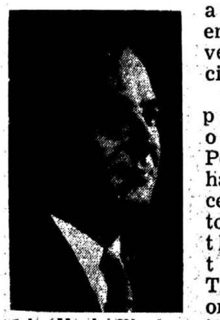
GOLDSBORO, N. C. — B. W. Ginn has joined the staff of William M. Ginn, 301 South Center Street.

Investing for Pension and Profit Sharing Trusts

By JOHN HARDY WEEDON*

Vice-President, The First National Bank of Chicago

After tracing development of pension and profit-sharing trusts, Mr. Weedon describes basic differences in types of funds that affect investment thinking. Cites growing investment in equities by both Pension Fund and Profit Sharing types of trusts, and lays down investment principles for each. Reveals composition of stocks held in Pension and Profit Sharing Trusts for which his bank is responsible.



John Hardy Weedon

What has been the history of the Pension Plan Trusts and how have changing social, economic, and political conditions affected their development and influenced their investment policies?

While a few presently operative Pension Plans had their inception prior to the turn of the century, the U. S. Treasury lists only 110 qualified plans in existence prior to 1930. By 1939 the number had grown to 659.

Prior to 1942, the investment portfolios of these Funds were largely invested in fixed-income securities. For the greater part of this period, fixed-income securities such as mortgages and corporate bonds afforded a better income return than was available through the purchase of high-grade stocks. Further than this, although a long-term decline in the purchasing power of the dollar was in progress, this decline was an orderly one and did not greatly concern either investors or legislators.

However, in the mid-thirties, social and political changes that were destined to have a far-reaching effect on investment policies were in the making. With the depression years still vivid, the theory of collective security became uppermost in the minds of a large segment of our population, with resulting social security legislation and a renewed trend toward unionism. Governmental policies of spending our way out of depression, and of a managed economy, led to deficit financing and the maintenance of low money rates which made it possible for corporations to refund their bonds at reduced interest rates. At the same time, corporate earnings and dividend rates were improving. An investor seeking income could now obtain better results by buying the stocks of most leading corporations than by acquiring their bonds.

Advent of World War II

The first dynamic phase in the creation of voluntary Pension Plan trusts dates from the advent of World War II. During the previous decade, many employers had undoubtedly become more conscious of the desirability of providing some degree of future security for the employees; and now there were at least two good and sufficient reasons why thought should be translated into action.

War-inspired demands for rapidy increased production led to a very tight labor situation. Corporate management was anxious not only to hold the employees it had, but to attract new ones. A pension plan might help. In any case, since contributions to such Funds were tax-exempt, high war-time taxes made it possible for many corporations to adopt such plans with relatively little effect on their earnings-after-taxes. While no actual figures are available, we would guess that by the end of the war 10,000 qualified plans were in existence compared with less than 1,000 just prior to the war.

The decline in interest rates which I mentioned earlier continued during this period and, while prices and wages were under government control, the rapidly mounting government debt and the dynamic upward trend in national income heightened the inflationary potentials.

Another important development that affected the investment policies of many trustees was a marked trend in the liberalization of the laws in many States governing the investment powers of trustees. For the first time in many States, including Illinois, "prudent man statutes" were adopted — statutes that permitted trustees to purchase common stocks of a type a prudent man would select. However, many corporations and many trustees were not yet willing to include common stocks in Pension Plan Trusts; so that, while this period perhaps initiated a trend toward the idea that common stocks might be acceptable for these portfolios, investments in most Pension Plan trusts continued to be very largely confined to fixed-income securities.

The period 1946-49 was one of a declining trend in the number of new plans. Unions were striving to increase their take-home pay and were cool to any plans that in their opinion would postpone part of the benefits they wanted immediately.

The Period Following 1947

The period in which we presently find ourselves had its inception in 1948. In that year, the United States Supreme Court confirmed a ruling of the National Labor Relations Board that pensions are a valid subject for bargaining under the Taft-Hartley Act. The following year, the President's Steel Fact Finding Board recommended that the steel companies establish and assume the full cost of pension plans for their employees. The Union attitude, that had been cool to voluntary company plans in the immediate postwar period, now became vociferous in its pension plan demands.

This period, therefore, has seen a very large increase in Pension Plan coverage not only from the standpoint of the number of plans but, more importantly, from an investment standpoint in the potential size of the plans and the number of employees covered.

The Treasury Department reported that as of Aug. 31, 1946, company contribtuions with respect to 9,370 qualified plans were at an annual rate of about $760 million. Recent figures indicate that there are presently some 17,000 qualified plans now operative, while contributions are estimated at an annual rate in excess of $2 billion and the trend is still upward.

Earlier this year, Salomon Bros. & Hutzler estimated that private Pension Funds other than insured plans are currently accumulating investment funds at the rate of $1.2 billion annually. If even as much as 20% of these funds is to be currently invested in common stocks, there will still remain almost $1 billion of demand for fixed income securities.

Effect on Equity Investments

It can be gathered from the foregoing discussion that pension fund monies either directly or indirectly are destined to exert an increasing influence upon the demand for both fixed-income and equity investments.

The problems encountered by a trustee in formulating investment policies for a Profit Sharing trust are likely to be somewhat more complex and somewhat more individualized than those presented by the investment of funds for a Pension Plan trust. In theory, at least, a trustee of a Pension Plan Trust may take it for granted that contributions based upon continuing and conservative actuarial computations will be made at regular intervals. Invasion of principal funds for the purpose of distributions is not a probability.

On the other hand, contributions to Profit Sharing Funds may be less regular and may vary considerably in amount from year to year. It is therefore more difficult for a Profit Sharing fund to obtain average investment results over a period than is the case with a Pension Plan.

The timing of purchases is therefore important, as is the maintenance of a more fluid investment policy than is necessary for Pension Plan trusts.

A second basic difference be-

Continued on page 94

*A talk by Mr. Weedon at Kennedy Sinclaire Pension Seminar, New York City, Nov. 20, 1952.

This is not an offering of these shares for sale, or an offer to buy, or a solicitation of an offer to buy, any of such shares. The offering is made only by the Prospectus. This advertisement is published on behalf of only such of the undersigned as are registered or licensed dealers or brokers in this State.

225,000 Shares

Consolidated Engineering Corporation

Common Stock

(Par Value $0.50 per share)

Price $15 per share

Copies of the Prospectus may be obtained from any of the several underwriters only in states in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

Blyth & Co., Inc.

Bache & Co. Lehman Brothers Wertheim & Co. Dean Witter & Co.

Walston, Hoffman & Goodwin Francis I. duPont & Co. Lee Higginson Corporation

Paine, Webber, Jackson & Curtis Hemphill, Noyes & Co.

Bingham, Walter & Hurry, Inc. Emanuel, Deetjen & Co. Hill Richards & Co.

Laird, Bissell & Meeds Lester, Ryons & Co. Shearson, Hammill & Co.

Spencer, Swain & Co., Inc. Stern, Frank, Meyer & Fox Wagenseller & Durst, Inc.

J. Barth & Co. Conrad, Bruce & Co. Paul H. Davis & Co. Harbison & Henderson

Hooker & Fay Irving Lundborg & Co. Sutro & Co. Bateman, Eichler & Co.

Fewel & Co. Newburger & Company Pasadena Corporation Daniel Reeves & Co.

December 16, 1952

Digitized for FRASER
http://fraser.stlouisfed.org/

Outlook for Petroleum Industry

By LASZLO A. de MANDY
Security Analyst, Bear, Stearns & Co., Members N. Y. S. E.

Petroleum expert maintains that despite current pessimism, long-run picture for oil industry investors is "unmistakably" bullish. Asserts because of expected growth in foreign demand and apparently workable profit-sharing arrangement in Middle East, international companies, as Royal Dutch, Socony, Jersey, and Anglo-Iranian, are in favorable position. Names domestic companies most favorably situated to benefit from uncommitted reserves in natural gas. Cites eight Canadian companies as particularly attractive.

Leading petroleum economists at the recent meeting of the American Petroleum Institute held that the domestic petroleum demand in the next 15 years should conservatively be estimated to grow 46%.


Laszlo A. de Mandy

The indicated 3% annual average increase in domestic demand coincides with the expectations of other prominent authorities. Although the projected growth is less spectacular than the 6-8% annual gains to which the industry had become accustomed during the large part of the postwar period, it is still a healthy rate of growth and indicates a bright future for the domestic oil industry.

It should not be forgotten that just two years ago many petroleum economists were pessimistic regarding the continuance of the postwar rate of growth in domestic and foreign demand. Offsetting this pessimism, the ensuing two years produced the greatest rate of growth in demand experienced in the industry's history.

Today a number of petroleum economists are again pessimistic. One of their most often-expressed fears is that the possible re-opening of the Iranian production and the resulting flood of world markets by cheap Middle East oil. Although I firmly believe that sooner or later the Iranian oil fields will be re-opened and shut-in oil will find its way back to world markets, I feel that the re-opening, if and when it comes, will be gradual, and quite possibly this oil will be needed to fill an increased demand. The cost of finding and producing oil is steadily increasing, and the Middle East is no exception under that general pattern. Further, a basic change occurred during the last two years which has to be kept in mind. The individual Middle East governments are no longer limited to receiving straight royalty income, but are now equal partners with the operating oil companies, sharing in profits with them. Therefore, the dumping of oil, I feel, would be against their best interests and a thing they would try to prevent.

Growth in Foreign Demand

The rate of growth in foreign demand is expected to be much greater than the domestic. Last year the increase in consumption outside the United States, excluding Russia and its satellites, was 900,000 barrels a day—more than Iran's greatest production. Because of the expected rate of growth in foreign demand and the new and apparently workable profit-sharing basis presently in force in the Middle East, international oil companies are believed to be in a favorable position. Taking into consideration the ratios of market price to equity values, future earning power, ability of management, financial strength and the important political factors which have a large bearing on international operations, I favor Royal Dutch Petroleum Co., Socony Vacuum Oil Co., Standard Oil Co. (N. J.) and Standard Oil Co. of California.

To those who exclude the danger of an all-out war and further deterioration of the political situation in the Middle East, Anglo-Iranian Oil Co. should be most attractive.

The economists at the American Petroleum Institute meetings anticipated an approximately 400% gain in the output of Canadian oil producers by 1967. Western Canada has about 770,000 square miles of territory suitable for oil exploration. This huge area is scarcely explored, and what has been explored has been covered with far less intensity than comparable areas in the U. S. Since the discovery of the famous Leduc field in 1947, over one billion dollars has been expended for exploration and land acquisition, and the rate of these expenditures is steadily and rapidly increasing. Due to this rapidly increasing activity, many new discoveries are being made. In fact the ratio of new "hits" to dry-holes in wildcat wells during the current year was one to six, against one to nine in the United States. Western Canada, which produced only 19,000 barrels daily before the Leduc discovery, is approaching a potential production rate of 300,000 barrels daily. The potential production rate of 300,000 barrels and the actual average production of 160,000 daily are still far short of Canada's current consumption. The actual production averages only 160,000 barrels because of the lack of sufficient transport facilities. With the extension and expansion of the Interprovincial Pipe Line Co., and the completion by next August of the Trans-Mountain Pipeline, the lack of sufficient transportation facilities for oil will soon be overcome. Markets for the currently shut-in gas reserves are also shaping up. The first line to bring gas to the Pacific Northwest is only awaiting the green light from the Federal Power Commission. A second line, leading eastward, is expected to be approved by the Alberta Government in the near future. In contrast with healthy and promising developments, the market price of Western Canadian oil producers declined very sharply during the last six months. In my opinion, the stocks of certain Canadian oil companies are now attractive for investment.

Canadian Companies

For those who hold to investment in a single company of investment quality, Imperial Oil Ltd., controlled and backed by Standard Oil Co. (N. J.), is outstanding. Certain smaller independent companies should appreciate percentagewise more than Imperial, but due to their speculative nature, it is advisable to invest in a group of them rather than in a single one. In my package, which is selected after consideration of management ability, favorable acreage spread and financial strength to carry exploration and development expenditure, I include the following (in alphabetical order):

(1) Anglo-Canadian Oil Co. Ltd.
(2) The Calgary & Edmonton Corp. Ltd.
(3) Calvan Consolidated Oil & Gas Co. Ltd.
(4) Canadian Atlantic Oil Co. Ltd.
(5) Canadian Superior Oil of Calif. Ltd.
(6) Central Leduc Oils Ltd.
(7) Husky Oil & Refining Ltd.
(8) Pacific Petroleums Ltd.

In a consideration of strictly domestic oil companies, natural gas is an important factor and one which will increase in importance. A large increase in natural gas consumption is expected. Where natural gas is available, it is by far the cheapest fuel. The cost of heating the average home for a year with natural gas is about $90 against approximately $200 with fuel oil. The wellhead price of gas, depending naturally on the distance of transportation, does not amount to more than 3% of the price paid by the residential consumer for the gas. Not only is a big increase in natural gas sales anticipated, but I also believe a substantial increase in field prices for gas will be forthcoming when the OPS regulations are relaxed. It must be borne in mind that outside of the limited Canadian and Mexican gas imports, there is no possibility of satisfying the expected huge demand for natural gas other than through domestic suppliers. I feel that the domestic oil companies, with large natural gas reserves and, moreover, with uncommitted reserves, will be most favorably situated in the years to come. Companies in that classification are: The Pure Oil Co., Phillips Petroleum Co., Cities Service Co., Kerr-McGee Oil Industries Inc., Shamrock Oil & Gas Corp., Dehli Oil Corp., Taylor Oil & Gas Co.

Liquefied Petroleum Gas

As another phase of the petroleum industry, the spectacular increase in demand for liquefied petroleum gas must be considered. Liquefied petroleum gas is used in artificial rubber production, in the manufacture of numerous chemicals, in refineries for blending stock to improve octane ratings, domestic heating and cooking (bottled gas), and in many combustion-type engines as fuel (tractors, busses, trucks, etc.). Its use in all these fields is increasing steadily. Its big advantage as fuel in combustion engines is not primarily in its price but in the fact that it burns without leaving any residues, and therefore engines can run double comparable gasoline mileage without overhauling. There are problems to be solved in the liquefied petroleum gas field, of which the prime one is a problem of economical transportation, storage and distribution. Pipeline transportation and storage in underground cavities seems to be the solution to this problem, and successful steps have already been made in this direction. Many companies are engaged in the production of liquefied petroleum gases, but the impact of the projected future growth, I believe, should primarily benefit Warren Petroleum Corp. and Phillips Petroleum Co.

In considering the petroleum industry as a whole, the outlook is for steadily increasing consumption. However, the pattern of consumption points to wider swings in demand, with a large winter peak and a smaller summer peak. Between these peaks accumulations of inventories must be expected. It is during these periods, as it has been in the past, that bearish voices will be the loudest. Investors should keep in mind that the long-run picture is unmistakably bullish.

Missouri Brevities

At a special meeting on Feb. 10, stockholders of the **Mercantile Bank & Trust Co.**, will be asked to approve a 50% stock dividend as recommended by the Board of Directors. Presently there are 20,000 shares of $25 par value capital stock outstanding, and by transferring $250,000 from undivided profits the capital account will show $750,000 of stock, $500,000 of surplus and $166,000 of undivided profits.

* * *

For the fiscal year ended Sept. 30, the **Gustin-Bacon Manufacturing Co.**, reported net income of $536,078, or 74 cents on each of the 727,800 outstanding shares of common stock. In the previous year, net was $475,242, or 65 cents a share. A. L. Gustin, Jr., President, said that earnings were held to a lower level than anticipated due primarily to the operational dislocations and heavy initial costs of bringing a new glass plant into production, and the accelerated amortization charges under a necessity certificate applicable to equipment in the plant. Depreciation totaled $1,082,552, against $562,025 a year previous.

Sales reached a peace-time peak of $15,166,882, up 13% over the $13,364,734 volume of the previous year. The enlarged dollar volume reflected an increased quantity of goods sold rather than any overall rise in prices.

Earnings before provision for taxes on income and flood loss were $1,118,021, against $1,782,670 a year earlier. Taxes were $565,500, compared with $922,500, which came before the subsequent reduction in income taxes as result of the flood loss.

Working capital was strengthened by new financing and by the retention of earnings. At the close of the year, working capital was $4,349,846, against $1,797,410 a year previous.

* * *

In a talk before the New York Society of Security Analysts on Dec. 1, Paul E. Connor, Chairman and President of the **Western Auto Supply Co.**, said that 1952 sales will be aproximately $170,000,000 as compared with $160,000,000 last year. Present forecast of earnings, he said, indicate a 1952 net income, after taxes, somewhat lower than in 1951 when the company reported earnings of $5,579,388, equal to $7.43 a share. Profit before taxes, Connor noted, will be approximately the same as in 1951, but provision for income tax will be higher.

Referring to dividends, Connor said that "We have in the last 10 years paid out approximately 50% of net earnings after taxes in cash dividends. If, as many of us believe, the era of price inflation has ended, then I think the Board of Directors of Western Auto may consider paying out a somewhat larger percentage of earnings than has been our custom in the past."

Western Auto Supply approaches the year 1953 with cautious optimism, expecting a good year, with some weakness during the second half," he said. The company "plans to keep inventories under tight control and to keep coverage as short as practicable."

Noting that Western Auto Supply's excess profits tax base is approximately $10 million, Connor said that "if the excess profits tax is allowed to lapse June 30, 1953, the company should benefit considerably. In 1951 we paid an excess profits tax equal to nearly $1 a share and 1952 may be close to the same figure."

* * *

Directors of **Prugh Petroleum Corporation**, declared the regular quarterly common dividend of 5% a share, payable Dec. 30, to holders of record Dec. 15.

William Prugh, President, said that daily production of crude oil has been stepped up by 500 barrels as result of the acquisition in October of two groups of leases and the "successful development of reworking old leases."

The company has 63 wells in Kansas and Oklahoma and currently is drilling No. 64 in Creek County, Oklahoma.

* * *

An increase in the annual dividend rate of **Commerce Trust Company**, was authorized by directors when a quarterly payment of 50 cents was voted instead of the usual 45 cents, according to J. C. Williams, President.

"The annual dividend will be on the basis of $2 a share, instead of $1.80," Williams said. "Earnings this year are likely to exceed 1951, when they were nearly $2,300,000, the largest ever."

The dividend is payable Dec. 27, to holders of record Dec. 12.

* * *

Directors of **City National Bank and Trust Company**, voted the regular semi-annual dividend of 40 cents a share, payable Dec. 31, to holders of record Dec. 20.

* * *

Directors of **First National Bank**, voted to increase the regular semi-annual dividend to $1.50 a share, from the $1.25 rate previously paid, placing the stock on a $3 annual rate. The current payment of $1.50 a share will be made Jan. 2, to holders of record Dec. 19.

The dividend is the 135th consecutive one to be ordered by the bank. Since 1886 the bank has paid $12,680,000 in cash dividends and $2¾ million in stock and has added $7 million to surplus.

* * *

Net income of **Missouri Public Service Company** for the nine months ended Sept. 30, totaled $915,249, equal to $1.61 a common share, compared with $719,557, or $1.24 a share a year earlier.

Revenues were $6,164,424, compared with $5,541,786.

The utility's income tax provision for the nine month period was $806,000, compared with $534,400.

Olin Industries
Ely Walker Dry Goods Com. & Pfds.
First National Bank
National Oats
Miss. Valley Gas
Moloney Electric Class "A"
Scruggs-Vandervoort-Barney Com. & Pfd.
Tenn. Production
Natural Gas & Oil
Wagner Electric

Bought — Sold — Quoted

SCHERCK, RICHTER COMPANY
Member Midwest Stock Exchange
Landreth Building
Bell Teletype SL 456 — **St. Louis 2, Mo.** — Garfield 0225 L. D. 123

Digitized for FRASER
http://fraser.stlouisfed.org/

Denounce UN Resolution Upholding Nationalization Without Compensation

G. Keith Funston, President of the New York Stock Exchange, and Earl Bunting of NAM, register protests. Funston, in letter to U. S. Representative to United Nations, scores action as serving notice on investors everywhere that long-standing rights will no longer be respected. Earl Bunting says resolution dims hope of foreign investment in underdeveloped areas.

G. Keith Funston, President of the New York Stock Exchange, on Dec. 16 addressed a letter to Ambassador Warren R. Austin, U. S. Representative to the United Na-


G. Keith Funston Earl Bunting

tions, in which he denounced a resolution approved by the Economic and Financial Committee of the General Assembly of the United Nations which he said would have "unfortunate and long-lasting effects on the free flow abroad of capital from this country," since it permits nationalization of industries without compensation.

The Committee approved the Resolution, which was jointly introduced by Bolivia and Uruguay, on Dec. 11, 1952, by a vote of 31 to 1, with 19 nations abstaining. Efforts by the United States delegation to amend the Resolution were unsuccessful.

Mr. Funston, in his letter to Ambassador Austin, stated:

"It seems to me virtually a truism that the necessity for channelling United States capital into underdeveloped nations is essential if those nations are to realize their full potentialities. Millions of share owners in this country have invested billions of dollars overseas through United States corporations; our investors have already shown an ability and willingness to put their capital to work abroad; I have no doubt that, granted the proper climate, such investments will grow still more in the future. Our investors are not seeking special privilege but they do seek and need the safeguards provided by international treaties and agreements, they do ask for a fair break and compensation for risks taken. We have as great a respect for the sovereignty of any nation as we have for our own—we know the cost of gaining and maintaining that sovereignty. The right of nationalization is an adjunct of sovereignty which we recognize—accompanied, of course, by prompt, adequate and effective compensation.

"The Resolution serves notice on investors everywhere that rights of long standing will no longer be respected. Investors are told, in effect, that their investments will be subject to nationalization without compensation. Apparently, under terms of the Resolution, even diplomatic representation on behalf of the investor might be outlawed.

"The heavy vote in favor of the Resolution was a great disappointment because it represented a reversal of an accelerated trend toward creating the climate of mutual trust which is essential to international investment. I hope that the Resolution represents merely a temporary diversion of a long-term trend toward raising the standard of living in nations outside the Iron Curtain."

Bunting's Protest

Similar views to those expressed by Mr. Funston were voiced by Earl Bunting, Managing Director of the National Association of Manufacturers, who pointed out that the UN failure to protect foreign investors is the kind of international action which dims the hopes of underdeveloped nations of raising their standards of living through private foreign investment.

"Without questioning the right of any country to nationalize its resources this action of the United Nations," Mr. Bunting declared, "seems calculated to destroy the aspirations of underdeveloped nations for economic improvement possible only through large-scale investment of private foreign capital.

"It dims the hopes of underdeveloped nations of raising their standards of living through private foreign investment. If and when the question comes before the General Assembly, it is to be hoped that the matter of compensation will be more judiciously covered."

Conrad, Bruce and Williston to Merge

Effective Jan. 2, J. R. Williston & Co., 115 Broadway, New York City, members of the New York Stock Exchange and other exchanges, will merge with Conrad, Bruce & Co., prominent Pacific Coast securities house, the new firm to be known as J. R. Williston, Bruce & Co.

Members of the Conrad, Bruce organization who will become partners in the new firm are Frederic J. Blanchett of Seattle, Malcolm C. Bruce, Frederick L. Morris, and Edwin F. Peabody of San Francisco; Robert D. Cavanaugh of Los Angeles; Donald W. Hinton of Seattle, and Henry J. Zilka of Portland, Ore.

On Jan. 2 also Irving P. Kahn, Manager of J. R. Williston's public utility department will be admitted to partnership in the firm.

Wm. C. King Joins Television Shares

CHICAGO, Ill. — William C. King has become associated with Television Shares Management Co. and Hudson Fund Distributors, Inc. as representative in the Southeast with headquarters in Richmond, Va. Mr. King was formerly director of the securities division of the State Corporation Commission of Virginia.

Joins Edw. Jones Staff

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Alvin L. Barton Jr. has joined the staff of Edward D. Jones & Co., 300 North Fourth Street, members of the New York and Midwest Stock Exchanges.

Jacob F. Schoellkopf, Jr.

Jacob F. Schoellkopf, Jr. passed away Dec. 16th at the age of 69. Mr. Schoellkopf was chairman of the board of Schoellkopf, Hutton & Pomeroy, Inc., Buffalo, and of the Niagara Share Corporation.

Employees' Profit-Sharing Trusts—Key to Solving Retirement Problems

By GEORGE P. JOCHUM and ROBERT E. FULTON*

United States Company of New York

In outlining advantages of Profit-Sharing Trusts as means of providing for employee retirement funds, Messrs. Jochum and Fulton point out this system involves no long-term fixed commitment on employers, and requires no actuarial calculations. Indicates factors involved in choice of a formula which determines amount of employer's contribution and methods of vesting employee credits. Points out benefits accruing to employee in Retirement Plan cannot be predetermined.

When we talk about Profit-Sharing Retirement Plans it makes me think of the employer of 50 years ago who would tremble with


George P. Jochum R. E. Fulton

rage if someone suggested to him that he share his profits with his employees. He would quite vehemently tell you that the salaries and wages paid to his employees were more than sufficient to live on and therefore it was the responsibility of the employees to save some of their earnings for old age.

We have come a long way since that time. Now we have compulsory social security and private employee retirement and welfare plans providing ever increasing benefits. Today progressive management realizes that the employee, partly because of taxes, cannot financially arrange for his retirement and, therefore, is keenly aware that the creation of a Retirement Plan is good sound business practice. Employers have adopted these benefits for several reasons. First, and I think foremost, is that the employer very definitely wants to help his employees in every way possible. Second, he is convinced that a happy and satisfied employee will do a better job and actually have a desire to help his employer make more profits. And third, today the employer knows that without these employee benefits he may find it difficult to hold on to his present employees and will find it equally difficult to get new employees. The big problem is the selection of the method of financing a Retirement Plan that will not prove to be a financial burden to the employer.

Profit-Sharing Involves No Fixed Commitment

Few businessmen today can forecast with confidence what their earnings will be next year. Even under normal conditions, profits in certain cyclical industries are subject to sharp fluctuation from year to year. Therefore, while the employer would like to adopt as many employee benefit programs as possible, he cannot obligate himself to any fixed costs beyond what his profits will justify. This uncertainty often causes a company to hesitate before assuming the long-term commitment of a Pension Plan. However, the difficulty of solving its pension problems may be greatly minimized through the adoption of a Profit-Sharing Retirement Plan as a source of retirement benefit to augment the Social Security benefit which the employee will receive, and 50% of which, as you know, has been provided by the employer. Many companies today have both Pension Plans and Profit-Sharing Plans and many others are contemplating the adoption of a Profit-Sharing Plan in addition to their present Pension Plan. In most of these cases you will find that the benefits under their Pension Plans are somewhat modest so as to hold down the company's fixed annual commitment and the Profit-Sharing Plan is therefore a supplemental benefit based entirely upon the year to year earnings of the companies. Since a Profit-Sharing Plan involves no fixed contribution commitment on the part of the employer and does not require actuarial calculations, it can easily be adopted so long as it conforms with certain United States Treasury Department regulations.

When I mention "employer" I am referring to corporations, partnerships and individual proprietors.

Now, if profits are to be used to finance retirement benefits, it is obvious that they must be accumulated in a fund. Since we also take it for granted that an employer who establishes such a fund will want to avail himself of all possible tax advantages, he must meet certain United States Treasury Department requirements for a qualified Profit-Sharing Retirement Trust. These requirements, however, are somewhat similar to those for establishing a Pension Plan.

The Choice of a Formula

Since a Profit Sharing Retirement Plan to be effective should yield reasonable benefits to employees, one of the most important steps in its design is its choice of a formula which will determine the amount of the employer's contribution. The formula will depend primarily on the normal relationship between earnings and payroll and on the average requirements for working capital of the employer's business. For instance, if the payroll is large in proportion to profits, the percentage of profits set aside in the Profit-Sharing Fund must be rather generous. On the other hand, if a business requires large expenditures for constant research or for necessary reserves, due allowance can be made for them. Naturally, the employer would prefer to retain full discretion as to the exact size of his contributions to the Plan from year to year. However, to qualify under Section 165(A) of the Internal Revenue Code, the Profit-Sharing Retirement Plan must include a predetermined formula for computing the profits which are to be contributed to the Plan. Since this is a requirement of the Internal Revenue Bureau it becomes necessary to tailor a plan which will best suit the employer's financial set-up. For example, if his total payroll for participating members in the Plan is, say $1,000,000 and net profits before taxes average $500,000, he may want to consider contributing 20% of net income, which, in effect, would be 10% of the payroll. He could, if desired, contribute as much as 30% of the $500,000 net profit so long as that contribution did not exceed 15% of the payroll for participating employees in the Plan. On the other hand, the employer may not be as much concerned with the amount he contributes as he is in seeing that proper reserves are set aside out of earnings before any contribution is made, and I am now referring to reserves that are not

Continued on page 96

*A paper presented jointly by Messrs. Jochum and Fulton to the Commerce and Industry Association of New York, New York City, Dec. 9, 1952.

As all of these shares have been sold, this advertisement appears as a matter of record only.

225,000 Shares

Gulf Sulphur Corporation

COMMON STOCK

(Par Value Ten Cents a Share)

Price $3.00 per share

Copies of the Prospectus may be obtained from the undersigned

PETER MORGAN & CO.

31 Nassau Street, New York 5, N. Y.

Telephone DIgby 9-3430

Digitized for FRASER
http://fraser.stlouisfed.org/

Value of Municipal Financing In Preserving Local Autonomy

By DAVID M. WOOD*
Senior Partner, Wood, King & Dawson
Attorneys at Law, New York City

In revealing political and social aspects of municipal financing and marketing of municipal obligations, Mr. Wood stresses value of municipal independence in preserving our democracy and in avoiding centralized bureaucracy. Says those engaged in marketing municipal bonds play as indispensable role in creating public facilities and improvements as engineers, architects and other construction employees.

I suspect that if I were to say to you ladies that in buying and selling municipal bonds you are engaged in a business which involves considerable drama and profoundly affects the social and political life of every one of you, my statement would probably be greeted with a certain amount of skepticism, and, yet, I am going to make that very statement, and I hope before I am through that I will convince you that you are engaged in a business which vitally affects many rights and liberties which you take for granted. I hope to demonstrate to you that a municipal bond is more than a piece of paper with a big seal impressed upon it, having coupons attached which you clip from time to time to receive income upon your investment.

David M. Wood

Let me start with the Presidential election which was held throughout this country last month. At that election you cast your ballot for the candidates that you felt should be elected to administer the affairs of the nation, the state and of your local communities. The ballot you cast was a secret ballot. No one but yourself knew how you were going to vote unless you disclosed your intention of you own free will. Perhaps it never occurred to you to notice that at the polling place there were no national policemen. Had you recently come to this country from almost any other country in the world, you would have wondered at that fact because you had come from the polling booths would have been filled with state secret police and even armed soldiers. The only police you saw at the polling place were your local policemen appointed, by the town in which you reside, and they were there merely for the purpose of maintaining order. You probably never gave them a second thought. You did not feel that you were being watched by any one, nor did you have any fear of voting as you saw fit. You have always felt free to do as you pleased. You feel this way because you have never experienced surveillance by the state. You can engage in any business you please without obtaining the consent of some bureaucrat at the national capitol, and you can travel all over the country without being required to register with the police of every town at which you stay overnight. You take all of these freedoms for granted. But those of you who have traveled abroad realize that they simply do not exist in most countries throughout the world.

The Background

But you may say, admitting all this is true, what has municipal financing got to do with it? In order to answer that question it is necessary for us to give consideration to how these freedoms came to exist in this country. In the Declaration of Independence Thomas Jefferson stated what he conceived to be the rights of free men and said they were self-evident. Men never regard anything as self-evident, however, until they have believed it so long they have forgotten its origin, and, therefore, to explain to you how these rights and liberties came to be, it is necessary to go back to Europe and the Middle Ages. After the fall of the Roman Empire a long period of anarchy ensued which we call now the Dark Ages. During that period the ordinary man had no rights and liberties. He was the creature of an overlord. Then, after some centuries, commerce began to revive and as a result of this commerce artisans and merchants began to congregate in towns. Wealth accumulated in these towns and the king and the overlords, who were usually hard pressed for cash, began to solicit loans from these townspeople. They traded their cash in return for grants of rights and liberties, and as time went on they purchased more and more freedoms from the king and the overlord until many of the towns became practically autonomous and were in a position to defy both the king and the overlord. The men in these towns considered themselves free men, and not the bondsmen of any noble. It became a recognized principle of the law of the land that if a bondsman escaped from his overlord and remained in a town unclaimed for a year and a day, he became a free man, and there was a popular saying in those days that the air of the town made men free. Historians recognize the fact that the ideas of freedom and citizenship, which are current among us, began in these towns and that they were civic notions long before they became national ideas. In these few words I have compressed some centuries of history, and I should, perhaps, point out that there was no steady rise in the position of the inhabitants of these towns. They suffered many defeats in their struggle for human freedom, and I think that I should also point out to you that the struggle for freedom was a struggle of the individual against the state. In every age and in every country in their struggle for freedom, the people have always found that their enemy was the state.

The early colonists who came from Great Britain to this country brought these ideas of personal liberty along with them. The first governments which they set up were local governments, and when in time they found it necessary to set up state governments, they were very careful to impose limitations upon these governments so that they would not become the threat to their liberties which the state had been in their homelands. They did not confer upon the states which they organized a vast amount of powers and a huge bureaucracy to exercise those powers. They were far too smart for that. The states which they set up were required to function through the local governments. The taxes for the support of the state, for instance, were not levied and collected by the state but, rather, by the local political organizations based upon assessed valuations made by the local communities. No state police was provided for. Local police enforced the laws of the state and defendants were tried, not in state courts, but in local courts before judges elected by the people of the community, and by a jury composed of citizens of the locality. This, in essence, is the way in which our state governments are set up to this day. If you were to abolish the municipalities the state governments could not even function.

When they organized the United States under the Federal Constitution they granted to the National Government only certain limited powers and imposed a great variety of restrictions upon the exercise of those limited powers.

From the earliest colonial times, therefore, the people in this country have kept alive the notion of local government, and have insisted upon preserving the autonomy of their local governments. They have never been willing to supordinate them either to the states or to the Federal Government. They have done so because of centuries of experience with oppression and attempts at oppression on the part of the state. In the long struggle for freedom against the oppression of the state, which is simply another name for the bureaucracy which exercises the powers of state, the people have always found that their greatest shield has been their local governments. It was in their local governments that they found an organization which could successfully oppose the state. In such a contest the individual is helpless. Citizens must be organized in order to oppose the state, and the local municipality provides them with a ready-made organization which they can utilize to withstand the encroachments of the bureaucracy.

Purposes of Municipal Organizations

In this country the municipalities have set up organizations for the purpose of advancing the interests of their inhabitants. In practically every state there is a league of municipalities, and the United States Conference of Mayors is organized on a nation-wide basis, for the purpose of protecting the interests of the municipalities and of their inhabitants against encroachments by the states, or by the National Government. These agencies have been most effective in opposing attempts by the state or national bureaucracies to impair the rights of the citizens of the municipalities. While many other organizations have been very effective in protecting the rights of individuals against encroachments by the bureaucracy, it has been my experience that the most effective defenders of the rights and privileges of the citizens against such encroachments have been the municipalities and these state and nationwide organizations which they have set up.

It is evident, therefore, that the existence of virile and autonomous municipalities in any nation constitutes an effective check against the totalitarian tendencies of the bureaucracy. Every totalitarian recognizes that fact. One of the first things Hitler did, for instance, was to destroy the autonomy of the local governments in Germany and the last thing the Communists in Russia would permit is the organization of autonomous local governments

Continued on page 97

*An address by Mr. Wood at a meeting of the Municipal Bond Women's Club of New York, N. Y. City, Dec. 11, 1952.

Connecticut Brevities

The annual report of **Plastic Wire & Cable Company** for the fiscal year ended Sept. 27, 1952 shows net sales of $9,400,000 after a $350,000 allowance for price redetermination against $6,060,000 a year earlier. Net before taxes in the 1952 fiscal year amounted to $1,370,000 and after taxes to $414,000, both before renegotiation. In 1951 the equivalent figure after taxes was $270,000, or $ 2.71 per share. Net per share for the 1952 year was equal to $3.81 per share on the increased number of shares. At the year-end the book value per share was equal to $11.81, compared to $5.81 two years earlier. The company is presently adding a new building of about 25,000 square feet to provide space for new compounding equipment and other production equipment at a cost of about $160,000.

* * *

In a letter to stockholders, **General Dynamics Corp.**, estimated consolidated earnings for the current year at over $5.00 a share, compared to $4.53 in 1951 on a smaller number of shares. Consolidated net sales are estimated at a record level of over $110,000,000 for the year. The backlog at Oct. 31 was about $385,000,000. A substantial increase in sales is expected in 1953 when output of military aircraft by the Canadian subsidiary, Canadair, is scheduled to be increased.

* * *

The name of **Hendey Machine Company** has been changed to **Hendey Corporation.** On Nov. 24 stockholders authorized dissolution of the new company. The initial steps included calling the Class A Preferred on Oct. 31 at $25 a share and accrued dividends, and a partial liquidating dividend of about $8.00 a share to holders of the Class B Common.

* * *

American Thermos Bottle Company has announced its acquisition of a controlling interest in Plastene Corporation of Crawfordsville, Indiana, through purchase of 60% of the Common stock. Plastene's major products include plastic tile and other products for bathrooms and kitchens.

* * *

At a hearing before the Connecticut Public Utilities Commission on Dec. 4 **The Connecticut Light & Power Company** requested permission to acquire all of the Common stock of **Clinton Electric Light & Power Company** through an exchange of six and one-half shares of the Common stock of the former for each of the 5,000 outstanding shares of the latter. Clinton Electric, which serves about 3,500 customers in an area including Clinton and Madison, would be operated as a subsidiary.

* * *

On Dec. 8 **The Ansonia Wire & Cable Company** filed a registration statement with the SEC covering a proposed issue of 100,000 shares of Common stock. The proceeds, together with loans, are to be used to purchase the Ansonia Electrical Division of Noma Electric Corp.

* * *

The Hartford Electric Light Company has obtained permission from the Connecticut Public Utilities Commission to place privately an issue of $15,000,000 Debentures, due Sept. 1, 1977. The proceeds are to be used in connection with the construction program through 1954 which includes a new generating station under construction in Middletown.

* * *

Yale & Towne Manufacturing Company has purchased a tract of land in Lenoir City, Tenn., on which it proposes to build a plant to manufacture locks.

* * *

On Nov. 25 Stanley M. Ford was elected president of **Silex Company.** It was also announced that negotiations are under way regarding a merger of the company with Chicago Electric Manufacturing Company, of which Mr. Ford is also President.

J. P. Morgan & Co. Announces Promotions

Henry C. Alexander, President of J. P. Morgan & Co. Incorporated, has announced that the Board of Directors have promoted the following officers to be Vice-Presidents: Robert P. Howe, and William G. Stott.

Both Mr. Howe and Mr. Stott have been with the bank since they were graduated from college, Mr. Howe from Harvard in 1925 and Mr. Stott from Tufts in 1935. Mr. Howe has specialized in Corporate Trust matters and Mr. Stott in statistical and financial analysis.

Mr. Alexander also announced that Watson B. Dickerman has been advanced to the rank of Assistant Vice-President, and that Messrs. Asa B. Davis and Robert K. de Veer have been appointed Assistant Secretaries.

IN MEMORIAM

FREDERICK J. KLINGLER

January 22, 1859-November 28, 1952

A Reader and Subscriber to The "Chronicle" for Over Sixty Years

Frederick J. Klingler passed away on Nov. 28, 1952, from shock and injuries as a result of a fall suffered at his residence, "Ivycrest," 1040 Mapleton Avenue, Boulder, Colo.

Mr. Klingler, 93 years of age, retired from business several years ago, and was Mayor of the University town of Boulder, Colo., in 1917.

Mr. Klingler's physical vigor and mental alertness in spite of his advanced age was always a source of inspiration to his friends and associates. Mr. Klingler prided himself on the fact that he had been a reader and subscriber of The "Chronicle" for over 60 years.

An exemplar of the highest ideals and a humanitarian, Mr. Klingler's interest in world, national and local affairs, covering a wide range of political, religious and social problems was remarkable.

Mr. Klingler is survived by his son's widow, Ruth, of Atlanta, Ga., and two grandchildren, and by his daughter Marion, wife of Harlow Case Platts of Boulder and three grandsons.

CHAS. W. SCRANTON & CO.
Members New York Stock Exchange
New Haven
New York — REctor 2-9377
Hartford 7-2669
Teletype NH 194

Digitized for FRASER
http://fraser.stlouisfed.org/

Recent Political Developments And the Gold Standard

By FREDERICK G. SHULL*

Connecticut State Chairman, Gold Standard League

Mr. Shull, noting Republican party has a gold-standard plank in its platform, says restoration of redeemable currency has support of expert opinion. Holds we have enough gold to support a true gold standard and urges passage of the Reed Bill that calls for a firm fixing of the value of the dollar at $35 an ounce, redeemable on demand.

The subject, "The Gold Standard," promises to become increasingly important in the coming months; for the Republican Party, having won the election on Nov. 4, has a gold-standard plank in its platform; and it is incumbent on that Party to do something constructive toward returning this nation to a sound-money basis. After 20 years of operating with an "irredeemable" paper-money in this country, the party coming into power on Jan. 20, next, is pledged to return our currency to "a dollar on a fully convertible gold basis"—which can only mean a return to the Gold Standard.

Frederick G. Shull

Why Is a Gold Standard Necessary?—A nation's currency functions as a yardstick-of-value, for measuring the relative values of commodities in general; such a unit of measure is as necessary as is the 36-inch yardstick or the pound avoirdupois; and once the value of the dollar has been officially set in terms of a definite weight of gold, it can no more be changed, properly, than one could change the length of the 36-inch yardstick or the number of grains in a pound of avoirdupois.

Just What Is Meant by the Gold Standard?—It means the firm fixing of the "value" of the dollar, so far as the United States is concerned, in terms of a definite weight of gold—which is known as "fixity-of-value"; and it must also include according to all holders of paper-money, or other token money, the privilege of exchanging that paper-money for gold at the face value of the currency—which privilege is known as "redeemability, on demand."

Poker Illustration of the Gold Standard — In poker, before the game can start, the chips are given fixed values; and throughout that game the chips are redeemable, on demand, at those "fixed values." Those simple principles involve no more, nor no less, than the two cardinal principles which constitute a true gold standard.

Have These Principles Been Thoroughly Tested? — Yes, very extensively. More than 200 years ago England operated on a true gold standard; the Bank of England, at times, willingly bought gold at a premium in the open market, if necessary, in order to at all times maintain its paper-money "as good as gold"; and the people, therefore, had confidence in the British currency, and were not likely to demand gold unless the bank had issued an over-supply of paper-money, which occasionally happened.

Some 160 years ago France, at the period of the French Revolution, resorted to an "irredeemable" paper-money—to the detriment of the people of France; and it fell to Napoleon, himself, to see the folly and dishonesty of that type of money, and to restore his country to the firm foundation of the gold standard.

And the United States, from the founding of this nation in 1789, instituted paper-money backed with specie—either gold or silver, or both; and from 1837 until 1933 we were consistently on the gold standard. Throughout those 96-years the dollar never deviated from a "value" of $20.67 a fine ounce of gold; and, other than for a few years at the Civil War period and, similarly, during World War I, our paper-money was redeemable in gold, on demand, at its fixed value.

Does Expert Opinion Favor the Gold Standard?—Yes, it has had strong approval by the world's leading monetary experts. Adam Smith, in his authoritative "Wealth of Nations," first published in 1776 and many times since, makes this significant statement: "The raising of the denomination of the coin has been the most usual expedient by which a real public bankruptcy has been disguised under the appearance of a pretended payment."

Then, 100 years later, Dr. Andrew D. White, in his monetary masterpiece "Fiat Money Inflation in France," referring to the sad experience of France with irredeemable paper-money, already mentioned earlier, sums up his views in these words: "Every other attempt of the same kind in human history, under whatever circumstances, has reached similar results in kind if not in degree. All of them show the existence of financial laws as real in their operation as those which hold the planets in their courses."

And, finally, a group of outstanding British economists and financiers, known as the "Macmillan Committee," rendered its report in 1931, in which they said: "There is, perhaps, no more important object in the field of human techniques than that the world as a whole should achieve a sound and scientific monetary system. But there can be little or no hope of progress at any early date for the monetary system of the world as a whole, except as the result of a process of evolution starting from the historic gold standard."

Has the United States Ignored These Expert Opinions?—Yes, and greatly to the detriment of the people of this nation. In 1933, after we had strictly adhered to the gold-standard principles for just short of a full century, our political leaders threw overboard those expert opinions, and proceeded as follows:

(1) They "devaluated" the American dollar by 41%, by raising the official price of gold from $20.67 to $35 a fine ounce—which automatically dropped the "value" of the dollar from about 1/20th to 1/35th of an ounce of gold.

(2) And, notwithstanding that debauched value, our Government refused to redeem its paper-money, on demand, even at that debauched value — as great a piece of dishonesty, along with the "devaluation," as has ever been inflicted on the people of this nation.

How Did This Penalize the People?—It is very easy to understand: In 1934 the people owned dollar-assets, all payable in definite numbers of dollars regardless of the "value" of the dollar, aggregating about $125 billion—made up of government bonds represented by the national debt, bank deposits of all kinds, and life insurance benefits already paid for with the higher-value dollars. Thus the 41% "devaluation" of the dollar robbed the people of more than $50 billion of the real value of their dollar savings. The people's accumulated dollar-assets, today, of the three types mentioned, aggregate more than $500 billion; and as little as a 12½% "devaluation" of the dollar, which would result if the official price of gold were to be raised to $40 an ounce, would deprive the people of more than $60 billion of the real value of those dollar-savings.

How Can the People Prevent Such a Catastrophe?—They can do this: The incoming Republican Administration is committed, in its 1952 platform, to return to "a dollar on a fully convertible gold basis." We, therefore, can write our Senators and Representatives and demand that prompt action be taken to get the dollar back on the firm foundation of the Gold Standard; emphasize that there must be no further "devaluation" of the dollar; and closely follow the activities of the new Congress to see to it that this campaign-commitment be carried out without delay.

Why Is Such Public Action So Necessary? — It is necessary because a strong lobby of gold producers, with headquarters in Washington, D. C., is using every effort to get our political leaders to establish, by Congressional action, a higher official price for gold—urging prices all the way from $52.50 to as high as $80 an ounce. Let's assume that these selfish interests were to be successful in getting the official price raised to $70 an ounce, for example. That would reduce the real value of the dollar by exactly 50%—for the dollar would then be worth only 1/70th, instead of 1/35th, of an ounce of gold; and that would rob the people of one-half of the real value of their current dollar-assets — a robbery of upward of $250 billion. Only an enlightened and aroused public opinion can combat this threat to our economy—making sure that it shall not be allowed to happen.

Have We Enough Gold to Support a True Gold Standard?—It is the firm conviction of this country's outstanding monetary expert, Dr. Walter E. Spahr—Professor of Economics at New York University, and Executive Vice-President of the Economists' National Committee on Monetary Policy, whose membership is made up of more than 70 leading economists from coast to coast—that we have an ample supply of gold. Dr. Spahr has publicly pointed out, repeatedly, that the present ratio of our gold to dollars that could draw on that gold is much larger than has been true at other more-critical periods of our history—perhaps double the gold ratio of those periods; and that we have been able to make the gold standard function satisfactorily under those seemingly adverse conditions. And I might add that Yale's Professor Fred R. Fairchild, addressing the New Haven Rotary Club last month, strongly supported the view that the U. S. has an ample supply of gold and should promptly return to a true gold standard. We have about $23 billion in gold, which is, roughly, 23,000 tons avoirdupois; and that happens to be on the order of one-half of all the gold the world has produced throughout the past 460-years. Any alleged lack of gold, therefore, cannot properly support the claim that we haven't enough to safely go back on the gold standard.

What Are the Functions of Gold?—Gold is not just a commodity like the other common metals—gold, in addition to being a commodity used in the arts for jewelry and other commercial applications, performs other important functions, as follows:

(1) Gold is a Standard-of-Value.

(2) It is a Medium-Of-Exchange, and

(3) It is a Store-Of-Wealth.

These three functions far transcend in importance the use of gold as a commodity in commerce. It becomes evident, therefore, that once the "value" of a nation's currency has been established in terms of a definite weight of gold, the value of that currency can no more be changed, properly, than one could change any other unit of measure. Thus it is seen that the official price of gold, once set for a currency, cannot be changed. To reach any other conclusion would be to say that there can be no such thing as a "standard-of-value." Under such a conclusion the gold standard, which has played so important a part in the economic welfare of this nation, and of the world, would thereby have vanished into thin air.

Has Legislation by Congress Been Proposed?—Yes, each January for the past few years, Congressman Reed (New York) has introduced his gold-standard bill, known as the Reed Bill. On each such occasion the bill has been promptly pigeonholed, and nothing further heard of it. That bill calls for the firm fixing of the "value" of the dollar at $35 a fine ounce of gold, and for restoration of the age-old privilege of "redeemability," on demand, at that fixed value. That same bill, revised only as to identification-number, was introduced in Congress in January, 1952, as the Reed Bill, H. R. 6470, and experienced the same fate as its predecessors; and it is likely to be introduced again when the new Congress assembles in January, 1953. This time, however, there would appear to be a good chance of getting favorable Congressional action; for the incoming Republican Administration has pledged, in its platform, to see that such legislation be enacted. It is up to the public, however, if they have any interest in preserving the real value of their billions of dollar-savings, to see that this legislation, or something comparable, be enacted and made the law of the land.

What Purpose Are We Trying to Promote?—Our purpose is to try to make clear that the question of the gold-value of the American dollar is everybody's business; that strong organizations, such as the Rotary Club, can be most helpful in bringing about a return to sound-money; and to urge our influence in getting your brother-organizations to, likewise, interest themselves in this most worthy cause.

*An address by Mr. Shull at a luncheon meeting of the Rotary Club, Milford, Conn., December 11, 1952.

Bondwomen's Lunch

The Municipal Bondwomen's Club of New York will hold their Fifth Annual Christmas Luncheon on Thursday, December 18th at 12:30 p.m. Bankers Club, 120 Broadway.

With Hamilton Mge'ment

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Helen J. Guely is now with Hamilton Management Corporation, 445 Grant Street.

Joins Inv. Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Nesbit A. Rochester is with Investment Service Corporation, 444 Sherman Street.

This announcement is neither an offer to sell nor a solicitation of an offer to buy securities. The offering is made only by the Offering Circular.

NEW ISSUE

299,500 Shares

Denman Oil and Drilling Corp.

(A New Mexico Corporation)

Common Stock

(Par Value 10¢ Per Share)

Offering Price: $1.00 Per Share

Copies of the Offering Circular may be obtained from the undersigned

HUNTER SECURITIES CORPORATION

Members: National Association of Securities Dealers, Inc.

52 Broadway DIgby 4-2785 New York 4, N. Y.

gitized for FRASER
http://fraser.stlouisfed.org/

Mortgage Finance in 1953

By MILES L. COLEAN*
Consultant on Construction and Mortgage Finance
Washington, D. C.

Forecasting continued good demand for mortgage loans and larger supply of funds with which to make them, Mr. Colean finds, however, private demand for borrowed funds in 1953 will not be in excess of 1952. Sees greater demand for mortgages as investments from insurance and savings institutions. Holds interest rates are not likely to rise above present levels. Pleads for broader mortgage loan powers of savings institutions.

A continued good demand for mortgage loans and a larger supply of money with which to make them: that, in brief, is the way the outlook for mortgage business in 1953 shapes up to me.

Miles L. Colean

There is a widespread occupational disease among economic forecasters. In medical language, this disease is known as *projectio praesentis*, or the tendency to project the present into the future. Things are good now; they have been for the last six months; therefore they will probably be good for another six months. My forecast may appear to show symptoms of that malady. In defense, I can only offer the reasons why I think it is a good one. In addition, I want also to give some reasons why I believe that, while next year's business will continue to be good, it will be somewhat different from this year's business.

The two most outstanding features of current mortgage activity have been, first, the continued high demand for residential mortgage money in spite of credit restrictions, rising interest rates, and the decline in the availability of funds for government-insured and -guaranteed loans; and, second, the large volume of money that has been in the market despite a generally tight situation and the unattractiveness of FHA and VA loans.

Even looking at the FHA and VA portions, it is remarkable how well they have fared under present conditions. The total dollar volume of VA home loans closed for the first nine months of this year is about three-quarters of that in the same period of 1951, the peak year of VA activity. FHA home loan activity is running at about 90% of 1951 volume, and about 75% of 1950, which was FHA's peak year. On the face of it, this does not exactly look like a famine.

There are, however, other aspects to the situation. So far in 1952, the FHA and VA activity combined, despite $345 million bolstering by FNMA, have accounted for only 25% of total home mortgages compared with 35% in the same period in 1951 and 32% in the same period in 1950. In the first nine months of 1952, life insurance companies have done only about one-third of the VA business and a little over three-fourths of the FHA business they did in 1951. Conventional mortgage lending, on the other hand, has steadily increased during these confusing years, apparently little affected, so far as volume is concerned, by governmental policy or regulation.

The main and only important impact of mortgage credit regulation and change in monetary policy has been on the part of the market depending on VA and, to a lesser extent, FHA funds from life insurance companies. This has caused some serious distortions in certain parts of the country, but on the whole the market has shown surprising vitality.

Only a few years ago it would have been thought impossible either to support so large a demand or to supply so large a volume of money with so little dependence on the Federal systems.

A Continued Strong Housing Market

The greatest significance of this situation to me is the evidence that it gives of a continued strong housing market. The people who bought houses in 1952, by and large, paid a higher price for their houses, laid down a higher first payment and accepted stiffer mortgage terms than those who had bought houses in the previous postwar years. As the year draws near its close there is no indication that the vigor of the market is lessening.

Despite the fact that the number of marriages to be expected in 1953 will be less than the number in any year for nearly 20 years, other forces will keep demand high. Vacancies of habitable dwellings still are not over 2% in most communities, and one and a quarter million nonfarm families are still living with others. Employment is good and incomes are high—providing a generator for demand probably at least as important as the creation of new families. The birth rate is increasing, particularly of second, third, and even fourth children, forcing many families into the housing market for a second time in a decade. A high rate of internal migration makes its considerable contribution to demand. Taking all factors into account, few observers are estimating that less than 900,000 new dwelling units will be started in 1953 and many will forecast as much as the million-odd to be commenced in 1952.

The same factors that will make for a large volume of new housebuilding in 1953 will support a strong market for existing housing and for alteration and repair work. All in all, the demand in 1953 will need about the same amount of mortgage financing as it did in 1952.

Enlarged Commercial Building Mortgage Borrowing

Another important source of demand for mortgage financing in 1953 will come from commercial building — that is, stores, office and loft buildings, warehouses, garages, restaurants—as well as hotels and buildings for recreation and amusement. This whole sector of demand has now for over two years been severely restricted by both controls on credit and controls on the use of materials. Recreational building, most severely hit of any of the types mentioned, has been reduced for the first 10 months of this year to half of what it was in the same period in its peak year of 1950; while commercial building as a whole has fallen over 25% from its postwar peak in 1951.

Yet the underlying demand for new commercial buildings is undoubtedly great. Outside of New York, Pittsburgh, Houston and a few other places, only a small number of new office buildings have been built—not only during the postwar years but since the fade-out of the boom of the 1920s. Chicago, for example, will in 1953 have its first new office building since the beginning of the Great Depression. Outside of Florida, there have only been a few hotels of importance built during the same interval. Yet today every office building and hotel built in the 1920s or earlier is obsolete in many respects. Even where financing is not required for new structures, a large supply of funds will be needed for modernizing lighting systems and elevators and installing air conditioning. The same situation exists in respect to warehouses and loft buildings.

A significant demand for funds will come from the new departure in shopping center development—the integrated regional shopping center, which literally is a reproduction of Main Street's facilities in an environment adapted to modern traffic. These centers are usually focused on one or more major department stores and provide facilities for both competing and supplemental lines to the focal stores. Restaurants, rest and nursery facilities are provided. Ample parking space is a main feature with special provision for handling purchases so as to avoid carrying for long distances to parked automobiles. Investment in such enterprises will range from about $1.5 million upward of $25 million depending on the area served.

Although a number of projects of this sort were completed or under way prior to the establishment of materials controls in 1950—notably the large center at Framingham, Massachusetts, the Crenshaw Center in Los Angeles, the Stoneston Center in San Francisco—the movement had hardly got under way. At the present time a large number of projects are in the planning stage and several of these have managed to get ahead with construction. But this is only the beginning. Regional shopping centers are bound to figure prominently in mortgage activity next year and the years following.

These centers are, of course, to be distinguished from the neighborhood-convenience type of shopping center. While a considerable number of these have been built in connection with the vast expansion of subdivision development since the war, there is still considerable demand, especially after the two years of NPA's slowdown. Recreational building is certain also to provide demand for mortgage funds as soon as the present severe restrictions are lifted.

In addition to commercial building, farm loans are likely to show a slight increase. Public utilities, which still have impressive expansion programs ahead, will be in the finance market to about the same extent as this year.

The one area of private construction where demand in 1953 seems likely to be below that of 1952 is in industrial building. Not only is some actual decline in the volume of this kind of building to be expected, but—more important from the lending institution's point of view—industry will, because of accumulation of depreciation reserves, be in a position to finance further expansion with less recourse to borrowing.

The reason for this is that now accumulating depreciation reserves will in the years just ahead provide an unusually large reservoir of funds. These reserves are attributable to the rapidly increasing accumulations both from the accelerated tax amortization agreements where these have been granted, and from normal depreciation reserves of a vastly ex-

Continued on page 98

*An address by Mr. Colean before the Sixth Mid-Year Meeting of the National Association of Mutual Savings Bank, New York City, Dec. 8, 1952.

Philip M. McKenna Says U.S. Can Return to Gold Standard Alone

In open letter to Congressman Wolcott, the National Chairman of Gold Standard League contends a conference of ex-gold standard nations would turn merely into a "beggars' holiday."


Philip M. McKenna Jesse P. Wolcott

Philip McKenna, organizer and National Chairman of the Gold Standard League, and President of Kennametal, Inc., Latrobe, Pa., has furnished the "Chronicle" with the text of his open letter to Congressman Jesse P. Wolcott of Michigan, the prospective Chairman of the House Banking and Currency Committee, urging the United States return to the gold standard "alone," and asserting that no conference of ex-gold standard nations is required for the purpose. Such a conference, Mr. McKenna pointed out, "would turn into a beggars' holiday."

The text of Mr. McKenna's letter to Congressman Wolcott follows:

Dear Congressman Wolcott:

You are quoted in newspapers for Dec. 1, 1952 as saying: "I'm in favor of the U. S. going back on the gold standard but not alone." Also it was indicated that you would like a world conference called at which all former gold standard countries would work out how to return to currency redeemable in gold.

Let me take this opportunity to say how pleased I am to know that you favor return to the gold standard. Your committee has a tremendous responsibility in the coming session of Congress and it is heartening to read of your support of sound American principles.

You are in a position to help end the monster state and the irredeemable currency it feeds upon. You are aware that irredeemable paper money, that is money redeemable in nothing but more of itself, is a fatal disease with a record of one hundred percent mortality unless halted in time by radical surgery. It has already cost the people control of government. It has enabled the government to convert its own debt into "money" and thereby to fill its own purse. It is the stuff upon which the self-exalting executive principle of government feeds. It is morally devastating and corrupts men by cumulative temptation. It hurts everybody—the rich, the poor and the dependent. For your decision to help end this blight upon our country we salute you.

But why, Congressman Wolcott, do you fear our returning to sound money before other countries return? It is absurd to say that we will not stop taking dope until our neighbor stops also. What nation or group of nations could present dollar claims that would exhaust our gold reserves? There are approximately $7 billion of foreign deposits in America today while we have over $23 billion of gold in our treasury now.

Under our present laws those $7 billion of foreign deposits can be converted into gold at once. But, the gold would have to come right back unless they wished to suspend trade with America. It is more likely that foreign citizens will increase their bank deposits here when Americans regain a tamper-proof gold-redeemable dollar. For all practical purposes we are on the gold standard internationally now. Only American citizens are denied the right . . . the freedom to demand gold.

Only ten days ago 2,000 American executives, whose sole occupation is foreign trade, unanimously recommended re-adoption of a gold convertible dollar declaring that "Dollar-gold convertibility would be the greatest contribution the United States could make to the re-establishment of multilateral trade." Those men would not be apt to recommend a course of action that would be detrimental to their own interests. And, as you know, your own State of Michigan has a large stake in foreign trade.

We sincerely believe that a world conference of ex-gold standard nations to study ways and means to return to gold would turn into a beggars' holiday. On the record it would seem that we have been on the losing end of international conferences. First would come requests to loan them gold for their reserves. Next would come demands for us to devalue the dollar. And then we really would be in trouble. Nothing would please foreign gold mining and financial interests more than a conference wherein they could press their propaganda for the U. S. to devalue the dollar. Our fellow nations seem to care little that devaluation of the dollar would mean more inflation for the U. S.

When foreign nations stop deficit spending and live within their income, they can return to the gold standard with ease. When this nation returned to the gold standard in 1879 we had to borrow gold abroad to secure sufficient reserves and we had to demonstrate that we had a balanced budget and were through tampering with our money system. Let each country do the same and no conference will be needed.

We can resume without devaluation and without delay. No other legislation is more important to the well being and safety of America.

Sincerely yours,
PHILIP M. McKENNA
National Chairman
The Gold Standard League
One Lloyd Avenue,
Latrobe, Pa.
Dec. 3, 1952.

Tucker, Anthony Adds E. M. Corley to Staff

Tucker, Anthony & Co., 120 Broadway, New York City, members of New York Stock Exchange, announce that Edward M. Corley has become associated with their firm in the corporate bond trading department.

With E. D. Andrews

(Special to The Financial Chronicle)

IPSWICH, Mass.—Rufus L. Sewall will shortly join the staff of Edgar D. Andrews & Co., 2 Central Street.

Inv. Service Assoc.

HUNTINGTON, N. Y.—The firm name of Nassau-Suffolk FIF Sales Company, 304 West Main Street, has been changed to Investment Service Associates.

Digitized for FRASER
http://fraser.stlouisfed.org/

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Geoffrey V. Azoy, Charles E. Hayward, Jr., and Arthur S. Sherwin have been elected Vice-Presidents of **Chemical Bank & Trust**


Geoffrey V. Azoy


C. E. Hayward, Jr.


Arthur S. Sherwin

Company of New York, it was announced on Dec. 13 by N. Baxter Jackson, Chairman. Mr. Azoy, a graduate of Princeton University has been with Chemical Bank since 1930, and as Assistant Vice-President since 1949. He is a member of the bank's Metropolitan Division at 30 Broad Street. Mr. Hayward, a graduate of Yale, has been with Chemical Bank since 1945, as Assistant Vice-President since 1949. He is a member of the bank's National Division with headquarters at 165 Broadway. Mr. Sherwin, an alumnus of the University of Chicago and New York University, began with Chemical Bank's Credit Department in 1929. In 1948 he was elected Assistant Vice-President. He is the senior Credit Officer in the bank's International Division.

* * *

Irving Trust Company of New York announced on Dec. 11 the promotion of seven members of its trust and investment staff. Morgan S. MacDonald and Edward J. Veitch, formerly Assistant Vice-Presidents, were named Vice-Presidents. Mr. MacDonald has specialized in personal trust work since he joined the Company in 1929. Mr. Veitch came to Irving in 1936 after several years in the investment management field, and, like Mr. MacDonald, specializes in personal trust work. Joseph P. Hartnett, Paul W. Howe, Nelson W. Kimball, John W. Moffett, and W. Nelson Young, formerly Assistant Secretaries, were named Assistant Vice-Presidents.

* * *

Willard E. Henges, President of the Graybar Electric Company, Inc., has been appointed to the Advisory Committee of the Grand Central Branch of the **Chase National Bank of New York,** and Clyde B. Morgan, President of Rayonier Inc., has been named to the Advisory Committee of the bank's 42nd Street Branch, it is announced by Percy J. Ebbott, President of Chase Bank.

* * *

The Board of Directors of **Bankers Trust Company of New York** and of **The Bayside National Bank of New York in Bayside, Borough of Queens, N. Y.,** have approved a plan of merger, and the proposal will be submitted to the stockholders of both institutions on January 28, according to a joint announcement made on December 16 by officials of the two banks. The merger is subject to approval by various State and Federal supervisory authorities as well as by holders of two-thirds of the stock of each institution. It is planned to conduct the business of the merged institution under the name of Bankers Trust Company and present plans call for the completion of all merger details so that joint operations can begin on February 2. J. Sloan Colt is President of the Bankers Trust Co. The merger will add four new offices and bring to 17 the number of Bankers Trust Company branches in Greater New York, of which seven will be in Queens. In making the announcement, officials of both institutions said that the entire staff of The Bayside National Bank have been invited to come with Bankers Trust Company. It was also announced that J. Wilson Dayton, Chairman and President of The Bayside National, who has been largely responsible for building the business of the bank, will become Vice-President of the merged institution. He will remain in Bayside and will continue to have the responsibility for the four new offices.

Mr. Dayton organized The Bayside National Bank in 1929, and has been President of the Bank since then. He has been President of the Long Island Real Estate Board, and of the New York State Association of Real Estate Boards, and is a member of the Executive Committee of the Board of Directors of the Chamber of Commerce of the Borough of Queens. He has also served as Vice-President of the National Association of Real Estate Boards. The plan of merger calls for an exchange of stock, on the basis of four-fifths of a share of Bankers Trust Company stock for each share of Bayside National Bank. The statement of condition of The Bayside National Bank as of June 30, 1952 showed total resources of over $27,800,000, with deposits of approximately $26,000,000. In all, Bankers Trust will gain approximately 35,000 new accounts.

* * *

Corn Exchange Bank Trust Company of New York announces that Thomas G. Anderson has been made a Vice-President and that Robert A. Geib has been named an Assistant Vice-President. Mr. Anderson formerly was an Assistant Vice-President and Mr. Geib was an Assistant Secretary.

* * *

Manufacturers Trust Company of New York announces the appointment of John F. Lembke, Edward I. McGraw and Frank P. Squazzo as Assistant Secretaries. Mr. Lembke and Mr. McGraw are located at the 57th Street Office. Mr. Squazzo is in charge of the Freeman Street (Bronx) Office.

* * *

Ground breaking ceremonies took place recently for **The National City Bank of New York's** East Bronx Branch drive-in bank being built at Southern Boulevard, Union Avenue, and 149th Street. Participants in the ceremonies were Alfred Mullen, Officer in charge of National City's Bronx branches; James J. Lyons, Borough President of the Bronx; and Earl A. Snyder, President of the Bronx Real Estate Board.

Britain's Colonial Sterling Balances

By PAUL EINZIG

Commenting on the increase of sterling balances in London by British Colonies, Dr. Einzig ascribes it to inability of British industries to furnish these areas capital goods, together with the high prices of British consumer goods. Holds nature of ownership of most sterling holdings owned by colonies makes them unsuitable for long-term investment, since they are used as cover for note circulation.

LONDON, Eng.—One of the major problems inherited by the Conservative Government from its predecessor is the large size of the sterling balances of British Colonies. Owing to their close economic relations with Britain it is natural that they should keep substantial sterling balances in London. In many instances these balances constitute the cover for the Colonial note issues. A very large proportion of the foreign trade of the Colonies is transacted in sterling and for this reason alone the maintenance of sterling balances is necessary. The present size of the sterling balances—their total is believed to be in the neighborhood of £1,000 million—far exceeds, however, normal requirements. Some £600 million was accumulated in 1951 alone, largely as a result of the high price of the staple exports of the Colonies. Much of these exports found their way to the Dollar Area so that the Colonies contributed substantial amounts to the British dollar pool in return for the sterling balances received.


Dr. Paul Einzig

The accumulation of such amounts of Colonial sterling balances is not a natural development. None of the Colonies have yet reached or even approached the phase in their development at which they could afford to invest abroad. Indeed they are importers of capital owing to the requirements of the development of their resources. Yet the accumulation of abnormal sterling balances means an investment of large Colonial funds in British Treasury bills or other British securities.

The reason for the accumulation of abnormal amounts of Colonial sterling balances is not the unwillingness of the Colonies to spend the sterling earned. They are only too anxious to import capital goods such as tractors, locomotives, etc., but the British industries are fully occupied and cannot quote early delivery dates. Owing to the relatively prosperous conditions of some of the Colonies there whould also be a good demand for British consumer goods, such as textiles, but the prices of many of these goods are too high for conditions prevailing in the Colones. The result is that the sterlng balances have remained unspent. If it were possible to convert them into dollars the Colonies would be able to buy the capital goods and consumer goods they require. The amount of the Colonial balances is, however, well in excess of the total gold and dollar holdings of Britain. The conversion of even a relatively small proportion of the Colonial balances would reduce the British gold reserve below danger level.

One aspect of the situation is particularly puzzling to the layman. The Colonies are in need of capital to finance their most urgent capital development schemes. They look largely towards Britain for the necessary capital. In this connection the question that is frequently asked is, how is it that the Colonies cannot use their own sterling funds instead of depending on the willingness of the British Government or of private investors in Britain to provide the capital? Admittedly it appears paradoxical in view of the large size of the Colonial sterling balances.

The answer is that the nature or ownership of most of the sterling holdings owned by the Colonies is such as to make them unsuitable for long-term investment. A large proportion of it represents cover for not circulation and therefor it cannot be used for other purposes unless and until a corresponding amount of notes is withdrawn from circulation. To do so might inflict grave deflationary crisis on the Colonies concerned. It would be no more possible to use the Colonial balances as note cover and at the same time to use them for capital investment than to eat one's cake and to keep it.

To the extent to which the sterling balances are owned privately —whether by Africans and other Colonials or British and other non-Colonial firms and individuals domiciled in the Colonies— they may not be available for long-term capital investment. There may be many reasons for which the owners of these balances prefer to keep their funds in sterling and many more reasons for which they prefer to keep them in a liquid form. Only genuine savings as distinct from trading balances or fluctuating liquid funds of individuals are suitable for reinvestment in the form of long-term capital investment.

The paradox of Colonial sterling balances is by no means an exceptional case. It exists also in relation to funds invested by nationals of relatively poor countries in other international financial centres. Foreign holders of substantial amounts of dollars include nationals of many countries which are in desperate need of American capital. It may appear absurd that poor countries should be "lending" to rich countries such as the United States, but it does happen. Occasionally the Governments of the countries concerned resort to the conscription of the foreign balances of their nationals. This was done in Britain at the beginning of the war. The object of such conscription of balances was to cover the Government's own requirements, not to secure funds needed at home for long-term investment. The situation would have to change fundamentally before the private owners could be persuaded to repatriate their funds of their own free will for the purpose of investing them locally. It is because of this difficulty that foreign capitalists have to be persuaded to fill the gap left through the absence of adequate savings belonging to local residents.

If and when successful enterprise is built up in the backward countries through the initiative of foreign capital and enterprise, then, and not before, holders of balances abroad may feel justified in repatriating their funds to participate in the enterprise. In exceptional circumstances it is possible to initiate an enterprise through the joint effort of local and foreign capital. For instance, the Volta River scheme in the Gold Coast, aiming at the exploitation of the country's aluminium resources, provides for the participation of local capital and a large part of that capital is expected to be contributed by holders of sterling balances. It would be an ignorant over simplification of an involved situation to imagine however that it is possible to divert a substantial part of sterling balances of the Colonies for the requirements of Colonial capital developments.

This advertisement is not an offer to sell or a solicitation of an offer to buy these securities. The offering is made only by the Offering Circular.

These Securities are offered as a speculation.

934,400 shares

TEXO OIL CORPORATION

(An Oklahoma Corporation)

Common Stock

Price 31¼ Cents per Share

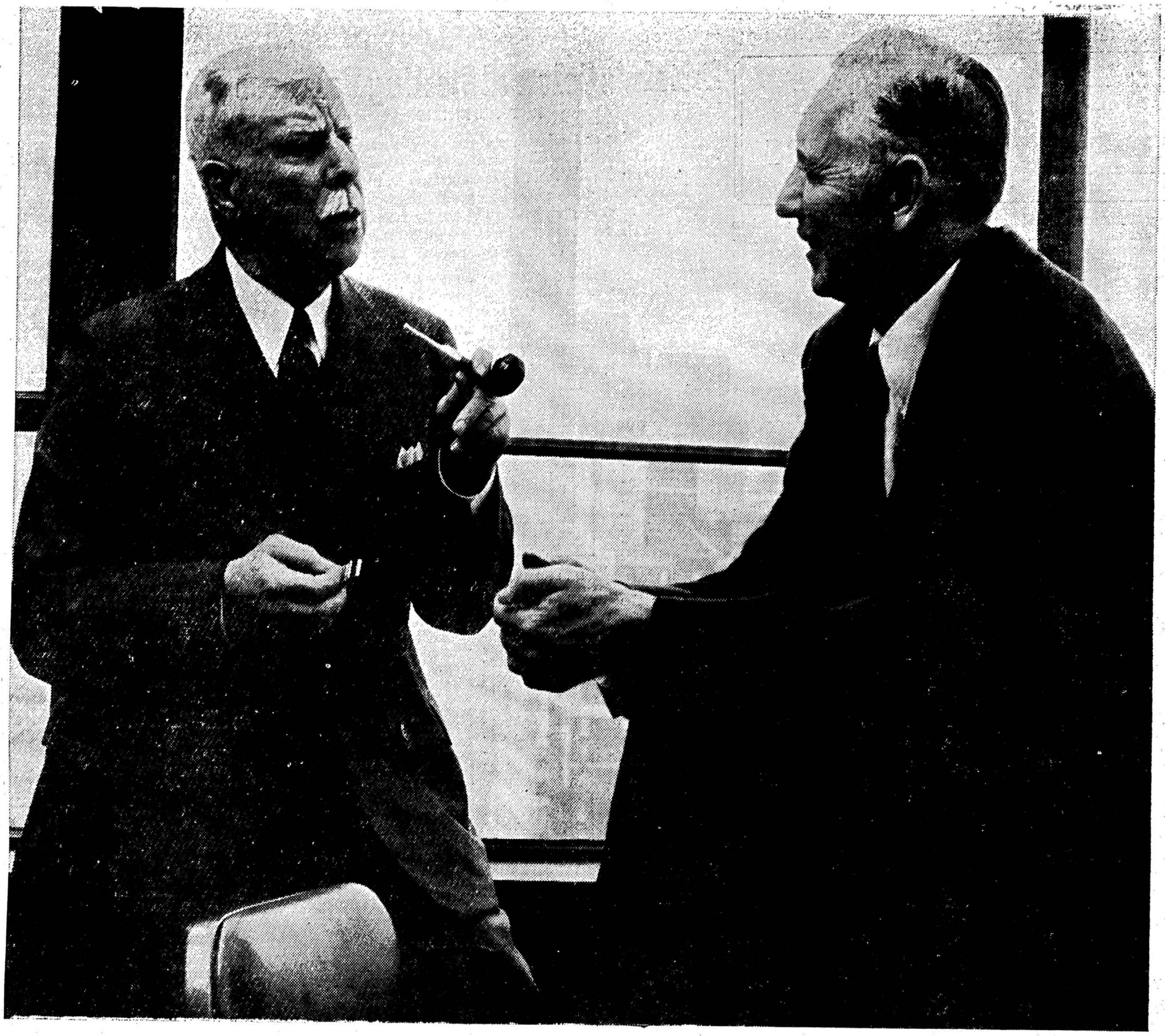
Copies of the Offering Circular may be obtained from your own Investment Dealer or the undersigned.

Petroleum Finance Corporation
3105 Liberty Bank Bldg.,
Oklahoma City 2, Okla.
Teletype OC 446

Wistar Ambler Company
31 Nassau St.
New York 5, N. Y.
BE 3-5733

Members of National Association of Securities Dealers, Inc.

Digitized for FRASER
http://fraser.stlouisfed.org/



"THE CHASE IS OUR TRANSFER AGENT—

I think it would pay you to talk to them"

"For many years, the Stock Transfer Department of the Chase has served our corporation as transfer agent. The fees for their services are actually less than it would cost us to maintain our own department to do this work and we are relieved of all the burdens and responsibilities. Why don't *you* talk to the people at Chase?"

Among the trust and agency services offered by the Chase are the following:

Paying agent for principal and interest

Trustee of mortgage bonds, debentures and notes

Registrar of bonds and debentures

Transfer agent of stock

Registrar of stock

Dividend disbursing agent

Subscription agent

Depositary-exchange agent under reorganizations, recapitalizations and mergers

Agent for trustees under voting trust agreements

Agent under escrow agreements

WORLD WIDE BANKING
Chase

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

Member Federal Deposit Insurance Corporation

gitized for FRASER
p://fraser.stlouisfed.org/

A Year of Careful Planning and Doing Ahead!

By EWING T. BOLES*
Incoming President, Investment Bankers Association of America
President, The Ohio Company, Columbus, O.

With the slogan, "we must sell a successful peacetime economy and prosperity," newly elected IBA President foresees ahead a year of careful planning and doing in the securities industry. Tells members "we are dedicated to a free economy," and the ceiling is unlimited for its advancement. Holds important problems of the economy "have been hidden under a bushel," but the 60,000 men and women in investment banking industry should be able to sell economic salvation to the savers of the country.

Mixed emotions of happiness, humbleness and hesitation are mine. Happiness at the honor you have bestowed on me, which is beyond that to which a country boy reared in the rough, rugged region of Grant County, Ky., might ever aspire. Humbleness in that I know my limited talents can never measure up to the unlimited opportunities this office affords.

Ewing T. Boles

Hesitation in the thought that I might fail you and thus fail a great and gracious industry which has girded itself to meet the capital needs of this, our amazing America.

Also I am proudly aware, as I know you must be, or the great and devoted men who as IBA Presidents have rendered such outstanding service to you during years gone by.

And now another name is added to that distinguished group that has accomplished so much in our behalf. Joe Johnson has done an outstanding job and we owe him a tremendous debt of gratitude, not only for his great work as President, but also for the many years of unselfish effort which have produced so much of value to the industry.

And along with the name of Johnson, I think of such other postwar stalwarts as Larry Marks, Albert Armitage, Hal Dewar, Julien Collins, Edward Hopkinson, Jr., Chuck Garland and a whole host of illustrious men who have served you so ably with such outstanding devotion.

Therefore you can imagine my feelings, standing here like one of the seven dwarfs in the giant boots of Paul Bunyan.

Fortunately for you and for me, I am not assuming the responsibilities of this high office alone. You have selected as Vice-Presidents to form our Executive Committee an outstanding group of men in many fields of our industry.

Our Congress, which we call our Board of Governors, is composed of industry leaders from every section of our land. Likewise we place great store in the ability of our incoming Group Chairmen who get the job done at the level where it counts most.

Our work will be further sustained and speeded by Committee Chairmen whose eminence in their respective fields is not only nationally, but internationally recognized.

Our skilled and experienced staff needs no introduction from me. It makes up for its smallness by sheer devotion, ability and energy.

Thus, your President will be ably assisted in each and every assignment that has been made for the coming year. With the support of such celebrated, talented and devoted men, your officers accept the challenge of 1953. We pledge you that while we may fail in many things, we shall not fail in our diligence nor in our zeal in your behalf.

When I accepted your nomination last May, I could only hope that the American people would do what they did by national mandate, overwhelmingly demand that this nation return to a sound and sane fiscal policy—the policy of sound dollars and balanced budgets, on which American progress and prosperity are founded.

We pledge to the new administration our utmost in cooperation to the end of returning this nation to a sound and sane fiscal policy.

The free flow of capital into industry and the opportunity for the thrifty to put savings to work, without undue regulation or restriction, are both an essential part of that program necessary indeed for the continued expansion of the American economy. An economy which boasts only 7% of the world's population, but nonetheless produces an unbelievable 50% of the world's goods.

In this energetic economy, money at work is the magic flux which fuses the brains of inventors—the skilled hands of artisans—the techniques of management—the flying feet of distributors—and the gifted tongues of salesmen—to produce the richest civilization in history.

Dedicated to a Free Economy

It is the maintenance of this free economy to which our efforts are so completely and confidently dedicated.

Today we are half at war, half at peace.

God grant that an effective and energetic answer may be speedily found to the killing stalemate of Korea. Ours is the faith of our fathers, that ours is a growing, vigorous, virile economy built on peace and not on war. Let us, therefore, ask ourselves the question of paramount importance. How much peace can our prosperity stand?

We can not continue forever the carnage of almost constant war, the squandering of human lives, the wasting of the savings of our people and the despoiling of human virtues. There must be a better way. We are willing and determined to maintain a prepared and an alert America.

However, that part of our prosperity that comes from war we must be ready and zealous to replace with the products of peace.

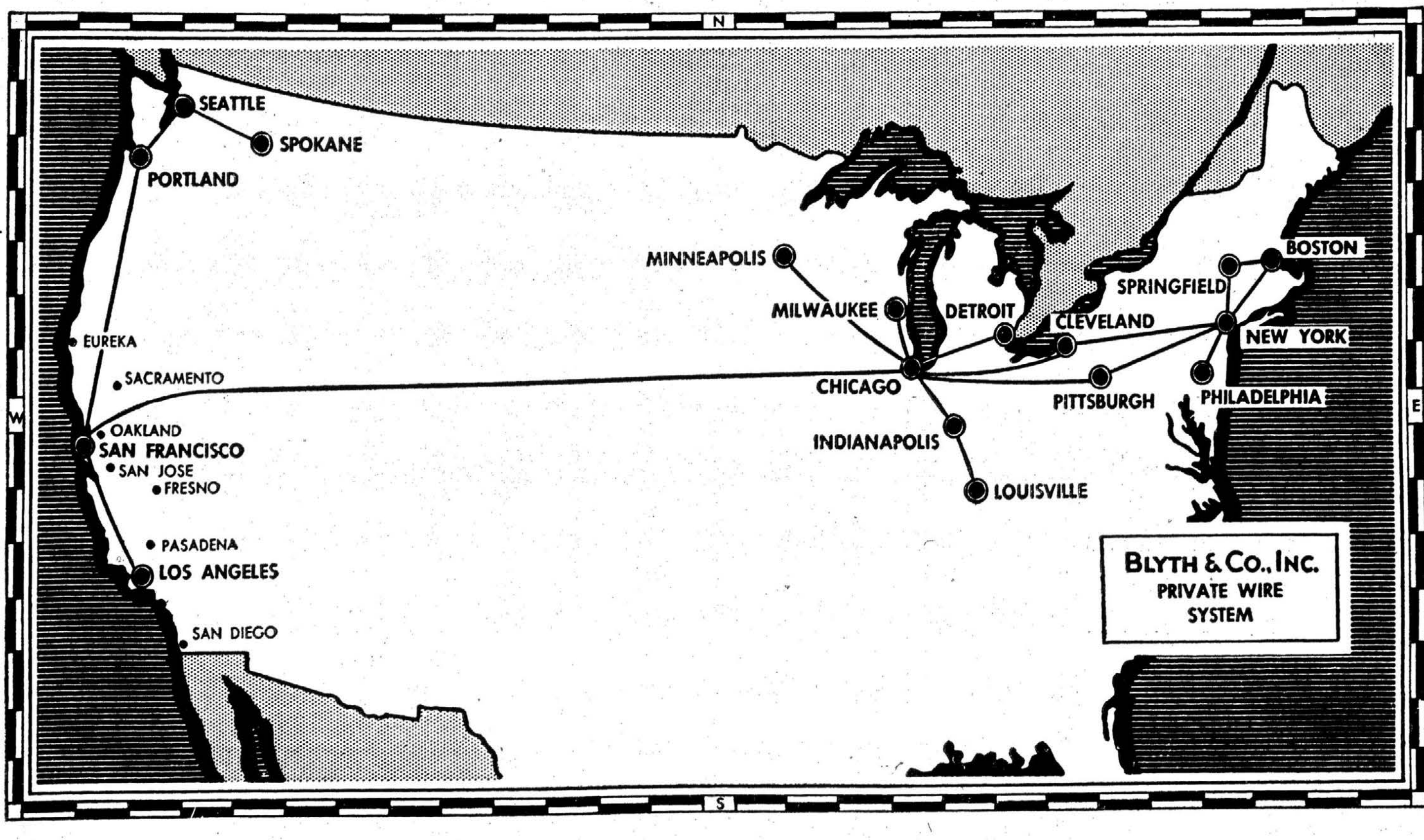
We know the formula for prosperity as few others know it. We have learned — and history has proved—that freedom for individual achievement—with capital for a tool — wielded by an inspired people—can and has produced the greatness of America. What we have done we can continue to do.

Money invested in ideas — in plants—in raw materials—in sales—in the genius of American men—produces prosperity.

On all sides we see the limitless opportunities for steadily increasing production and prosperity. Who among us feels that the family ice box is the ultimate in food preservation?—That the family car is the last word in automotive genius?—Or that the diesel engine that brought many of us here is the last word in railroad transportation? — That the highways

Continued on page 67

*Inaugural address of Mr. Boles at the conclusion of the 41st Annual Convention of the Investment Bankers Association of America, Dec. 5, 1952.



BLYTH & CO., INC.

Underwriters and Distributors of Securities

NATIONWIDE

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Foreign Investment Is Job for Private Capital

By JOSEPH T. JOHNSON*
Retiring President, Investment Bankers Association of America
President, The Milwaukee Company, Milwaukee, Wisc.

Though foreseeing more cooperation between industry and government after 20 years of "a state of perpetual emergency," retiring IBA President warns, because of unbalanced world economy and threatened diminution of our raw materials supply, U. S. is still facing a long-term crisis. Says experience shows inadvisability of government investment in foreign field, but holds private investment can operate successfully and efficiently, if it receives proper government cooperation. Foresees from now on greater reliance on free enterprise and private finance, and holds securities industry will measure up to its responsibility and opportunity in current developments.

Joseph T. Johnson

My tour of duty as your President is rapidly coming to an end—only a few days of convention formalities remain. During the past 12 months I have had a rich and rewarding experience, and am grateful to to have had this opportunity to serve our industry.

In my Presidential travels this year I have met hundreds of investment bankers in all parts of the country, from east to west, north and south, and in Canada. At first-hand I found out what the leaders in our business are thinking, what the Groups are doing, but most important of all, what the IBA means to the securities business. Our Association is an essential integrating force that serves significantly and in manifold ways all segments of the industry—from the largest underwriting house to the smallest distributor.

Whatever we may have accomplished during the past year—and this will be revealed as the various committees make their reports—is, of course, directly attributable to the officers and committee members at both the national and Group levels working in cooperation with an intelligent and competent staff.

On your behalf, I express sincere thanks to those of our fellow members who have given so generously of their time and talents; and you will share with me, I am sure, in the appreciation I express for the loyal and effective efforts of our able and diligent staff members. Only through a year of close association have I come to a full realization of the diversity and magnitude of the job our staff is doing so well.

Just five years ago our Association embarked on what was then, and must still be, recognized as a long-term public education program. I have been keenly interested in that project ever since it was instituted, and during the past year we have emphasized both education and public education efforts, now consolidated in the Education Committee.

Significant progress has been made. Member firms and groups throughout the nation are conducting a variety of educational and promotional efforts that have been brought to your attention through the forums and publications of the IBA. Now there is available to member firms and Groups an easy-to-use, and yet one of the most effective, public relations tools, the new IBA motion picture, "Opportunity, U. S. A."

I have consistently preached education and more education, and do so again today, with the hope that the momentun we have developed may not be lost, but rather maintained, and even accelerated.

It is reassuring to know that my immediate successor in office plans to keep the torch of enlightened public relations burning brightly, and I fervently hope that the presidents who follow in long succession will do the same.

A Unified Office Proposed

When addressing the New York Group several weeks ago I indicated that I would frankly share with you here some observations culled from my year's stewardship. For brevity's sake, I will touch on only two:

(1) The work of the IBA is going on remarkably well, despite the fact that we have two widely separated offices. I am convinced, however, on the basis of my experience, that a consolidation of our offices—and I hold no brief for any given location—would make for a more cohesive organization, better coordination of functions, and more effective and economical operation.

(2) To a gratifying degree member firms and Groups are contributing to the work of the IBA and are sharing the benefits, but that is not universally true.

Our Association officers and staff are working for the entire industry, all sections of the country, and all segments of the business. Whether we are north or south, east or west, or whether we are in a metropolis or a town, whether we are primarily wholesalers or distributors, or have an integrated operation—we must all of us combine our efforts in the interest of the total welfare.

A year ago almost to a day, in my inaugural remarks, I dwelt on the respective responsibilities of our industry and our government. Today I would like to consider with you a possible area of cooperation between the government and our industry.

For the past 20 years we seem to have been in a state of perpetual emergency — a succession of crises, either real or contrived, and induced by either foreign or domestic developments. In confusion and frustration many of us have failed to distinguish between short-time crises that permit immediate and drastic correction and long-term or "suspended" crises requiring years to work out.

A fire can be extinguished at once—in fact it has to be. In contrast, eradication of termites may take considerable time. However unsteady the house may stand, there is no need for the occupants to organize a bucket brigade. Nevertheless, they live in an atmosphere of suspended crisis.

The present world situation presents just such a problem. Our plunge into World War II, Pearl Harbor, the Berlin airlift, and, more recently, Korea, were each regarded as fires that could be put out—situations requiring immediate and strenuous action, and permitting also relatively prompt withdrawal. Today, however, it begins to appear that crisis in the long-range sense is going to be eating three meals a day at our table for a long time.

Two Developments of the Year

Two developments this year underline related aspects of our long-term economic problem.

First, the Marshall Plan for European Economic Recovery came to an end. This was a stop-gap measure designed to put out one particular fire—the imminent economic collapse of Western Europe. Too many Americans, unfortunately, got the idea that the Marshall Plan was something like our own pump-priming scheme of 20 years ago—that after we had pumped into the European economy so many billions of dollars, we could step out of the European picture, and allow the recipient economies to function as before the war. That short-sighted view has been more than exploded. In July the London "Economist" noted: "The Dollar Gap remains, although the Marshall Plan is over." The same journal, whose distinguished editor appeared on this platform last year, goes on to point out one of the facts of life which Americans have got to face:

". . . the balance of trade between America and Europe has been precarious all through the 'thirties, and the war years hastened and confirmed a trend that had been observable for at least two decades—the emergence of the United States as the Great Creditor Nation in world trade."

And the significance of this fact for Americans is stated by the "Economist" with admirable clarity:

". . . when next January there is a new President in the White House . . . he will find himself faced with the old inescapable chain of reasoning. The world cannot be saved for freedom without an alliance of the free nations. Nations cannot be allied politically and militarily if they are cutting each other's throats commercially. . . . Therefore, policies to remove the dollar deficit are just as essential to the grand objective of containing communism as atomic bombs or submarines."

The second development: A report published on the situation of the United States with respect to those sources of raw materials which are absolutely vital to the continuation of our military and domestic industrial production. The now-famous Paley Report surveys the natural resources at our disposal and reaches the sobering conclusion that America is rapidly becoming one of the "have-not" nations in the world. The forces allied against us control tremendous natural resources that have scarcely been tapped. Somewhere, somehow, we shall have to develop new supplies.

The United States, therefore, is facing a long-term crisis that is as much a matter of economics as of military power. Like it or not, history has pushed our country into the position of the natural leader of the free world. And we cannot pretend we are meeting these tremendous responsibilities squarely unless our leadership is not only political and military, but economic as well. We must work for a wholesome economic situation among our allies, together with a steady flow of the raw materials needed by our own industrial plant.

There is an interesting parallel to our present situation in the case of Great Britain during the preceding hundred years. The prosperity and stability of the British Empire depended more on trade and a healthy world economy than on armed might. The heart-beat of that Empire was regulated at Threadneedle rather than Downing Street. It was the British trader and industrialist, and not the British Army, that spear-headed England's emergence as the great world power. For England then, like the United States today, was the creditor nation of the world; and the British Government very shrewdly conceived its principal function to be the extension of this economic supremacy through a nice balance of diplomacy and strength.

America, of course, does not want an economic "empire" on the British model. The whole idea of colonization is repugnant to our national instinct. Unlike Britain, we are not so dependent on the outside world for raw materials.

But what is interesting and valuable to us in the English example is that government and business existed side by side without hostility. Government, fully realizing the importance of business to the national greatness, used its own power to enable business to operate easily and

Continued on page 70

*An address by Mr. Johnson as retiring President of the Investment Bankers Association of America delivered at the Association's 41st Annual Convention, Hollywood, Fla., Dec. 5, 1952.

Underwriters and Distributors
of Capital Issues
and Dealers in the Securities of

INDUSTRIAL CORPORATIONS
PUBLIC UTILITIES • RAILROADS
STATES • MUNICIPALITIES
THE CANADIAN GOVERNMENT
PROVINCES • MUNICIPALITIES
FOREIGN GOVERNMENTS

Our Facilities are Available to
INSTITUTIONS • BANKS • CORPORATIONS
INDIVIDUALS • DEALERS

Harriman Ripley & Co.
Incorporated
63 Wall Street, New York 5, N. Y.
BOSTON • PHILADELPHIA • CHICAGO
Representatives in other Cities

Goldman, Sachs & Co.
30 Pine Street, New York 5
Investment Securities
Commercial Paper
Commercial & Travelers Letters of Credit
Foreign Exchange
208 So. La Salle St., Chicago 4
1416 Chestnut St., Philadelphia 2
75 Federal Street, Boston 10
314 North Broadway, St. Louis 2

Digitized for FRASER
http://fraser.stlouisfed.org/

A Free Market Propels Our Economic Machinery

By WILLIAM McC. MARTIN, JR.*
Chairman, Board of Governors, Federal Reserve System

Mr. Martin, commenting on renewed independence of Federal Reserve System, points out making adjustments is vital part of our free economy. Lauds return to a "free market," and commends work of IBA in support of emergency credit controls. Says 1951 was largely a year of clearing away debris in Government Bond market and reestablishing a free market. Holds Federal Reserve is primary bulwark of free enterprise, but solution to economic stability "lies in freedom of action and choice in the market place."

Feeling as I do that groups like the Investment Bankers Association are really the essence of our democracy, I should like to open by telling you about an incident which I think illustrates the contribution that a group like this can make to our society today.

W. McC. Martin, Jr.

The incident concerns a conversation of mine with a Senator, and I tell it with his permission. I am not going to name him, but I can say he is a Democratic Senator of considerable influence in Washington — a man who believes in the same things that you and I believe in.

On learning that I was to attend your convention, the Senator said to me: "Why do you waste your time going down to the Investment Bankers Association? They don't have any real political influence, and, after all, what do they do—just play around?"

The question, whatever its demerits, did give me the opportunity to tell him—and I repeat that he is one of the most constructive men in the Senate—of the work of your group during the time I have been on the Federal Reserve Board.

I explained the voluntary credit program to him; how halting it might have been—without disillusion to me, because I started it as a skeptic—and how helpful it actually turned out to be. I told him how the Investment Bankers Association, participating in the program with others as we gathered together a large collection of managerial and business resources, had helped in the attempt to educate the borrower as well as the lender as to the true meaning of credit and finance, so that we could handle a situation that was rapidly getting out of hand.

The Senator was impressed. Then I told him about something some of you in this room will recall; the time we brought the Governor of West Virginia to Washington in connection with a proposed soldiers' bonus bond issue by his State.

The Governor was in the Federal Reserve Building, surrounded by investment bankers and other bankers and businessmen, and one by one they explained to him why it would not be wise under current conditions to have the West Virginia bonus issue.

The Governor had brought with him a banker who was part of this educational process, and when it was apparent that the group was adamant against the bonus issue, the Governor—and I must say he is a charming individual—turned to *his* banker for help. The banker, having heard the remarks around the table too, looked at me and said, "I don't know what all this fuss about inflation is."

"After all," he continued, "this isn't really inflationary. There are only a few thousand people in the State of West Virginia that will benefit by it. There is only $300 apiece involved for each of these individuals, and we have made a study of what they will do with this money."

He paused a moment, then added: "It is perfectly apparent it isn't inflationary. They are going to spend a hundred dollars of each bonus on liquor, a hundred of it on women, and the other hundred they are going to waste."

His insight into economics—and perhaps into human nature—might be doubted but the unconscious humor was to the point. It recalled to me an experience I had here in Florida in the Spring of 1949.

That was when I was a neophyte as Assistant Secretary of the Treasury and when some people, looking at clouds of recession and readjustment, thought they saw a depression on the horizon. The Secretary asked if I would come to Florida in his place and make a little talk to the Florida Bankers Association over in Miami.

I consented, and on the plane en route, began to think over what I might say. I must have taken myself and everything else considerably more seriously than I should have, for it seemed to me that the problems the country was facing were virtually insuperable, for I couldn't see the answers, and it naturally disturbed me.

Then I recalled a course in public speaking I took years ago in which one of the lectures dealt with what a responsible Government official should say to a group of worried businessmen. The lecture went about like this: You should always start by saying, these are the most difficult and perilous times the country has ever faced; never in the history of the country has the ship of state been so close to the rocks. Then, by the clarity and exactness and sharpness of your proposed solutions, you would lead your audience, subconsciously, to feel that after all the ship of state was in goods hands and might survive.

Well, when I addressed this group in Miami, I embarked on something just about as pompous as that, and I thought I had carried through on the formula in pretty good style. But after it was over, a fellow came rushing up to me—I can see him still—pulled me aside, and said: "Young fellow, when I came here I was pretty upset. But after listening to you, I am just scared to death."

I don't want to frighten anyone this morning. Indeed it seems to me now that while the clouds that were on the horizon in 1949 are not out of the way, there are rays of sunshine that were not apparent at that time.

Making Adjustments—A Vital Part of a Free Economy

It seemed to me then, as it does now in retrospect, that the business community as well as the Government showed little fortitude with respect to making the adjustments which are essential and necessary and a vital part of a free competitive economy. In those darker days, all the pressures in Washington—and I can speak with some feeling on this because I was in the Treasury at the time—were in the direction of: Don't permit any downward move! Don't permit this thing to gather any headway! Don't have any adjustments whatever! We shouldn't inflate our way out of it, but we can't permit the adjustments that have to be made! We may face a period like that again. That is the reason I recall it. But all I want

Continued on page 44

*Stenographic report of an address by Mr. Martin at the 41st Annual Convention of the Investment Bankers Association of America, Hollywood, Fla., Dec. 2, 1952.

Guaranty Trust Company
of New York
140 Broadway
New York 15, New York
Dealers in
UNITED STATES GOVERNMENT SECURITIES
STATE AND MUNICIPAL BONDS

gitized for FRASER
tp://fraser.stlouisfed.org/

Trends and Problems of Life Insurance Investments

By CARROL M. SHANKS*
President, Prudential Life Insurance Company of America

Mr. Shanks lists as trends in life insurance investments since World War II: (1) decline in U S Government Bond holdings; (2) expansion in real estate mortgage investments; and (3) increase in securities of business and industry. Discusses "direct placement" of securities and reviews government policies affecting economic stability. Lauds release of Federal Reserve from Treasury's bond-pegging program. Contends continuance of low-cost borrowing at all times is not only too great a burden to nation, but also makes impossible general credit controls.


Carrol M. Shanks

Investment bankers and life insurance companies cooperate at many points, compete at some points and both are part of a team mobilizing and directing capital funds to meet the needs of our national economy. We in the life insurance business think that prosperity in the investment banking field is an important ingredient for general national prosperity.

Teamwork between life companies and investment bankers, as well as other elements of the capital market, was abundantly demonstrated during the period of the Voluntary Credit Restraint Program. During that time, I had the pleasant experience of working with Lee Limbert, Rudolf Smutny, Frank Kernan and Tip Barclay on the National Voluntary Credit Restraint Committee. I can assure you that they, along with the regional investment bankers' committees, played a large role in making the credit restraint program a success. Moreover, the investing banking fraternity as a whole deserves enormous credit for the courageous and unselfish way it screened municipal financing under the program. Your efforts contributed importantly to the fight against inflation in the explosive months after fighting started in Korea.

Today, I will discuss briefly some trends and problems in life insurance company investments; and also comment on Government policies which affect not only life company investments but our entire national economy.

*An address by Mr. Shanks before the 41st Annual Convention of the Investment Bankers Association of America, Hollywood, Fla., December 4, 1952.

Investment Trends and Problems of Life Companies Since World War II

To understand the underlying causes for trends in life insurance investments, one must appreciate the fundamental objective of life company investing, one which is little understood. This objective must be to earn the highest possible rate of return consistent with a high degree of safety of principal. Emphasis on maximum return stems from drastic competition in the sale of life insurance, which means in turn that each life company must keep the net cost of insurance to policyholders at the lowest possible level. The need to keep down net cost leads to the keen competition between life companies in their investment operations. It explains the sensitive responsiveness of life investment officers to changing yield spreads on various types of Government and corporate securities and mortgages.

The main objective and principal characteristics of life company investments are illustrated by some of the major trends in the field since the end of World War II. Perhaps the most dramatic trend has been the steady and large decline in life company holdings of U. S. Government securities. At the end of 1946, at the peak, holdings of these securities by the nation's life insurance companies amounted to $21.6 billion and comprised nearly 45% of the total assets of the companies. Beginning in 1947 there occurred a steady and pronounced decline in holdings, so that by the end of August of this year life companies had cut their holdings to $10.3 billion, representing 14.5% of assets.

The relatively low rate of long-term Government securities, plus the unbalanced portfolio position of the companies in Governments at the close of the war, made it inevitable that as peacetime conditions were restored there would be a move to redress the balance. The promptness with which the life companies acted reflected not only the ready availability of good outlets in private sectors of the economy but also the alertness of the investment officers in achieving their primary investment objective.

A second noteworthy trend in life insurance investments in the postwar period has been the sharp increase in the volume of real estate mortgages held. At the end of 1945 holdings of mortgages amounted to about $6.6 billion, or 14.8% of assets. By the end of August, 1952, life company holdings of mortgages had grown to $20.6 billion, or 29% of assets. With real estate mortgages on all types of property available in great supply, all encouraged by government policy, and with the better net rate of return on mortgages as compared with Government securities, it was to be expected that the companies would shift into this field.

The third area of major change in life company portfolios since the end of World War II has been in holdings of securities of business and industry, including the railroads, public utilities and industrial concerns. Life company assets in this category amounted to about $11 billion at the end of 1945, representing 24.7% of total assets. By the end of August, 1952, holdings of these securities had increased to slightly over $30 billion, representing 42.5% of assets. Of the total increase of $19 billion in these holdings, public utility bonds accounted for $6.5 billion, and industrial and miscellaneous bonds for $11 billion.

Here again the development was to be expected. As the war ended and business concerns felt the need for capital funds to finance reconversion and expansion, it was obvious that life company holdings of the securities of business and industry would rise. The increase was accelerated after the start of the Korean War as the life companies participated in financing the great increase in industrial capacity needed for our national defense.

As you know, the life insurance companies have been criticized for their disposal of Government securities in the postwar period. The criticism rests on the grounds that a substantial part of these securities were purchased by the Federal Reserve System in order to support the market, and that these purchases added to commercial bank reserves and thus fed the fires of inflation. My answer to this criticism is that the basic difficulty lay *not* in the sale of Governments by life companies, but in the *support purchases* by the Federal Reserve. The Federal Reserve policy of supporting Governments at a pegged price, particularly above par, invited sales of Governments by all nonbank investors. The inflationary aspect of life company disposal of Government securities grew directly out of purchases by the Federal Reserve rather than out of the sales by life companies. If the Federal Reserve had seriously tried to reduce these sales it could have done so by the action finally taken in March, 1951, namely, the abandonment of rigid support of Government securities prices. As I have indicated, the life companies as a practical matter could hardly have avoided the investment course which they did follow in the postwar period. The enormous demand for capital funds by business and industry and in the housing field, in direct response to encouragement of economic expansion by Government policy, exceeded the supply available from current savings and created great pressure on life companies to liquidate Governments in order to help meet the demand. Moreover, as most Government economists have argued, the basic solution to inflation in the postwar period was to increase industrial output in order to catch up with the war-expanded money supply, and life company investments have contributed heavily to the postwar expansion of output. If any one company had failed to respond, it would have lost out drastically in the competitive race with other companies, to the great dismay of its agency force. If the industry generally had not responded, the wrath of the government and of the public brought down upon its head defies imagination. I know what happens when one company cuts down partially on its mortgage loan and other lending. Accordingly, in my book, the criticism directed at life insurance companies for their disposal of Government securities has been short-sighted and unjustified.

Direct Placements

Turning to another item, I know you are interested in the matter of direct placements, and I am glad to have this opportunity to give you some of my views on the subject. To begin with, direct placements in corporate financing today are important. During the period 1947-1951, inclusive, according to SEC estimates, corporate securities offerings in this country amounted to $33.8 billion, of which $14 billion, or over 40%, were direct placements. During the period 1934-1951 the life insurance companies acquired over $20 billion of corporate securities through the direct placement route. According to the best estimate available, nearly 62% of all corporate bonds, and 90% of

Continued on page 34

Corporate and Municipal Bonds

Investment Preferred Stocks

Equipment Trust Certificates

Union Securities Corporation

65 Broadway, New York 6

BOSTON • BUFFALO • CLEVELAND
HARTFORD • PHILADELPHIA • SYRACUSE

W. E. HUTTON & CO.

ESTABLISHED 1886

Underwriters • Brokers • Dealers

CORPORATE AND MUNICIPAL SECURITIES

★NEW YORK ★CINCINNATI
★Philadelphia ★Baltimore ★Boston
★Dayton ★Lexington, Ky. ★Easton, Pa.
★Portland, Me. ★Lewiston, Me. Hartford

Correspondents in

★Chicago ★Detroit ★Louisville ★San Francisco

★ Private Wire Connections

Exchange Memberships: New York Stock Exchange, New York Curb Exchange, Philadelphia—Baltimore Stock Exchange, Midwest Stock Exchange, Chicago Board of Trade, Cincinnati Stock Exchange

gitized for FRASER
tp://fraser.stlouisfed.org/

Progress and Problems of Aviation Industry

By WILLIAM A. PATTERSON*
President, United Air Lines

After giving a thumbnail sketch of the development of commercial aviation, Mr. Patterson outlines the critical decisions and problems confronting the industry as: (1) labor relations; (2) future equipment; (3) the air "coach" business; (4) government regulation. Discusses opportunities to further reduce operating costs on ground and improve and mechanize airport facilities. Favors re-examination of transportation regulatory agencies with view to coordination possibilities.

It is rather difficult to present those components of air transportation in which I feel you are interested or about which you may have some questions. I am going to try to cover a few things which are of extreme interest to me. I think they represent some accomplishments; also that they involve some rather important and critical decisions to be made in the future.


W. A. Patterson

We have heard a great deal about beginners in aviation, but the most interesting individual with whom I ever came in contact and who seldom has been given much prominence, is a man named Vern Gorst who owned a little bus line in Oregon. A man with very little education, he certainly wasn't an analyst and he wasn't a statistician. Had he been, he wouldn't have entered the air transportation field. He started Pacific Air Transport on the Pacific Coast. I don't know where he got his advice on finance, but Vern Gorst had $10,000. He had to raise $300,000. He set up a Class A stock and a Class B stock; the Class B was voting, $10,000 worth; the other $290,000 was Class A, non-voting. Vern Gorst paraded up and down the Pacific Coast and sold every single share of that stock himself.

I had an opportunity to observe some of his accounting practice and philosophy when I was thinking of entering Pacific Air Transport after it had been operating about seven or eight months. I asked Mr. Gorst if I might see his balance sheet. He showed me one that revealed a profit for that particular month of $15,000. I scanned it rather quickly and could see nothing covering depreciation. I asked, "How about depreciation on this flight equipment and other facilities?" He said, "You know, I thought you would ask that question. The explanation is very clear. When we started, I hired a carpenter to build us some bins out in our hangar. In those bins we have new parts segregated so that when an airplane comes in and there is any wear, the mechanics go to the bins—which, by the way, cost us only $100—and get a new part for the airplane, which then is just like new." He added, "Mr. Patterson, there is no depreciation."

*An address by Mr. Patterson at the 41st Annual Convention of the Investment Bankers Association of America, Hollywood, Fla., Dec. 3, 1952.

That is what it took at that particular stage in the development of our business—courage and a certain lack of knowledge. But it is interesting to observe progress from that rather crude start. I doubt whether many of you in this room who have participated and cooperated and helped this industry with your faith and your willingness to raise capital for us, realize where we came from and where we are today. I think the big turning point in the attitude of the investment field and the raising of equity capital came with Lindbergh's flight across the Atlantic. Prior to that time, according to records of most of the companies that were then operating, and there were only two or three, all capital had been raised privately. Almost overnight after Lindbergh's flight we saw the investment banker's interest aroused. We saw him enter the picture in recommending and fostering mergers and we saw some sound and substantial capital being raised. This picture was a great tribute to a combination of elements in our economic system. Government at that time had faith in and a sense of responsibility for developing the airplane; it had faith in private enterprise to undertake that development and it advertised for bids. Private enterprise, through the investment banker, came into the picture. So we had a partnership: Government, private ownership, the investment banker. We have now progressed to the point where we are obligated to the insurance companies and commercial banks—in fact, I would say that we have tapped everything available. Nevertheless, you have been constructive. We all have participated in the development of the airline industry.

What Has Been Accomplished in Aviation

Now let's take a quick glance at what we have accomplished to date. We started out 25 years ago with three objectives: To develop the art of flying; to find a commercial application for the use of the airplane; to do it with government subsidy but eventually to become self-sufficient.

Our company started with five airplanes that cost us $16,000 apiece. Our speed was 90 miles an hour. That was about representative of things in the airplane field at that particular time.

Now let's just go quickly through the development of aircraft, keeping in mind our objective of developing the art of flying. We went from 90 miles an hour to 110 and from 110 to 130 and on to 180 miles an hour That was the era of the DC-3, which carried 21 passengers. We next went to 230 miles an hour. This was achieved with the first four-engined airplane, the DC-4, accommodating 44 passengers. Then came the DC6 at 300 miles an hour, and now many companies, including ours, have ordered the DC-7 with a cruising speed of 350 miles an hour.

The development of the airplane also can be viewed from the standpoint of relative cost. Our original plane cost $16,000. The DC-6 today costs $1,000,000 and the DC-7 will cost $1,600,000. Wrapped up in that development have been many, many accomplishments and advancements with which I do not intend to bore you. I will just say this: stop for a moment; think of the airplane as you observed it grow and develop and as you have flown; look at it today. You will see electronic developments, speed, comfort, safety, airway aids, navigation. I would say that if you wrap it all up, the development in the art of flying has been reasonably well accomplished.

Finding the Commercial Application

Now the next objective: to find a commercial application for the airplane. In 1926 the passsenger revenue for that year of all the airlines then in existence was about $78,000. In 1951 it was $591,000,000. I remember that in those first years we didn't do quite as well as other airlines. Our passenger revenue for the first year of operation was $1,314.97.

The next objective was to be self-sufficient. We started off receiving about $10.80 a ton-mile. The first year 99 4/10% of United's revenue was from air mail. It gradually went down and today 93% of our revenue is from other sources, with only 7% from mail. A year ago last April, the Big Four trunk carriers were given a rate of 45 cents a ton-mile, which is a non-subsidy rate.

I don't know just how many people figure subsidy. There are some who think that any organization which gets any money from the government is subsidized, regardless of the relative value of its services. I am inclined to think that subsidy is something paid in excess of the value of service or in excess of the revenue that the service produces to the government. To give you an idea, there is approximately $2.30 in revenue to the Post Office Department on a ton-mile performance of mail service and, as I said, the Big Four airlines are receiving 45 cents a ton-mile.

I have given you a thumbnail sketch of our objectives and accomplishments. I think the record is a great tribute to private enterprise, and to an administration in government which used private facilities through which to ad-

Continued on page 81

Hallgarten & Co.
Established 1850
New York
Chicago London

BLAIR, ROLLINS & CO. *Incorporated*
Underwriters, Brokers and Dealers in Securities
Governments • Municipals • Public Utilities
Industrials • F.H.A.'s • Mutual Funds
44 Wall Street, New York 5
Telephone DIgby 4-4000 Teletype NY 1-1109
Private Wire System Connecting
New York Philadelphia Chicago
Detroit St. Louis San Francisco

State *and* Municipal Bonds
Municipal Bond Department
TELETYPE NY1-708
THE NATIONAL CITY BANK OF NEW YORK
Head Office: 55 Wall Street, New York
67 branches in Greater New York
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

gitized for FRASER
p://fraser.stlouisfed.org/

In Defense of the RFC

By HARRY A. McDONALD*
Administrator, Reconstruction Finance Corporation
Former Chairman, Securities and Exchange Commission

Administrator McDonald, commenting on public feeling caused by maladministration of the Reconstruction Finance Corporation lays blame for this on general ignorance of the vast role played by this agency. Says "sinister influences" in Reconstruction Finance Corporation have been eliminated, and defends this agency as having served a useful and beneficial purpose, and as having helped to preserve small business and free enterprise.


Harry A. McDonald

Washington is perhaps more interesting today than usual: There is a planned exodus. Everyone is getting ready. Some of them feel a bit numb; some of them haven't realized yet just what happened, although some do.

I think the story that the defeated candidate told on television and the radio — perhaps you all heard it—about the boy who stubbed his toe and upon reflection he figured he was too old to cry and it hurt too much for him to laugh, expresses the situation as it is set up in Washington today, if I were asked to define it. That brings to my mind the little story that a very apt story teller in Washington tells. It is the one about the frontiersman who in 1849 and '50, when the Gold Rush was on in California, decided he would take his little family and go out there. So he bought himself some of the four finest horses he could buy, got himself a very modern covered wagon and took his beautiful bride and small child and started out with the four-horse team and followed the orthodox route. Everything was going nicely until they hit the edge of the prairie and the long trek and a band of Indians swooped down on them and killed his wife, his child, burned his wagon, stole his provisions, stole his horses and left him to die with a big arrow sticking in his back. He lay there for a couple of days and when he regained consciousness he appraised the situation and figured he couldn't do himself any good lying there, so he started to crawl on his stomach. It was hot, sultry and he crawled for a couple of days with the arrow sticking in his back. Finally a band of cavalrymen riding out from a nearby fort found the fellow and one of them jumped down and began to talk to him, counsel him, tell him how sorry they were to find him in such a bad shape. He says to the frontiersman, "Does the arrow hurt you in the back?" He says, "Only when I laugh."

I think that expresses Washington today.

The existence of IBA to me is a very realistic thing and, of course, you will agree with me, I have observed IBA in action from a rather close vantage point as a member of the Securities and Exchange Commission. I observed the work they do; I have observed some of the things they tried to accomplish and weren't able to do, but those things take time. I am heartily in favor of some of the thoughts that have been expressed this morning from this platform as to reappraisal of certain situations and I can't over-emphasize the importance that the IBA can and should play in such a transition. The IBA can grow more influential, and may I hesitate to make this one challenging remark: I have said it before, I was convinced of it as a member of the Securities and Exchange Commission and I am thoroughly convinced of it yet that the industry of itself is not mindful, and you are not quite aware, of the tremendous importance that you play and the influence that you could wield were you to set yourself about it. There has always been a reticence on the part of the industry that you ought not to do this, that you ought not to do that. I say if you are not satisfied with the Securities Acts as they are now set up, I agree that reappraising them would be a good thing, and the IBA should be an important powerful factor in bringing about this change.

Reference has been made to your general counsel. I happen to know him very well; I have observed him in action. I think he is perhaps one of the best non-voting, non-partisan, non-political people in Washington and a great influence. He, facetiously, bears the reputation of being perhaps the outstanding duck shooter.

Speaking of duck shooting, I can't help but tell Scott Lucas' duck blind story. It goes this way: Lucas localizes every story that he tells and he tells this story about down in lower Illinois when the duck hunting season opened and it happened to be a cold, lousy, damp day. You know how the story goes. They set their decoys the night before. There were two fellows. They had everything set for early morning departure. They got there before sunrise. It was dark. One got in the front of the boat; one got in the back of the boat. They never changed positions all day. The fellow sitting in the front of the boat had been thoughtful. He had tucked a nice thermos bottle full of hot coffee in his left pocket. The fellow sitting in the back of the boat hadn't been unthoughtful. He had tucked a bottle of Bourbon in his back pocket. As the day went on it grew cold, kind of stiff and chilly. The fellow in the front of the boat kept nipping his coffee. The fellow in the back of the boat kept nipping his Bourbon. Not a thing showed up in the whole horizon until late in the afternoon when they were just about stiff. Each one was nipping and nipping. On the horizon they saw a Mallard making a perfect landing. The coffee drinking fellow took a bead on him and let both barrels go and nothing happened. The fellow in the back jumped up and the first shot brought down the Mallard. The coffee drinker said to the Bourbon drinker, "Brother, that was a fine shot. That was as fine a shot as I have ever seen. That was a dandy." Whereupon the Bourbon drinker said, "Well. I don't think it was quite so good. When I shoot into a flock of them like that I generally get three or four."

About the RFC

I am supposed to tell you a little bit about RFC. A year ago when I talked to you I was convinced I would be again in private business by this time, but I was called to the White House and the President asked me if I would take the job as heading the RFC. I make no bones about telling you I told him I thought it was a hot potato and I wanted to think it over. He said, well think it over and come back and see me tomorrow, which I did. I was advised by a good many people—by a good many, I'd say three or four—not to do it, but I did it. I have been placed in a very challenging position. I take no issues of those who argue that the RFC has outlived its usefulness, or to those who say it should be expanded or contracted. I think that the RFC, in an up-and-up economy, has played a very important role. I know how the Congress, or at least some members of the Congress, feel about it. I have seen the reports that have gone out in a campaign year to Congressmen and Senators who want to know what the RFC has done in their respective states. It is rather impressive. I heard your President today make reference to Government lending and the feeling on the part of those who have loaned citizens money — taxpayers' money. I am mindful of all that. I must confess to you that the thing is so big that a person can't get it all in a minute. We carry a portfolio of some $800,000,000 with about $300,000,000 undispersed. We have in that portfolio things that I wouldn't dream were there unless somebody asked you about them, and then, after you are asked about them, you check and may I say that irrespective of our political convictions, irrespective of our party affiliations, we hear a lot of talk about small business, the preservation and the safe-guarding of the small business, but nothing too definite has ever been done about it.

Big business gets bigger; small business struggles on. I am not here to argue the merits or demerits of either side of that. I have convictions both ways, but I do believe that the backbone of our American economy is to a large extent resting upon the success of the smaller businessman — and that is said without attempt or idea of castigating large business, because, as we know, large business today in our peculiar economy is essential and necessary.

Now in order that I can give you a brief resume of what the RFC has done, not what they propose to do because I think that is conjecture; that depends on the Congress and what they shall in their own wisdom work out. But so that I might say quickly and to the point and with your cooperation, give to you the record of the RFC—you are all stockholders as it is set up and as it has performed — I dictated two or three pages, and this will give you, I think, the facts that I am sure you will be interested in.

The Improved RFC

I suppose that if a reaction test were given to the average American, the very mention of "RFC" would envoke the immediate response of "mink coat," "luxury hotel," or "sinister influence." I shall not attempt to minimize the facts which prompt these responses nor the urgent need to eliminate the conditions which brought them about. However, I am happy to say, these conditions have been eliminated. The organization of the Corporation has been strengthened in accordance with sound principles of management and the Corporation now operates within the framework of a policy that re-

Continued on page 68

*Stenographic report of an address by Administrator McDonald at the 41st Annual Convention of the Investment Bankers Association of America, Hollywood, Fla., Nov. 30, 1952.

Underwriter • Distributor • Dealer

Investment Bonds and Stocks

Securities of the United States Government and its Instrumentalities
State, Municipal and Revenue Securities
Bonds, Preferred and Common Stocks of Industrial, Public Utility and Railroad Corporations
Bank and Insurance Company Stocks
Bankers' Acceptances
Securities of the International Bank for Reconstruction and Development
Canadian Bonds
Foreign Dollar Bonds

The FIRST BOSTON CORPORATION

NEW YORK BOSTON PITTSBURGH CHICAGO
PHILADELPHIA CLEVELAND SAN FRANCISCO

BEAR, STEARNS & Co.
Members New York Stock Exchange

NEW YORK CHICAGO

gitized for FRASER
tp://fraser.stlouisfed.org/

Canada's Development and Its Prospects

By HON. H. HUME WRONG*
Canadian Ambassador to the United States

After reviewing slow economic progress in Canada covering a period of two centuries, Mr. Wrong recites the impressive and exciting developments and discoveries that have taken place in last three years. These developments comprise opening up of major oil fields in Western Canada, exploitation of Labrador iron deposits and substantial expansion in nearly all of Canada's other primary resources. Adds to these, enlargement of Canada's manufacturing, particularly in aircraft, electronic and chemical industries. Points out Canada's financing is largely from her own resources, and expresses approval of objectives of both U. S. and Canadian Trade Policies.


H. Hume Wrong

Nearly 200 years ago a controversy deeply affecting the future of Canada, and, indeed, the future of the United States as well, was going on in England. It was about the terms of peace to be demanded by victorious Britain to end the Seven Years War with France, then drawing to its close. A major point at issue was which of the numerous French possessions which had been conquered during the war should be retained by Britain, and in particular whether it would be wiser to retain Canada or to keep the sugar island of Guadeloupe in the West Indies. Although factors other than economic entered into this controversy, the relative economic value of Canada and Guadeloupe was hotly debated. For example, one contemporary argued that Guadeloupe would be much the more valuable, since Canada "produces no commodity except furs and skins" for export, whereas the sugar of Guadeloupe would be "so much clear money to Great Britain."

It was decided in the end, economics apart, that there were overriding political reasons in favor of returning Guadeloupe and keeping Canada, mainly because this would remove the danger of French attacks against the American colonies, already stirring with the breath of the discontents which a few years later brought on the War of Independence.

That was a long time ago. We do not hear much today about the great value of the products of Guadeloupe. Although Canada still produces plenty of "furs and skins," these commodities cannot be said to figure very importantly in her economy. I shall not yield to the temptation of speculating on what might have happened if Canada had remained a French colony in 1763. Certainly the contemporary estimates of the prospects of Canadian economic development, held not only in London but also in France and in the American colonies, were poor indeed. A report sent to London from Canada by the British conquerors described it as "a place fit only to send exiles to, as a punishment for their ill-spent lives." In Canada we consider that a judgment which erred on the side of harshness.

It is true that, since then, there have been many dissappointments in Canadian development. There have been periods of deep pessimism, and also, in times of prosperity, rosy prophecies which seemed justified at the moment but were soon falsified by events. An era of rapid growth would last for a while, and then end in disappointments just when it had begun to look as though steady progress had set in.

These disappointments colored the Canadian outlook and made Canadians look with skeptical eyes on suggestions that the fulfillment of Canada's economic promise was at hand. Skepticism bred caution; but at last, and only in recent years, there has developed in Canada a mature confidence in the future of the country. It was, I think, the great extent and success of the Canadian war effort, both in the raising of forces and in the volume and variety of war production, that established the present buoyant faith in what Canadians can do in their own vast country.

Recent Developments

Certainly even the most inveterate pessimist would find it difficult not to be impressed by the exciting developments and discoveries which have taken place in Canada in the past two or three years. Previous periods of rapid expansion in Canadian history have been rather narrowly-based, drawing their impetus from development in relatively few specialized lines or regions. Today, however, growth is taking place over practically the whole range of the economy—in primary resources, in basic utilities and communications, and in manufacturing. Never before has the development of the known resources been so rapid and extensive, and never before have the known resources been enlarged by so many major new discoveries in so short a space of time.

I have time only for the most rudimentary outline of the main developments now under way. In the field of primary resources, there have been since the war two discoveries of the greatest importance, the one of what seems likely to be one of the world's major oil fields in western Canada, and the other of vast deposits of high grade iron ore in Labrador and Quebec. The oil discoveries have stimulated intense activity in a whole range of projects — systematic exploration and expansion of the oil fields, the construction of storage facilities and pipelines for oil and natural gas, the growth of refinery capacity and of a petro-chemical industry. Reserves of western crude oil are now conservatively estimated at one-and-one-half billion barrels, not counting much larger reserves contained in bituminous tar sands at Fort McMurray, the extraction of oil from which presents difficult but not insoluble problems. Already oil production is nearly one-half of Canadian requirements, compared with less than one-tenth of smaller needs a few years ago. In addition, very substantial reserves of natural gas have been proven.

The development of the Labrador iron ore deposits is being carried out on a scale unique in Canadian mining history. An estimated $200 million will be spent to bring into production and to transport to the coast an output of 10 million tons of iron ore a year by 1956. This involves the building of a 360-mile railway through virgin wilderness, of terminal facilities and ore-loading docks, of power installations and townsites. Proven reserves now total over 400 million tons of open-pit ore averaging 10% higher in grade than the standard ores now being shipped from the Mesabi range. The Labrador development is, of course, additional to other new iron ore ventures already in large-scale production in the Lake Superior region and elsewhere in northern Ontario, notably at Steep Rock Lake.

In addition to oil and iron, expansion is under way in nearly all of Canada's other primary resources. In base metals, for instance, great increases in productive capacity are being carried out in aluminum, nickel, zinc, uranium, cobalt, tungsten and titanium, to name only the most important. Some of these projects are of the first magnitude: the great aluminum plant at Kitimat, a half-billion-dollar project in the wilds of northern British Columbia; uranium mining on a large scale in the Beaverlodge Lake area of Saskatchewan; the opening up of major new sources of nickel and cobalt and zinc. In forest products, there have been a steady modernization and expansion of pulp and paper plants and a very large increase in the output and export of lumber. Prairie farmers have made rapid progress during recent years in the mechanization of wheat farming, and have just reaped by far their largest crop, a crop of very high grade.

Development of primary resources is only one aspect of this economic dynamism. The growth of population and output in recent years has made necessary a corresponding growth and modernization of the basic utilities and transportation facilities. Perhaps the most important transportation development facing Canada since the building of the Canadian Pacific Railway is the proposed St. Lawrence seaway and power project, which will bring ocean shipping into the heart of the continent and provide badly needed additional electric power for Ontario industry. I hope that, at long last, its construction will begin in 1953.

Enlargement of Manufacturing

In another important area of economic activity since the war, the modernization and enlargement of manufacturing plants have kept pace with the rest. Among the more notable developments in this field in recent years have been the growth of the aircraft, electronic, and chemical industries, the expansion of the steel industry, and progress in atomic energy research. Canadian steel production has doubled over the past decade.

Since 1945 population has risen by 16% and national product by over 20%; the camparable growth in the United States is 12% for

Continued on page 38

UNDERWRITERS
DEALERS
BROKERS

State and Municipal Bonds
Utility, Railroad, Industrial Bonds
Bank and Insurance Stocks
Preferred and Common Stocks
Foreign Dollar Securities

KIDDER, PEABODY & CO.
FOUNDED 1865
Members New York and Boston Stock Exchanges, Midwest Stock Exchange and New York Curb Exchange

NEW YORK BOSTON PHILADELPHIA CHICAGO
Albany Altoona Baltimore Lowell New Bedford Newport
Providence Reading Scranton Springfield Wilkes-Barre
New York Teletypes NY 1-3893-3894

WRITE FOR OUR BOOKLET
"SERVICES TO DEALERS"

UNDERWRITERS—DISTRIBUTORS
DEALERS

PUBLIC UTILITY, RAILROAD
INDUSTRIAL and MUNICIPAL
SECURITIES

W. C. Langley & Co.
Members New York Stock Exchange
115 Broadway New York 6, N. Y.
Tel. BArclay 7-8800

gitized for FRASER
http://fraser.stlouisfed.org/

New State Legislation Affecting Securities

Charles S. Vrtis, of Glore, Forgan & Co., Chicago, Chairman of IBA State Legislation Committee, presents report listing important amendments to legal investment laws, tax laws and abandoned property laws which affect securities. Reveals handicap of implementing SEC's rule 132 on distribution of "identifying statements," because of State Blue Sky laws, and reviews legal cases arising out of such legislation.

The report of the IBA State Legislation Committee was presented to the 41st Annual Convention at Hollywood, Fla., by Charles S. Vrtis, of Glore, Forgan & Co., Chicago. The report, as in previous years, dealt with matters of state legislation during the current legislative year that directly or indirectly affected investments in securities such as Blue Sky laws, and laws relating to legal investments, taxation and abandoned property.

Charles S. Vrties

The text of the Committee's report, minus the appendices, follows:

The legislatures have been in regular session this year in 10 states, in budget session in three states and in special session in three states.

Although there have been no important amendments to State Blue Sky laws this year, there have been important amendments to legal investment laws, tax laws and abandoned property laws, and much work has been done in preparing amendments to or complete revisions of Blue Sky laws for submission to legislatures next year when most of the State Legislatures will be in regular session.

The Committee wishes particularly to commend work which has been done by group legislation committees of the Association and by special committees in preparing amendments for submission to State Legislatures next year and in satisfactorily settling administrative problems regarding interpretation of Blue Sky laws this year, all of which are discussed in more detail in subsequent sections of this report.

Distribution of Identifying Statements Under SEC Rule 132

On Oct. 1 the SEC announced the adoption of Rule 132 which permits the distribution of "identifying statements," containing specified information regarding securities for which a registration statement has been filed under the Federal Securities Act of 1933, to the public prior to the effective date of registration of those securities.

Since many State Blue Sky laws make it unlawful to "sell" any securities (with certain specified exceptions) until such securities have been registered in the state or certain filing requirements have been complied with and also define "sell" to include any "attempt to sell" or "solicitation of an offer to buy," there is a problem as to whether or not the distribution of an "identifying statement" to the public prior to registration of the securities described therein under such state laws would constitute an "attempt to sell" and, therefore, an unlawful "sale."

The IBA has made a survey to obtain the opinion of the State Securities Commissioners as to whether it is permissible for registered dealers and salesmen to distribute "identifying statements" meeting the requirements of SEC Rule 132 to the public in the respective states prior to registration of the securities described therein under the respective State Blue Sky laws, and the results of this survey were published in "IBA Washington Bulletin No. 3," 1952. Since this survey was based upon the opinions of State Securities Commissioners, it should be noted that an opinion by a State Securities Commissioner that such distribution of identifying statements is permissible under the law of his state does not eliminate the possibility of civil liability in certain states if a court should conclude that the Commissioner was wrong in his interpretation of the law.

Forum on Blue Sky Law Problems

At the 35th Annual Convention of the National Association of Securities Administrators (whose members are the State Securities Commissioners), in September, the IBA arranged for three representatives of the investment banking industry to participate in a forum on "Blue Sky Law Problems." The industry representatives on the panel were Charles S. Vrtis (Glore, Forgan & Co., Chicago), Chairman of the IBA State Legislation Committee; Roger L. Severns (a partner in the law firm of Isham, Lincoln & Beale, Chicago), and Gordon L. Calvert (Assistant to General Counsel of the IBA). The statements of the three industry representatives are summarized as follows:

Mr. Vrtis: (1) Experience of nearly 20 years under regulation at both Federal and state levels indicates that many State Blue Sky laws today are seriously outmoded and in need of revision.

(2) Most Blue Sky laws today are designed to reach the fringe operator but in the process unwarranted shackles and restrictions are placed on the reputable dealers who do the great bulk of the country's business.

(3) Additional reasons for a new type law in many states may be found in (a) tendency toward assumption of arbitrary administrative discretion under many existing statutes, and (b) need for elimination of all unnecessary costs and delays incident to the public distribution of securities in order to provide protection to dealers and to remove present inequalities that tend to favor private placements.

(4) A notification type of law, such as the Pennsylvania Securities Act or the notification type model act prepared by the IBA, is considered to embody sound principles and to represent modern state securities regulation.

(5) The soft spot in state regulation is the human element. People commit frauds; securities do not. People commit errors of commission and omission; securities do not. A law of the notification type, emphasizing the registration of dealers and the prevention of fraud, properly recognizes the principle that there is no substitute for integrity.

Mr. Severns: (1) Difficulties are involved in qualification of new offerings under Blue Sky laws because of (a) cost, (b) the general lack of uniformity in the theory and pattern of Blue Sky legislation and in administrative interpretations of such legislation, (c) the delay in qualification, and (d) obsolete and ambiguous provisions in state statutes.

(2) Obstacles are placed in the way of speculative securities under many securities laws and the consequence is private placement of new securities, excluding the small investor who has a small amount of risk capital to invest.

(3) Possible solutions to problems are:

(a) Uniformity and simplicity of Blue Sky legislation which may be most easily accomplished by the dealer-notification type statute;

(b) Uniformity of administrative interpretation;

(c) Cooperation of other agencies in the state governments in giving consideration to and rulings on questions within their special competencies.

Mr. Calvert: (1) Problems under State Blue Sky laws include the need to:

(a) Permit distribution of an "identifying statement" meeting the requirements of proposed SEC Rule 132 to the public prior to state registration of securities described therein;

(b) Exempt sales by registered dealers in the secondary market under specified conditions;

(c) Eliminate arbitrary bases for denying registration of securities;

(d) Exempt offerings to existing stockholders;

(e) Simplify and make more uniform the registration procedure for issues registered with the SEC by use of uniform application form;

(f) Adopt complete new laws in some states.

(2) The IBA has prepared two model Blue Sky laws, one of the qualification type and the other of the notification type, for use in states where a complete new law is needed.

(3) The notification type law is preferred over the qualification type law because it permits reputable dealers to conduct legitimate business without unnecessary restrictions but enables administrator (i) to deny right to engage in business to persons who engage in fraudulent activities and (ii) to forbid sale of securities which would work or tend to work a fraud on purchasers thereof.

A limited number of copies of the complete statements by the three industry representatives on the panel are available.

In general, the three industry representatives on the panel all concluded that a desirable objective is the enactment of a notification type Blue Sky law which emphasizes the registration and supervision of securities dealers and salesmen and provides that non-exempt securities may be sold by registered dealers as soon as a notice of intent to sell such securities and a copy of the prospectus regarding such securities are filed with the state commission (rather than requiring the registration of securities by qualification). Emphasis was placed upon the fact that the notification type of Blue Sky law protects investors against the perpetration of fraud in the purchase and sale of securities with a minimum of restraint on the legitimate conduct of the securities business by reputable dealers.

Since the present Pennsylvania Securities Act is a Blue Sky law of the notification type, it is par-

Continued on page 69

ALLEN & COMPANY
Established 1922
NEW YORK 4, N. Y.

UNDERWRITERS DISTRIBUTORS DEALERS
STATE AND MUNICIPAL BONDS
RAILROAD, PUBLIC UTILITY, INDUSTRIAL
NATURAL GAS ISSUES
GORDON GRAVES & CO.
30 Broad Street, New York 4, N. Y.
Telephone WHitehall 3-2840 Teletype NY 1-8909

gitized for FRASER
http://fraser.stlouisfed.org/

High Taxes Depleting Corporate Working Capital

Eaton Taylor of Dean Witter & Co., Chairman of IBA Industrial Securities Committee, points out high taxes are a factor in slowing down plant expansion and in lowering working capital and cash position of industrial companies. Calls attention to possible effects of transition from rearmament program, in which working capital and cash resources will play an unusually important role.

In commenting on the current situation and the outlook for industrial securities, Eaton Taylor of Dean Witter & Co., Chairman of the IBA Industrial Securities Committee, revealed in the report of his committee to the 41st Annual Convention of the Association at Hollywood, Fla., the position of industrial companies today as compared with 1939, and stressed the adverse effects of high taxation on the cash and working capital condition of business concerns.

Eaton Taylor

The text of the Committee's report follows:

I believe it is customary on occasions such as these to comment on the outlook and to make predictions or projections on what the future may have in store for us.

Recently I came across a number of such forecasts, made and published by eminent economists in 1947 and 1948. They reflected the thinking of industry at that time and were based on the plans of the bulk of American industry. It probably was as competent a survey of the business outlook as could be made in the light of circumstances then existing. The projections dealt, among others, with the expenditures which industry was expected to make for new facilities and for which capital would have to be found during the period from 1948 to 1952.

These projections were written in a rather optimistic vein and with a good deal of confidence even though industrial expansion was at a high plateau at that time. It is sobering to compare the forecasts with the actual events. The forecasters expected that all industry, including utilities, mining and transportation, but excluding commercial and miscellaneous, would spend close to $10 billion on new facilities in each of the years 1951 and 1952. The latest report by the SEC shows that the industries included in this forecast actually spent close to $19 billion on new facilities in 1951 and are well on the way toward spending over $20 billion in 1952, excluding about $7 billion for commercial and miscellaneous facilities. Also in 1947 gross national product in the early 1950's was forecast on an average level of less than $200 billion. Actually, it is now running at an annual rate of 70% higher, or around $340 billion.

The forecasters of 1947 and 1948 can, perhaps, not be blamed for being 100% to 70% wrong in their projections. They left out of their reckoning such unforeseen events as the Korean War, rearmament and inflationary forces. At the same time, it brings back to mind a realistic observation by Rudyard Kipling which went, if I remember rightly, something like this:

"Ah, what avails the best intent
And what the cultured word
Against the undoctored incident
That actually occurred."

I believe you will appreciate my disinclination to venture very far into the field of pat predictions and the forecasting of figures.

I would rather remain on the firmer ground of known facts—more particularly the facts and figures with which we deal every day, and, after presenting some rather significant comparisons, leave it to you to make your own projections.

Data on Industrial Company Earnings

The data on which I want to comment are a few figures and ratios taken from what is, in effect, a sample of the comparative balance sheet and profit and loss statement of American industry showing what changes have come about in recent years and where we stand at this time. The data I am speaking of are taken from the combined balance sheet and profit and loss statement of the companies making up the Dow-Jones Industrials, but excluding American Telephone & Telegraph. They are fairly representative of industry as a whole as they parallel quite closely the corresponding but much more comprehensive figures of manufacturing corporations published by the Federal Trade Commission and the SEC. All these comparisons exclude public utilities and railroads. They are a sample of manufacturing industries in the narrower sense of that term and they stack up the year 1951 against 1939, that being the last year that was "ex" hot war, "ex" cold war, ex-inflation, ex-rearmament and huge government orders and ex the present tax burden. In retrospect, it may well be regarded as the last so-called "normal" year in so far as financial ratios are concerned.

Some of the more striking features of the trends that are highlighted by these comparisons of 1939 and 1951 should be of practical value in considering the outlook for financing and underwriting.

Nothing, of course, has brought about a greater change in the financial picture of corporations than the rise in taxes. And, even though we may have reached the peak in tax rates, we have not yet reached the point of their maximum impact on cash requirements. Prior to the enactment of the Mills Bill, corporations had, in effect, for a full year the use of amounts reserved for taxes. The Mills Bill is accelerating tax payments and calls for an increasing proportion of taxes to be paid in the first half of each year. By 1955 all taxes for one year must be paid in the first half of the next year. As the Mills Bill becomes fully effective, corporations must provide that much more cash. This will be a perennial and not a temporary problem as long as the Mills Bill remains on the statute books. It is rather startling to see that our sample corporation's tax liability at the end of 1951 was equal to 81% of all cash and governments held at the year-end, compared with a corresponding figure of only 20% in 1939. In other words, the acceleration of tax payments will have a material and possibly permanent bearing on corporate cash requirements. The problem will be aggravated for companies which, in a poor or slow first half of a given year, must squeeze out of their resources, with little delay, the large amount of cash necessary to pay the preceding good year's large tax bills by June 15.

Incidentally, 1951 tax accruals were 1857% ahead of those of 1939 and the amount of these tax accruals was equal to 21% of preferred and common stockholders' equity, compared with less than 2% in 1939.

In sharp contrast to the 1857% increase in tax accruals, net plant value increased by only 82% since 1939. This 82% rise in book value of plant seems modest and conservative compared with the 350% increase in dollar sales during the same period. To put it another way, net plant value is now turned over once every 100 days while in 1939 it was turned over only once every 260 days. Part of this relatively high rate of sales and the increase over 1939 is, of course, due to the facts that in 1939 industry in general was operating below capacity levels and that much of our present plant investment represents dollars which had a much greater purchasing power than the dollars with which we are currently measuring the sales volume. Yet, even at that, it would seem to indicate that the amount of dollars represented by plants and facilities on the balance sheet is not, relatively, as top-heavy as is sometimes believed. It is a reassuring consideration that plants and facilities currently account for not much over one-third of total assets compared with almost one-half in 1939.

Accelerated and otherwise increased depreciation rates have helped to keep within rather satisfactory proportions the net book value of the stockholders' dollars now tied up in brick, mortar and machinery. It appears that the bulk of all facilities existing prior to the war is now fully offset by depreciation reserves. However, an abnormal amount of these fully depreciated facilities is still on the active list, operating-wise, in order to meet the pressing backlog of orders. In the event of a decline in volume these older, obsolescent facilities can, and presumably will, be retired and charged in full to depreciation reserves, thus causing no change in the net book value of plant. However, it is necessary to bear in mind that depreciation provision in dollars —based, as it is, on original cost of years ago—is now wholly inadequate to take care of the physical replacement of a retired facility. If and when it becomes necessary to replace, in kind, a rated physical capacity, a greatly increased amount of cash is needed for that purpose, and the ratio of tons of capacity to dollars in plant investment will decline. This may lead to a measure of dilution of capital or of return on capital.

A Two-Edged Proposition

There are many cases where a plant manager or an investor "points with pride" to the fact that his plant has a replacement cost several times its book value. This is a two-edged proposition: He might also "view with alarm" the fact that for purposes of physical replacement, he may in due time be up against a dilution and financing problem.

So far, this problem has not made itself felt very much. The excellent overall results obtained in recent years by investing in the most modern, efficient and labor-saving manufacturing facilities, regardless of higher costs, is well illustrated by a comparison of 1939 and 1951: While in the latter year depreciation charges approximated 5% of gross plant value compared with only 3.6% in 1939, yet, the cost of deprecia-

Continued on page 74

Established 1856

H. HENTZ & CO.

Members New York Stock Exchange and other leading stock and commodity exchanges

60 BEAVER STREET, New York 4, N. Y.
BOwling Green 9-8420

781 FIFTH AVE., N. Y. (Sherry-Netherland Hotel)
PLaza 1-2220

CHICAGO • DETROIT • PITTSBURGH • GENEVA • MIAMI BEACH • HOLLYWOOD, FLA.

Underwriters and Distributors of Corporate Securities

UNDERWRITERS

DEALERS • BROKERS

Established 1868

Spencer Trask & Co.

25 BROAD STREET, NEW YORK 4, N. Y.

Members
New York Stock Exchange *New York Curb Exchange*

ALBANY BOSTON CHICAGO GLENS FALLS MANCHESTER, N.H.
NASHVILLE SCHENECTADY WORCESTER

Private wire to Crowell, Weedon & Co., Los Angeles, Cal.

Digitized for FRASER
http://fraser.stlouisfed.org/

Menace of Public Power to Private Investment

IBA Public Service Securities Committee, whose Chairman is Charles C. Glavin of the First Boston Corporation, calls attention to rapid growth of government electric power, "disguised as flood control, irrigation, navigation, reclamation, and even national defense." Holds private enterprise could do job with lower cost and more efficiency, and cites increase in electric power earnings without substantial rise in service rates. Reveals heavy utility financing in 1952, which included A.T.&T. bond offering, largest corporate issue in U. S. history.

Charles C. Glavin

Charles C. Glavin of the First Boston Corporation, Chairman of the IBA Public Service Securities Committee, rendered the report of the Committee to the 41st Annual Convention of the Association at its meeting in Hollywood, Fla. The report, in addition to furnishing data on public utility earnings and investment, called attention to the menace to private enterprise of the rapid expansion of the Federal Government in the electric power industry.

The text of the Committee's report follows:

Nationalization of our electric utility industry is the cornerstone of socialist planning, with the aim being ultimate nationalization of all industry. We are not dealing with a theory; public power has made serious inroads into the electric business and today supplies about 20% of the nation's power needs. There are some signs that its growth is being slowed as the result of the battle being waged by the industry and by a little better public understanding of the issues. But the danger remains acute and substantial. While the majority of our citizens have an indirect investment in the electric industry through their insurance policies and savings accounts, some three million people have a very direct interest in the privately owned companies as stockholders. Undoubtedly many of these people think of public power as something going on way out west—and most people don't worry much about a ghost in somebody else's house. A large segment of these three million stockholders are customers of our industry. Consequently, we can do something with these customers—and our other customers who don't own utility shares — to educate them to the fact that public power is big, is real and is a national rather than a local threat to our investments and our economic system.

Public Power Case Not Honestly Presented

Probably the biggest obstacle in the fight has been the fact that proponents of public power have not, for the most part, presented their case honestly. Power projects have been disguised as flood control, irrigation, navigation, reclamation and even national defense. The electorate has thus been kept confused by mixing power with proper governmental functions. But in recent years there have been proposals where the issue is clearly drawn between private enterprise and government ownership.

One of these is the Niagara Power development — not to be confused with the St. Lawrence Seaway and Power development. By virtue of the 1950 treaty with Canada, additional water from the Niagara River may now be utilized by the United States for power development. Bills are still pending in Congress for development by the Federal Government, by the State of New York, and by private enterprise. Under each of the three proposals there is no material difference in the development itself, so it is simply a case of who does it. Five New York State private companies have agreed jointly to finance and construct the project at no cost to the taxpayers—and there they stand, ready, willing and able to do the job. It seems to us that the very fact that in two years the private enterprise bill has not been reported out of committee favorably is real cause for alarm; this is proof enough of the political influence of the public power advocates.

Another example is the Hell's Canyon Project on the Snake River in Idaho. A private company serving the area wants to develop the power potential of the river by building five low head dams, these to be built as the power is needed in the area. The Federal Government wants to build a huge single dam at a cost of $360 million for just the dam and power plant. Private development would cost less and produce more power and would not require expenditure of public funds. The real purpose is to export the power to the Pacific Northwest and use this as the back door approach to establishing a Columbia Valley Authority. Hell's Canyon is a project of the Bureau of Reclamation whose function is supposed to be the reclamation of arid lands. The truth is that this is an outright power project, and even the Bureau admits that 95% of the cost is to be allocated to power. Here again, then, is a clear case of decision between private enterprise and Federal power development — an aggressive attempt by government to do what private enterprise is ready, willing and able to do.

The public power issue is not confined to such glamorous issues as big projects. Little understood or realized is the controversy going on over the "preference clause." In the Flood Control Act of 1944 Congress provided that power generated at U. S. Government dams shall be sold, exclusively if possible, to agencies of states and cities or other public bodies and to cooperatives for distribution and sale to their customers. Congress sought to establish a workable power marketing policy and stipulated that only absolutely necessary transmission lines should be built by government to carry out the purposes of the Act, and the preference treatment of certain types of customers was clearly subject to the general intent of the Act — namely, the construction of only necessary lines and charges to customers sufficient to pay out public investment in power facilities.

The controversy revolves about the Interior Department's interpretation of Congressional intent. Interior thinks it has a mandate to build a Federally controlled and operated transmission system to market all power produced by government power projects. Successful implementation of such a policy would result in uneconomic duplication of lines already in existence and the resulting effect on privately owned companies would range from damaging to ruinous. The proper answer lies in negotiating contracts to utilize existing lines to transmit such power to the preference customers. A number of these have been worked out and the Congress has been putting increased pressure on the governmental agencies to encourage such arrangements and avoid the expense and effects of duplication.

The preference clause in itself fosters the growth of municipal power business which is detrimental to the industry, and the widely and continuosuly fought controversy over transmission compounds the injury. Here again we can see the activities and intentions of the public power advocates, and this fight is just as important as the big name projects that seem to get most of the public's attention.

Private Enterprise Can Do the Job

Another approach of the public power advocates is the statement that private enterprise can't do the job of meeting our large present and future requirements and that the great size of these government power projects makes government construction necessary. This is loose and misleading talk and the facts provide the answer. In the six years, 1946 through 1951 the private electric industry has increased its generating capacity from 40 million kw to 60 million, spending over $10 billion on new construction. Present plans for the years 1952 through 1954 call for another 21 million kw increase in capacity and expenditures of another $8 billion. This record speaks for the vitality of the industry and its ability to do the job.

In this connection, it is interesting to note that the only power shortage in the country is in the Pacific Northwest where public power has made its greatest strides. It makes one wonder if perhaps it was planned this way—to justify the government's proposal to build eight steam generating plants in the Northwest, and to push us further and further down the road of public power.

We have already mentioned the willingness and ability of private enterprise to take on the development of the very large Niagara Power project and the development of the Snake River. Electric Energy, Inc. was formed and financed by five private companies to generate power for the atomic energy plant at Paducah. And recently it was announced that 15 private utility companies have jointly formed The Ohio Valley Electric Co. to provide power to the Atomic Energy Commission's gaseous diffusion plant. This company will have 2,200,000 kw of generating capacity. These examples of what private enterprise can and will do should be sufficient answer to that excuse for public power.

The recent change of Administration in Washington may well change the position of public power. If government will cease to

Continued on page 64

Servicing
Brokers and Dealers
Since 1878

ASIEL & CO.

Members New York Stock Exchange
Members New York Curb Exchange

11 Wall Street **New York 5, N. Y.**

Telephone HAnover 2-5000 Teletype NY 1-1110 & NY 1-1111

INDUSTRIAL, PUBLIC UTILITY, RAILROAD
and MUNICIPAL SECURITIES

UNLISTED TRADING DEPARTMENT

LAURENCE M. MARKS & CO.

Members New York Stock Exchange
New York Curb Exchange (Associate)

49 Wall Street, New York 5, New York

Telephone HAnover 2-9500 Teletype N.Y. 1-344

Underwriters, Distributors and Dealers

★

CORPORATE AND MUNICIPAL SECURITIES

★

UNLISTED TRADING DEPARTMENT

★

Members: Midwest and Boston Stock Exchanges

★

LEE HIGGINSON CORPORATION

NEW YORK • BOSTON • CHICAGO

Digitized for FRASER
http://fraser.stlouisfed.org/

Finds Little Grist in New Aviation Financing

IBA Aviation Securities Committee, whose Chairman is Hugh Knowlton of Kuhn, Loeb & Co., reports, despite steadily increasing volume of business, there has been a dearth of capital financing during 1952 in the aviation industry, and most of this has been placed privately. Attributes situation to airplane manufacturing companies financing through use of Federal Reserve "V" loans, secured by government contracts. Committee reviews recent technical and other developments relating to aviation.

In its report to the 41st Annual Convention of the Investment Bankers Association at Hollywood, Fla., the Aviation Securities Committee, headed by Hugh Knowlton of Kuhn, Loeb & Co., New York City, explained the dearth of financing in this field, which exists despite the steadily increasing business of both the transportation and the manufacturing branches of the industry.

Hugh Knowlton

The text of the Committee's report follows:

The year 1952 has yielded a poor harvest for the investment banker in the field of aviation financing. In the airline end of the industry there have been six stock issues totalling only $33,600,000, one of which was without underwriting and one of which accounted for two-thirds of the total dollar amount; and only two issues of bonds or debentures totalling $10,250,000, of which $10,000,000 was placed privately. In the manufacturing end of the industry there were three issues of common stock totalling only $7,000,000, and one issue of notes amounting to $6,000,000 sold privately.

In contrast to this dearth of capital financing, the industry has been throwing off a steadily increasing volume of business. The operating revenues of the domestic trunk airlines increased in the first eight months of 1952, 14% over the comparable period in 1951, which is significant when it is remembered that the operating revenues of the airlines in 1951 were 26% higher than in 1950. In the manufacturing end of the business we find sales increasing at an even greater rate, the increases ranging in the case of the leading companies from 21% to 295% and averaging about 85%.

From this it can be seen that the reason for the meager grist which the industry has been throwing into the investment bankers' mill does not stem from any lack of growth in the industry itself. Accordingly it is important to analyze the factors bringing about the prevailing condition.

Transportation

Let us first consider the situation obtaining in the transportation end of the business. Here we have an industry which not only is currently in a period of increasing gross revenues, but is also in the midst of a period of vastly expanding capital assets. An airline's principal plant is its flight equipment. During the past few years all the airlines have, in varying degree, been increasing and modernizing their flight equipment. This has taken vast amounts of money, as the modern plane is many times more expensive than its predecessors. The total figure represented by purchases under this moderization program will, when completed about the middle of 1954, be well in excess of $750,000,000. The planes acquired under this program are, in the four-engine class, the DC-6 and Constellation lines, the DC-7 and the Stratocruiser, and in the two-engine class the Convair and the 404.

How has this plant been financed if not through investment banking channels?

The managements of the airlines have considered it prudent to depreciate their flight equipment over periods ranging from four to seven years, shorter by far than the depreciable life of the capital assets of other businesses. Obviously this has resulted in larger annual charges for depreciation than if this equipment were depreciated over a long period of time. To date such annual depreciation charges have been allowed by the government for income tax purposes, thus lessening the tax burden and increasing the amount of available cash throw-off. The airline business has been fortunate enough in recent years to generate sufficient cash funds to meet such depreciation charges. Therefore the annual depreciation charges of the airline industry have made such an important contribution to new capital needs as to make it possible for the airlines to finance these needs either out of internally generated funds or such funds supplemented by bank borrowings. It is recognized that this statement is perhaps an oversimplification of the picture and that the ability of the different airlines to finance without outside aid other than bank borrowings varies within the industry. But it is believed that this is the basic explanation for the anomalous situation which the investment banking fraternity faces in this field.

From the end of 1949 to the end of 1951, a period of great expansion in the airline industry, it is interesting to note that the long-term debt of the domestic airlines decreased from $148,000,000 to $134,000,000. So long as the new capital requirements of the airline industry are primarily for flight equipment and so long as it is prudent and possible for airlines to depreciate this equipment in a relatively short period due to the inroads of obsolescence, the soundest way for airlines to meet new capital requirements which cannot be provided out of cash earnings, is by the issuance of common stock or by short-term debt obligations maturing concurrently with the depreciation of the financed equipment. There may be special situations where long-term debt or preferred stock is appropriate, but certainly such securities are not as suitable media for airline financing as they are for railroads, public utilities and industries whose plants and other capital assets have substantially longer useful lives coinciding more nearly to the length of time such securities will remain outstanding.

Why then has there not been more common stock financing in the case of airlines during the past year?

First let us look at the market action of airline stocks.

In 1951, the Dow-Jones industrial average increased 14% and airline stocks showed an average increase of 19%. However, from the beginning of 1952 to date airline stocks have shown a decline of 20% against an increase in the industrial averages of 4% and a rise in rail averages of 27%. This indicates that the investing public has no hunger for airline stocks and that the market climate is not favorable for financing the industry's capital requirements by means of new stock issues. Corporate managements are sensitive to market conditions and are averse to selling their companies' common stock at depressed prices.

What are the reasons for the disfavor with which airline stocks are currently regarded?

In 1947 and 1948 the airlines of the country passed through a well-remembered crisis. Thereafter, with the pick-up in business and the improvement in the economy of operations brought about by better cost controls and new and more efficient equipment, the fortunes of the airlines took an upward trend with increasingly large net earnings carrying through 1951. This year the results of airline operations have, with one or two notable exceptions, taken a turn for the worse. Net earnings, in spite of the continuing increase in total revenues noted above, have shown a marked decline. This has been due to various causes which can be summarized by the statement that costs have increased faster than revenues in spite of the modernization of flight equipment which has been rapidly taking place throughout the industry. It is true that two unusual events took place in 1952 which had an adverse effect on airline earnings:

(1) the closing of the Newark Airport resulting from the three accidents in Elizabeth, N. J.; and

(2) curtailed operations resulting from a period of gasoline rationing caused by the oil strike.

But there was a reason for the decrease in earnings far more fundamental than these non-recurring events, viz., the narrowing of the margin of net profit brought about:

(1) By the gain in expenses, including taxes, in their race against gross revenues, and

(2) the depressing effect on gross revenues brought about by the decrease in the average rates charged by the industry.

Rates have declined in the face of mounting costs for materials and labor and heavier tax burdens. This is not the first time that the industry has presented the anomaly of lowering rates in spite of the increasing demand for seats and other space. The airline industry seems to be unique in its habit of cheapening the price of its product when the demand is great and attempting to increase its price when the demand has fallen off. The present tendency toward lower rates is due partly to pressure from the CAB and perhaps more importantly to the development of coach service with its lower fares. It is probably still too early to say categorically whether the tremendous growth of coach travel is a healthy thing for the airlines. It is true that it has stimulated the demand for the airlines' product, but at what cost? The answer will be clearer in the next year or two. Meanwhile the fact remains that unless the decline in profit margins can be erased the airlines will be facing a period of profitless prosperity.

It is suggested that a useful

Continued on page 65

Underwriters and Distributors of

Investment Securities

Carl M. Loeb, Rhoades & Co.

42 WALL STREET NEW YORK 5, N. Y.

EASTMAN, DILLON & CO.

15 Broad Street, New York 5, N. Y.

PHILADELPHIA • CHICAGO • HARTFORD
READING • EASTON • PATERSON • CARLISLE

Members New York Stock Exchange

Private wires to our offices above and correspondents in

Chicago • San Francisco • Los Angeles • St. Louis • Milwaukee
Dallas • Richmond • Charlottesville • New Haven

Reynolds & Co.

Members New York Stock Exchange and other Leading Exchanges

120 BROADWAY • NEW YORK 5, N. Y.

gitized for FRASER
p://fraser.stlouisfed.org/
deral Reserve Bank of St. Louis

Market for Railroad Securities Much Improved

Railroad Securities Committee of IBA, headed by Charles L. Bergmann of R. W. Pressprich & Co. as Chairman, notes rise in Dow-Jones rail average of 27% in year, accompanied by increase in rail carriers' revenue to a record high. Points out, despite all this, rail earnings, in terms of property investment, are still inadequate, and do not reflect $8 billion increase in capital expenditure since end of war. Finds 1953 rail outlook has both favorable and unfavorable aspects.

Charles L. Bergmann

Charles L. Bergmann, of R. W. Pressprich & Co., Chairman of the Railroad Securities Committee of the Investment Bankers Association, on Dec. 3, presented the report of his committee to the 41st Convention of the Association meeting at Hollywood, Fla. He called attention to revival of investor interest in railroad securities, but warned despite larger revenues the rails are not earning an adequate return on their property investment.

The text of the Committee's report follows:

During the year 1952 railroad bonds and stocks found increasing favor with investors. The Dow-Jones rail averages which stood at 81.70 at the end of 1951 rose to 103.95 on Nov. 20, 1952, a 27% increase. This contrasts with an increase of only 4% in the Dow-Jones industrial averages in the same period. Likewise, an acceptable index of railroad income bond prices shows an increase of nearly 8% in this period. Further, dealers in investment quality railroad bonds have noted an increased demand for this type of security.

The improved market status of railroad securities may be attributed to two main factors: (1) the relatively favorable 1952 financial results and (2) the improved outlook for essential and constructive revisions of our national transportation policy.

Revenues at All-time High

Gross revenues in 1952 may reach an all-time high of $11,000,000,000. Estimated net income of $750-760,000,000 would be greater than that for any year of the last two decades excluding the war years of 1942 and 1943. Although earnings as reported for 1950 were somewhat higher than estimated 1952 results, these figures included substantial amounts of retroactive mail pay properly allocable to earlier years. Dividend payments estimated at $350,000,000 will be the highest payout since 1930.

Earnings for the year 1952 were benefited substantially by rate increases which became effective in April of this year. These rate increases amounting to approximately 15% with exceptions superseded two partial interim increases granted during 1951. It is significant to note that the amounts of increases granted this year were the full amounts which the carriers sought and for the first time in our recollection the ICC did not withhold some part of the relief requested. On the other hand, there was, as so frequently has been the case, a prolonged and costly delay between the application for the increases and the granting thereof by the Commission.

It should be noted that the favorable 1952 financial results are not all they seem. Appraised in terms of return on railroad property investment or in terms of purchasing power, railroad earnings are still inadequate. Also, under ICC acounting procedure railroad earnings as reported reflect income tax savings derived from accelerated amortization privileges but do not reflect the total amortization charges. However, four to five years hence reported earnings will no longer reflect the benefit of the tax savings, whereas the depreciation charges for these facilities will continue to be included in the expense accounts.

Capital Expenditures

Capital expenditures made by the railroad industry during 1952 will approximate $1,375,000,000, of which slightly more than a billion dollars is for the acquisition of equipment and the remainder for additions and betterments to roadway and structures. This will bring to nearly $8,000,000,000 the total of capital expenditures made since the end of World War II. It is significant to note that the total indebtedness of the railroad industry is little more than the amount of capital expenditures made in the last seven years. Except for equipment financing the industry has not been a seeker of new capital to any important extent. To the contrary, it has actually been reducing the volume of securities in which we deal most actively.

During the year 1952 it is estimated that approximately $269,000,000 of long-term bonds will have been issued by railroad borrowers, of which all but $16,000,000 was for refunding purposes. The financing of new equipment will result in the issuance of about $266,000,000 of Equipment Trust Certificates and the placement of about $316,000,000 of conditional sales agreements. The so-called Equitable Plan of equipment leasing was employed with respect to equipment having an estimated value of $24,000,000, a relatively small part of the total.

More Stock-Splits Urged

In our report for 1951 we noted that many railroad companies were reporting very large earnings per share on their common stocks and further commented that these created a false impression of prosperity for the railroad industry. We then stated, "In most cases large per share earnings are the result of a small stock capitalization against a large property investment earning only an average rate of return" and went on to suggest that such companies correct this false impression by increasing the number of shares outstanding either by stock dividends or stock split-ups. It is interesting to note that during 1952 to date three railroad companies split their outstanding capital stocks. We suggest that there are other well known companies that might properly consider this procedure.

We also recommend that companies contemplating financing programs, either for the purpose of raising new money or for refunding maturing obligations, give greater consideration to the issuance of convertible bonds. In view of the relatively favorable market for railroad equities which exists today such a procedure could result in a lower borrowing cost and at the same time provide potential opportunities for further improvement in the industry's debt ratio.

The main competitive threat to the railroad industry continues to be the highway carrier. Huge highway construction programs at public expense enable the trucker to operate at a competitive advantage. However, the recent trend toward construction of toll roads and the imposition of adequate user charges should make highway competition more equitable.

Outlook for 1953

Looking ahead, the outlook for 1953 has both favorable and unfavorable aspects. Obviously, the financial results for 1953 will depend both on the volume of business which will be handled and the cost of producing the transportation service. With so many well known economists in disagreement on the business outlook for 1953 it does not seem appropriate for this committee to voice an opinion on the prospective railroad traffic volume. However, inasmuch as wages represent such a large part of railroad operating costs some comment pertaining thereto is pertinent.

A large part of railroad labor is working under agreements which expire in October, 1953. These agreements provide for changes in hourly wage rates upward or downward in accordance with a formula tied to a cost of living index. If the wage rates currently in effect prevail throughout all of next year and there is no change in the level of railroad employment, next year's wage bill might be some $67,000,000 higher than the 1952 level due to the escalator provision. Further, if the program of negotiating new contracts to supersede those now expiring late in 1953 seeks to secure for railroad workers the same percentage increases achieved by the steel workers, and probably the coal industry, in the period from January, 1950 to August, 1952, the railroad wage bill might be further increased by an estimated $400,000,000.

On the more favorable side is the ever widening recognition of the problems posed to transportation by outmoded and unrealistic regulatory policies, both at the state and the national levels. One of the most significant, as well as recent, positions on this subject was taken by the National Association of Railroad and Utility Commissioners at its annual meeting during November of this year. The Association, with 42 states represented, adopted a committee report embodying eight specific recommendations designed to put railroad passenger service on a paying basis. Space does not permit incorporating all the recommendations in this discussion but two of the most significant will be summarized. One recommendation holds that where a service cannot be made compensatory its abandonment should be permitted. Another recommends that the Association record itself as favoring the imposition of compensatory user charges on all forms of commercial passenger transportation making use of roadways, airways

Continued on page 46

U. S. Governments Municipals Public Utilities
Industrials Railroads Equipment Trusts
Canadians Preferred Stocks
Bank Acceptances

SALOMON BROS. & HUTZLER
Members New York Stock Exchange
SIXTY WALL STREET, NEW YORK 5, N. Y.
Private wires to
BOSTON PHILADELPHIA CHICAGO
CLEVELAND HARTFORD SAN FRANCISCO

Specialists in
United States Government Securities
State and Municipal Bonds
C. J. DEVINE & CO.
48 Wall Street, New York 5 HAnover 2-2727
Chicago • Boston • Philadelphia • Washington • Pittsburgh
Cleveland • Cincinnati • St. Louis • San Francisco

DICK & MERLE-SMITH
Underwriters & Distributors
State & Municipal Bonds and Corporate Bonds & Stocks
Continuing the security business of ROOSEVELT & SON founded 1797
30 Pine Street, New York 5, N. Y.

Digitized for FRASER
http://fraser.stlouisfed.org/

Reports 1952 Municipal Issues at Record High

IBA Municipal Securities Committee, headed by Lewis Miller, Assistant Vice-President of the First National Bank of Chicago as Chairman, points out new issues of long-term municipal bonds in current year will greatly exceed those of the previous year, with result that, affected by weight of offerings, the yield index has declined moderately. Discusses negotiability of State and municipal securities under proposed uniform commercial code, and renews Association's opposition to use of municipal credit in financing private projects.

Lewis Miller

Lewis Miller, Assistant Vice-President of the First National Bank of Chicago, Chairman of the Municipal Securities Committee of the IBA, presented the Report of the Committee to the 41st Annual Convention, that met in Hollywood, Fla., from Nov. 30 to Dec. 5.

The text of the Report follows:

With but a month remaining in 1952 the record to date evidences that the amount of new issues of long-term municipal bonds put out during the year will be substantially in excess of any earlier year. The previous record high in the volume of such issues was made in 1950 when the total was about $3.7 billion. During the first ten months of this year corresponding figures exceeded that amount by about $60 million.

For the purpose of comparison there is noted below the amount of new issues of municipals, both notes and long-term, put out during the first ten months of this year and during a like period of each of the two preceding years.

There were two sources of very sizable issuance during the year of blocks of new issues of municipal bonds:

(1) The local housing authorities put out two blocks of bonds totaling $304.5 million. The first was on Jan. 15 in the amount of approximately $133.8 million and the other was on Sept. 23 totaling about $170.7 million; and

(2) On June 4 of this year the Ohio Turnpike Commission sold $326 million of State of Ohio Turnpike revenue bonds. This was the largest single issue of revenue bonds ever sold. In 1950 the Commonwealth of Pennsylvania issued $375 million veterans' compensation bonds. This is the record high in the amount of any single issue of municipal bonds. They, however, are general obligations of the State.

The records indicate a substantial accumulation of authorized but unissued municipal bonds that are expected to be marketed during the next few years. The total of such issues put out in 1953 may equal or exceed the 1952 volume.

The Market's Course in 1952

In our Interim Report of last May we reported that despite the substantial amount of new issues of long-term municipals during the first four months of this year the market stood up very well. In fact, it improved from a 2.11% yield basis at the opening of the year—using the "Bond Buyer's" market index of average yields of bonds of 20 large municipal units—to a 2.03% basis through April. Since then, however, beginning in May there was a steady decline from the 2.03% basis to a 2.39% basis in October. As of Nov. 20 the yield basis shown by the index was 2.37%.

The market was, of course, affected by the weight of offerings during the year including the release of the above mentioned large public housing offerings, the second of which was postponed from March until the latter part of September. Also the removal of the Voluntary Credit Restraint restrictions around the first of April helped to accelerate the volume of new issues.

Negotiability of Municipals Under The Proposed Uniform Commercial Code

There is no need to review here our efforts over the past several years, particularly since 1938, to have municipal revenue bonds declared by law to be "negotiable instruments" along with general obligations. From various of our reports from time to time it is clear that experience has taught us the importance of having legislative enactments in each state declaring such bonds which have the attributes of negotiability to be negotiable instruments. The matter of clearly specifying negotiability and not leaving it to assumption or subsequent argument and later court action is, we consider, not only highly important but essential among the marketing and protective features of state and municipal securities.

As reported at two of our previous meetings this year a very extensive proposed Code, known as the Uniform Commercial Code, was drafted under the direction of members of the National Conference of Commissioners on Uniform State Laws, the American Law Institute and the American Bar Association, for the purpose of ultimately recommending it to the legislatures of our states for adoption by those bodies.

A great deal of work and careful study was devoted to this proposed Code by members of the above mentioned organizations. We appreciate that when adopted by the states it will add materially to desirable and protective features of municipal securities — validation, recitals, estoppel and other phases.

There is one feature of the proposal, however, which is of serious concern to us. It is the matter of negotiability in its application to state and municipal securities of which there are currently outstanding about 27 billion dollars with new issues to be marketed totaling each year several billion dollars. We have particularly in mind the distribution and subsequent markets for municipal bonds, the interest of investors in such securities and also our industry.

The proposed Code consists of 10 articles. Article 8 covers "Investment Securities" and Article 3, "Commercial Paper." Negotiable instruments are specifically provided for in Article 3 of the Code in its application to commercial paper. Included in that Article is a provision which might well have been prepared to provide municipal revenue bonds with the highly important classification of negotiable instruments. However, the Code clearly specifies that Article 3 "does not apply to money, documents of title or *investment securities*." (Italics ours.)

It is clear that the Code in its present form separates negotiable instruments from state and municipal securities. Further, the proposed law by its terms, would upon enactment by state legislatures, supersede the Negotiable Instruments Laws of the particular state and with it, of course, the value of the many essential existing laws which specifically declare certain bonds to be negotiable instruments including municipal revenue bonds. The question concerning negotiability which we have in mind under the proposed Code embraces general obligation bonds as well as revenue bonds.

It has been said that as the attributes of negotiability are provided for investment securities in Article 8 it could be argued that these securities are negotiable instruments. If the attributes of negotiability are in fact provided state and municipal securities in Article 8, why not declare them in that Article to be "negotiable instruments"? Why should it be necessary to go to court to so argue and await court decision in each state with the resultant attendant costs, loss of markets, time, troubles and worries awaiting conclusions?

Further, there is, we believe, a sound and reasonable argument for those who for one reason or other may wish to take advantage of the lack of negotiability in a security to advance the fact that the Code is very specific on the subject insofar as certain classes of paper are concerned. It is, however, correspondingly specific in withholding the classification of negotiability in its application to investment securities. It could readily be contended and probably upheld that it was not the intent of the legislature in passing the Act to consider investment securities as negotiable instruments because, had the legislature wished to do so, it would have so expressed itself and would not have made the distinction between negotiable instruments and securities such as was done in the Code.

It is essential, in our opinion, in the interest of all concerned in municipal security financing, that the proposed law declare such securities to be negotiable instruments. This for the purpose of clarity and to avoid any possible misunderstanding or misinterpretation in this respect and so that such securities may be clearly acceptable as negotiable instruments and pass as such in all quarters—in marketing, in the hands of investors and in the courts. We believe that nothing should be left to chance interpretation in the proposed law where the inclusion of a clarifying provision would avoid such risks or reduce them to a minimum. We believe, too, that there should be no omission in the Code in its application to state and municipal securities, including those payable from a special fund, which may ultimately prove detrimental to the issuers of or investors in such securities or the industry dealing in them.

This feature of the Code was presented to and considered by the Section of Municipal Law of the American Bar Association at its Annual Meeting in September in San Francisco. It was there pointed out, among other factors, that Article 3 of the Code relates to negotiable instruments. It declares expressly that that article does not apply to securities. That

Continued on page 36

DATA ON MUNICIPAL FINANCING

	10 Mos., 1950	10 Mos., 1951	10 Mos., 1952
Long-term financing	$3,128,466,387	$2,713,541,173	$3,753,028,599
Short-term financing	1,231,842,561	1,210,647,897	1,728,065,122
Total	$4,360,308,948	$3,924,189,070	$5,471,093,721

American Securities Corporation

Underwriters and Distributors of INVESTMENT SECURITIES

NEW YORK
BOSTON CHICAGO PHILADELPHIA

State, Municipal and Revenue Bonds

Lehman Brothers

UNDERWRITERS DISTRIBUTORS
DEALERS BROKERS

Corporate and Municipal Securities
Special and Secondary Offerings
Research and Advisory Service
Commodities

SHIELDS & COMPANY

Members New York Stock Exchange and other principal Stock and Commodity Exchanges

14 WALL STREET NEW YORK 5, N. Y. WHITEHALL 3-5300

Municipal Dept. Teletype NY 1-1052 • Corporate Dept. Teletype NY 1-1630

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Foresees Federal Deficits, with Only Moderate Tax Cuts

Federal Taxation Committee of IBA, headed by James M. Hutton, Jr. of W. E. Hutton & Co., predicts continued heavy government spending in years immediately ahead, with resulting budget deficits and little change in high scale of taxation. Urges IBA concentrate on (1) securing repeal of Excess Profits Tax; (2) reduction in capital gains tax, with shortening of holding period; (3) relief from double taxation of dividends; (4) uniformity of taxes for corporate and unincorporated concerns; and (5) social security added for self-employed persons.

The Federal Taxation Committee of the Investment Bankers Association of America, through its Chairman, James M. Hutton, Jr. of W. E. Hutton & Co., members of the New York Stock Exchange, delivered its annual report at the 41st Annual Convention of the Association at Hollywood, Fla. The Committee dealt largely with prospective changes in Federal finances and taxation that may be expected from the new Administration, and laid down a tax program which the Association's membership should support.

J. M. Hutton, Jr.

The text of the Committee's report follows:

In view of the results of the Presidental election and the coming change in the Administration in Washington, it is appropriate that we attempt to appraise the effects of this change upon the tax legislation likely to be enacted during the coming year.

Since any tax bill will depend to a large extent upon the budget, the first step is to try to estimate the size of the budget for fiscal 1954. Rumors are prevalent that Mr. Truman, who must submit the budget, will ask for $70 billion, a material decrease from the $85 billion mentioned before the election. General Eisenhower's budget message to Congress will probably recommend totals which will not exceed that amount. Final determination of the amount of reduction of government spending will rest with two committees in the Senate, viz: the Appropriations Committee and the Armed Services Committee. These committees will be composed of 12 Republicans and nine Democrats, and seven Republicans and six Democrats respectively. Senator Bridges of New Hempshire will have his choice as to which he will head, and if he chooses to be the Chairman of the Appropriations Committee, Senator Saltonstall of Massachusetts will be in line to be Chairman of the Armed Forces Committee, but if Bridges choose to become Chairman of the Armed Forces Committee, Senator Ferguson of Michigan will succeed to the Chairmanship of the Appropriations Committee. Each of these men will try to carry out the views of General Eisenhower.

It is difficult to guess just what these views will be at this time, but if pledges made during the campaign mean anything at least we have a clue. The promise was made that $9 billion would be cut from the first Eisenhower budget and another $10 billion would be cut from the second. Assuming that the Korean War goes on, even if these cuts are made in the budget, actual spending will go up, not down, in Eisenhower's first fiscal year but will probably drop by about $7½ billion in the second. This is true because Congress, under the Truman Administration, has already voted vast sums of money for defense and a large part of this amount has already been committed. Since mid-1950, when the Korean War started, Congress has appropriated approximately $181 billion for the military and for military aid abroad. Of this amount approximately $72 billion has been spent through September, leaving approximately $109 billion still available. For the new fiscal year the requirements requested by the military are expected to be about $40 billion, based upon Department of Defense estimates. If these appropriations are passed they will bring the total amount available up to $149 billion. If cuts are to be made they will have to come out of appropriations, not spending. General Eisenhower, therefore, faces an extremely difficult budget problem because of the spending commitments which he will inherit from his predecessor.

Substantial Deficits Inevitable

In view of promised tax reductions, his real problem is going to be how to keep Federal finances in hand. It seems certain that there will be deficits in his first two budgets even if taxes remain as they are. Tax cuts are scheduled in the laws now in force and consequently it is difficult to see how substantial deficits can be avoided even with economies which might be effected through reduced spending for so-called "hard goods" and personnel. Such economies would mean cuts in the size of the armed forces, contract cancellations and fewer new contracts. To summarize the situation briefly, it is this: Money appropriated for the "hard goods" program since mid-1950 amounts to $107 billion. With $29 billion already spend through September, this leaves $78 billion still to be spent. For fiscal 1954, an estimated $20 billion. Other programs, mostly for pay and research, amount to $36 billion. Additional security programs call for $6.4 billion this year and may be reduced in 1954, but further reductions are unlikely because of the rising cost of the atomic energy program. Foreign economic aid may be reduced drastically from $2.4 billion this year to $1 billion or less in 1954, since this program is a target for an economy minded Congress. Possibilities exist for economies in Merchant Marine, stock piling and emergency mobilization to mention a few, but they are limited and relatively small. Cuts in the budget for such things in our domestic economy as farm aid, currently set at $1.9 billion, public works, about $1.5 billion, and general government costs presently budgeted at $4 billion plus and including such items as the postal deficit, will be difficult to attain. These add up to an overall figure of approximately $77 billion probable for 1953 and indicate a deficit of nearly $9 billion based upon estimated net receipts of about $68.1 billion.

Obviously the size of the deficit will depend upon the new tax program and consequently the tax bill next year is of vital importance. Consideration must be given in the tax program to important scheduled changes in the present laws. These are:

(1) Excess profits tax drops on Jan. 1, 1953 to approximately 15%.

(2) Rates on individual income taxes go down after Dec. 31, 1953.

(3) The corporate tax drops March 31, 1954.

In addition there are presently scheduled reductions of about $1 billion in excise taxes in 1953-54. All together these add up to about $8½ billion as follows: $2½ billion excess profits, $2 billion corporate and $3 billion individual. It should be pointed out that these estimates assume that there will be no change in the business level. A moderate decline in business might result in a decrease in revenues of from $4 to $5 billion and a consequent increase in the deficit up to $14 billion.

Such deficits are more than the new Administration will be willing to face and therefore tax cuts in the new bill will probably be less than are now expected. In fact, it is likely that they will be limited to a repeal of the excess profits tax and some reduction in individual income taxes, perhaps 5% instead of the 10% hoped for.

A Tax Program

With these estimates in mind let us take a realistic look at a tax program which the IBA can support. In the past our program has concentrated upon certain changes which we believed would result in a probable gain, and in any case no substantial loss in revenues, and a more equitable basis for collecting taxes. These measures were:

(1) A top limit on individual combined normal and surtax rates of not to exceed 50%.

(2) A reduction in the capital gains rate, a shortening of the holding period and an increased deduction against other income for losses.

(3) Relief from present double taxation of corporate dividends.

(4) Support to the effort to limit Federal taxation in times of peace to 25% by Constitutional amendment.

(5) Repeal of the Excess Profits Tax.

(6) The election by unincorporated business to be taxed as a corporation.

(7) Tax treatment for self-employed persons with regard to retirement funds similar to that accorded to officers and employees of corporations.

In view of the pressures which will be brought to bear because of probable budget deficits, it is the opinion of the Federal Tax Committee that the efforts of the members of the IBA should be concentrated upon changes in the new tax bill which seem to have the greatest likelihood of success without abandoning our long-range program. It is perhaps too early to determine with certainty which these shall be, but present thinking leads us to believe that our best chances are in the following:

(1) Repeal of the Excess Profits Tax. This was promised by General Eisenhower in his campaign speeches but it faces the difficulty that Congress will probably not vote for repeal without providing some relief for individuals. Senator Millikin, who will head the Senate Finance Committee charged with the responsibility of tax legislation in the Senate, has indicated as much and therefore success for this part of the program is uncertain. Furthermore, since any sizable individual tax cuts will unbalance the budget still further, relief to individuals will probably be limited to 5%. For this reason, it will be difficult to tie our 50% limitation into the program because it is politically unpopular and would appear to give greater relief to wealthy taxpayers than to those in lower income brackets. Actually, of course,

Continued on page 63

Underwriters and Distributors
Industrial, Public Utility and
Railroad Securities
Municipal Bonds

Bank and Insurance Stocks

Unlisted Securities

LAIRD, BISSELL & MEEDS

MEMBERS NEW YORK STOCK EXCHANGE
120 BROADWAY, NEW YORK 5, N. Y.
Telephone BArclay 7-3500 *Bell Teletype NY 1-1248-49*

DU PONT BUILDING, WILMINGTON, DEL. — 95 ELM STREET, NEW HAVEN, CONN. — LINCOLN LIBERTY BUILDING, PHILADELPHIA, PA.

DIRECT WIRE CONNECTIONS TO

Schirmer, Atherton & Co., 50 Congress Street, Boston, Mass.
Schirmer, Atherton & Co., 49 Pearl Street, Hartford, Conn.
Tifft Brothers, 1387 Main Street, Springfield, Mass.
Mitchum, Tully & Company, 650 South Spring Street, Los Angeles, Calif.

Dealers in

United States Government Securities

State and Municipal
Bonds

HARVEY FISK & SONS
SINCE 1863
52 WALL STREET, NEW YORK 5, N. Y.

HAnover 2-2900

UNDERWRITERS AND DISTRIBUTORS
OF
INVESTMENT SECURITIES

Public Utility · Railroad
Industrial · Municipal

SCHOELLKOPF, HUTTON & POMEROY, INC.

63 Wall Street, New York 5 — *BOwling Green 9-2070* — *Teletype NY 1-2827*
70 Niagara Street, Buffalo 2 — *Washington 8060* — *Teletype BU 122*

Private Wire Between Offices

Digitized for FRASER
http://fraser.stlouisfed.org/

Treasuries Responding to Free Market

IBA Governmental Securities Committee, whose Chairman is Herbert N. Repp, President of Discount Corporation of New York, reveals not single long-term bond in 1952 was either bought or sold in open market by Federal Reserve, and holds this indicates an approach to restoration of sound monetary policy and a constructive influence on the economy. Points out Patman Committee Report sustains principle of independent Federal Reserve.

Stressing the importance of the free market in government bonds, which has resulted from the accord between the Treasury Department and the Federal Reserve Board, the Governmental Securities Committee of the Federal Reserve Board, through its Chairman, Herbert N. Repp, President of Discount Corporation of New York, in its Annual Report to the Association at its 41st Annual Meeting in Hollywood, Fla., pointed out that 1952 was "the first year since before World War II in which the Government Bond market has responded primarily to the influence of economic factors," and this was hailed as "a constructive influence on the economy."

Herbert N. Repp

The text of the report follows:

The Year 1952 has witnessed the further development of a free market for U. S. Government securities. During this period the Federal Reserve System has neither purchased nor sold in the open market a single bond in the over-ten year category. Thus the year stands as the first since before World War II in which the market has responded primarily to the influences of economic factors. This long desired return to free markets, in the opinion of your Governmental Securities Committee, is the most significant development in the approach to the restoration of a sound monetary policy. Evidence has already appeared that free markets in Government securities exercise a constructive influence on the economy.

The accord between the Treasury Department and the Federal Reserve Board allowed the System to return to its function of being primarily concerned with the volume of bank reserves rather than with the maintenance of any given level of interest rates and prices of Government securities. This caused all segments of the market to reappraise their responsibilities. Investors, dealers, the Federal Reserve System, and the Treasury alike have found it necessary to learn anew the techniques of a free market. Habits and assumptions formed through years of artifically supported prices had become so firmly established that it is hard for many to readjust to the new set of circumstances. On the whole, the market has handled itself well under its new responsibilities. The thinness apparent at times in the longer sector of the market has been to a considerable degree caused by the restrictive terms of ownership, which still apply to many of the longer issues and which severely limit their marketability.

The year has been one in which the economy has been almost continuously in high gear. The trend has been in the direction of further credit inflation, though lacking the acute inflationary consequences of the post-Korea period. Bank loans to business have reached a new all-time peak and capital expenditures have been at record high levels. The policy of the Federal Reserve System has been one described as "neutral"; the practical effect, however, has been one of restraint. The unwillingness of the Reserve System to buy short securities has forced commercial banks to borrow in an important way and has resulted in higher short-term yields. This has been increasingly true in recent months and weeks.

These new conditions have had some impact upon Treasury financing policies. Bonds totalling $24.5 billion bearing 2% and 2¼% coupons which might have been called during the year, were not called because they could not be refunded at any interest saving.

In the Spring, the Treasury offered a 2¾% non-marketable bond, the same bond which was offered for exchange against 2½% issues in 1951, following the Treasury-Federal Reserve Board accord. This time it was offered as a combination of cash and exchange against certain 2½% bonds not included in the earlier operation. The issue was unsuccessful from the standpoint of raising new cash. In fact only $318 million of new money was obtained from private investors. Including exchanges, only $1,758 million of non-marketable 2¾% bonds were issued. We believe this record of disappointing response indicates a distinct investor preference for marketable securities and points up the principle repeatedly stated by your Committee that only fully marketable securities should be used in Treasury financing operations.

Following the failure of the non-marketable 2¾% bond offering to raise an important sum of new money, the Treasury in June turned to the intermediate area with a marketable 2⅜% bond offering. The 2⅜% issue was well received with subscriptions totaling over $11 billion, of which $4¼ billion were allotted. Commercial banks received only $500 million of this total, but in succeeding weeks purchased an additional $2 billion from non-bank subscribers.

The market appraisal of this bond was based on the expectation that the Federal Reserve System would facilitate such financing by providing reserves through open market purchases. This had been done in previous periods of deficit financing. When this assumption proved incorrect, the action of a free market resulted in higher yields for both short and long-term issues since the reserves had to be provided either through borrowing from the Reserve Banks or the sale of securities to the market. Higher yields, particularly on the shorter maturities, induced corporations and other non-bank investors to purchase such securities from the banking system. This largely offset the deposit increase resulting from the 2⅜% bond and enabled the Reserve System to prevent the inflation of the money supply which ordinarily accompanies deficit financing through banks.

Also, in the Spring, the Treasury announced changes in the terms of all series of Savings Bonds. The new terms have at best been only moderately well received. Whereas, in the early part of the year net cash outgo in connection with the Savings Bond program was approximately $100 million per month, it is now more nearly $50 million. The Treasury reports that some 75% of maturing E bonds are being extended by their owners — whether from satisfaction with their terms or from sheer inertia, is not clear. These rather negative results are being achieved in a period of high personal savings, a period in which savings deposits, in particular, are increasing substantially. Savings bond maturities amount to $6.2 billion in 1953 and $7.8 billion in 1954. It is the opinion of your Committee that a thorough re-examination of terms and methods used in the Savings Bond program should be instituted at a very early date.

The operation of the Mills plan for corporate tax payments has resulted in a heavy concentration of Treasury cash receipts in the March and June periods. In anticipation of these receipts, the Treasury has issued "Tax Anticipation Bills," a method of finance we consider appropriate as long as the Mills plan remains in effect. However, it is timely to question whether we should continue to operate under the Mills plan, or, whether it would be advisable to repeal this legislation and resort to the earlier method of scheduling corporate tax payments evenly over the four quarters following the year in which income is earned. It is our feeling that, from a debt management point of view, the acceleration of corporate tax payments complicates Treasury financing and unduly disturbs the money market. This is already true and will be increasingly so in succeeding years

During the year two studies in the field of monetary and debt management policy were held in Washington. In March the Patman Committee hearings were held. These were preceded by the issuance of exhaustive questionnaires to the Treasury, the Reserve Board, to other Government officials, to bankers, economists and to numerous members of the investment banking fraternity. The compendium of answers, and of the hearings themselves, make volumes of important historical

Continued on page 68

Clark, Dodge & Co.
ESTABLISHED 1845

MEMBERS
New York Stock Exchange
New York Curb Exchange

61 Wall Street, New York 5, N. Y.

WERTHEIM & CO.
Members New York Stock Exchange

NEW YORK

LISTED & UNLISTED SECURITIES

Teletype NY 1-750 Telephone WOrth 4-4300

Private Wires.
ATLANTA
BOSTON
BUFFALO
CHICAGO
DETROIT
HARTFORD
PITTSBURGH
PROVIDENCE
ROCHESTER
TOLEDO
TORONTO
WHEELING
YOUNGSTOWN

PERSHING & CO.
Members
New York Stock Exchange New York Curb Exchange
Chicago Board of Trade

120 BROADWAY, NEW YORK 5, N. Y.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

In Attendance at IBA Convention

ABBE, CHARLES M.*
Blyth & Co., Inc., Boston
AHEARN, JOHN W.
Rockland-Atlas National Bank, Boston
AINSWORTH, WALTER W.
Metropolitan St. Louis Company, St. Louis
ALDEN, Jr., WILLIAM O.
O'Neal-Alden & Co., Inc., Louisville
ALDINGER, CYRUS B.
Fordon, Aldinger & Co., Detroit
ALDRICH, GEORGE D.*
The Parker Corporation, Boston
ALEXISSON, GUSTAVE A.
Granbery, Marache & Co., New York
ALFORD, LORE W.
Harris, Hall & Company, Chicago
ALLEMAN, F. MONROE
Leedy, Wheeler & Alleman, Inc., Orlando
ALLEN, E. RAY
E. Ray Allen & Company, Inc., Chicago
ALLEN, HAROLD
Allen & Company, New York
ALLEN, SIDNEY P.
San Francisco Chronicle, San Francisco
ALLEY, WILLIAM M.*
A. E. Ames & Co., Inc., New York
ALLYN, ARTHUR C.
A. C. Allyn & Co., Chicago
ALLYN, JOHN W.
A. C. Allyn & Co., Chicago
ALTGELT, Jr., ERNEST J.*
Harris Trust & Savings Bank, New York
AMAZEEN, EDWARD S.*
Coffin & Burr, Incorporated, Boston
AMES, AMYAS
Kidder, Peabody & Co., New York
AMES, LAWRENCE C.
Irving Lundborg & Co., San Francisco
ANASTASIA, A. A.
Wall Street Journal, New York
ANDERSEN, JONAS C.*
Kuhn, Loeb & Co., New York
ANDERSON, HERBERT R.
Distributors Group, Incorporated, New York
ANDRESS, GEORGE H. A.*
Brooke & Co., Philadelphia
ANDERSON, Jr., WILLIAM J.
Equitable Securities Corporation, Nashville

*Denotes Mr. and Mrs.

APPLEGATE, A. LOWRIE*
Geo. G. Applegate & Co., Pittsburgh
ARMITAGE, ALBERT T.*
Coffin & Burr, Incorporated, Boston
ARMSTRONG, GEORGE H.
New York Hanseatic Corporation, New York
ARNOLD, H. WILSON*
Arnold & Crane, New Orleans
ARNOLD, JOHN L.
Estabrook & Co., Boston
ASCHER, H. ALBERT
Wm. E. Pollock & Co., Inc., New York
ASHPLANT, FREDERICK B.
F. B. Ashplant & Co., New York
ATWILL, Jr., WILLIAM*
Atwill & Co., Miami Beach
ATWOOD, CHESTER A.
L. F. Rothschild & Co., New York
AUGUSTUS, ALBERT A.*
Ball, Burge & Kraus, Cleveland
AUSTIN, J. HOLLIS*
J. W. Tindall & Company, Atlanta
AVERELL, ALFRED B.
Bache & Co., New York
BACKUS, HAROLD S.
Investment Dealers' Association of Canada, Toronto
BAER, WILLIAM M.
Malvern Hill & Company, Incorporated New York
BAGGS, HENRY McK.
The Pennsylvania Company for Banking & Trusts, Philadelphia
BAIRD, ANDREW M.*
A. G. Becker & Co., Chicago
BAKER, DUDLEY F.
Bosworth, Sullivan & Co., Denver
BAKER, JOHN D.
Reynolds & Co., New York
BAKER, RALPH D.
James Richardson & Sons, Winnipeg
BALDWIN, ROBERT H. B.
Morgan Stanley & Co., New York
BANEY, ARTHUR L.
E. R. Jones & Co., Baltimore
BARCLAY, Jr., WILLIAM K.*
Stein Bros. & Boyce, Philadelphia
BARCUS, JAMES S.
Barcus, Kindred & Co., Chicago
BARNETT, Jr., GEORGE E.
National City Bank of New York, New York

EST. 1870

DOMINICK & DOMINICK

Members New York Stock Exchange

14 Wall Street, New York 5

Canadian Affiliate
Dominick Corporation of Canada
MONTREAL

McLAUGHLIN, REUSS & CO.

MEMBERS
NEW YORK STOCK EXCHANGE
NEW YORK CURB EXCHANGE (ASSOC.)
COMMODITY EXCHANGE, INC.

BOND BROKERAGE SERVICE

Stockholder Public Relations Counsel

ONE WALL STREET NEW YORK 5
Telephone HAnover 2-1355
Teletype—NY 1-2155

BARR, F. SEYMOUR*
Barr Brothers & Co., New York
BARROW, WM. RUSSELL*
Barrow, Leary & Co., Shreveport
BARRY, EUGENE P.*
Shields & Company, New York
BARTOW, CLARENCE W.*
Drexel & Co., New York
BARTOW, Jr., FRANCIS D.
Bartow Leeds & Co., New York
BARTOW, PHILIP K.*
Wood, Struthers & Co., New York
BASSETT, EARL K.
W. E. Hutton & Company, New York
BAXTER, Jr., CHARLES M.
Baxter, Williams & Co., Cleveland
BAXTER, DANA F.*
Hayden, Miller & Co., Cleveland
BEAUBIEN, ANDREW S.
L. G. Beaubien & Co., Montreal
BEAVERS, J. KARY
Trust Company of Georgia, Atlanta
BECKETT, THOMAS*
First Southwest Company, Dallas
BEECROFT, HARRY*
Beecroft, Cole & Co., Topeka
BELL, RUSSELL D.
Greenshields & Co., Inc., Montreal
BELL, MISS ANDREA
Montreal
BENNETT, CHARLES R.
United States Investor, New York
BENNETT, H STEWART
Southwestern Securities Company, Dallas
BERGMANN, CHARLES L.
R. W. Pressprich & Co., New York
BERRY, HAROLD J.
Harriman Ripley & Co., Incorporated, New York
BETHKE, ROBERT H.
Discount Corporation, New York
BIANCHETTI, A. J.
Barr Brothers & Co., New York
BICKEL, CLARENCE A.
National Association of Securities Dealers, Milwaukee
BIVINS, ROBERT A.*
The Chase National Bank of the City of New York, New York
BLACKFORD, HENRY J.*
A. M. Law & Co., Spartanburg
BLAINE, WALTER F.
Goldman, Sachs & Co., New York
BLAKE, JOHN L.
Eaton & Howard, Incorporated, Boston
BLAKE, SIDNEY S.*
H. M. Byllesby and Company, Philadelphia
BLAKELY, WILLIS H.*
Blankenship, Gould & Blakely, Portland
BLANKENSHIP, FRED M.*
Blankenship, Gould & Blakely, Portland
BLYTH, ROBERT B.
The National City Bank of Cleveland, Cleveland
BOEHMLER, ERWIN W.
Investment Bankers Association, Chicago
BOGERT, Jr., H. LAWRENCE
Eastman, Dillon & Co., New York
BOLES, EWING T.*
The Ohio Company, Columbus
BOLGER, JOHN F.*
Shillinglaw, Bolger & Co., Chicago
BOLTON, FREDERICK J.
H. V. Sattley & Co., Inc., Detroit
BONNIWELL, D. R.
Government Development Bank, Puerto Rico
BORDEN, ROBERT W.
R. H. Moulton & Company, San Francisco
BORKLAND, Jr., ERNEST W.*
Tucker, Anthony & Co., New York
BOSS, CHARLES A. B.*
Broad Street Sales Corporation, New York
BOWEN, FRANCIS B.*
California Bank, Los Angeles
BOWMAN, FRANCIS B.
The Chase National Bank of the City of New York, New York
BOYCE, C. MEREDITH
Mercantile Trust Co. of Baltimore, Baltimore
BOYCE, C. PREVOST*
Stein Bros. & Boyce Co., Baltimore
BOYNTON, ELWOOD D.*
Hallgarten & Co., New York
BRADFORD, HUGH
Southwestern Securities Company, Dallas
BRADLEY, S WHITNEY
Eaton & Howard, Incorporated, Boston
BRANDI, FREDERIC H.*
Dillon, Read & Co., Inc., New York
BRAUN, Jr., FRED C.
F. S. Moseley & Co., New York
BRAYSHAW, DONALD B.*
Lord, Abbett & Co., Atlanta
BREWER, ORLANDO S.*
Phelps, Fenn & Co., New York
BROOKE, Jr., FRANCIS M.*
Brooke & Co., Philadelphia
BROOKS, JOHN H.
Putnam & Co., Hartford
BROOME, ROBERT E.*
Guaranty Trust Company of New York, New York
BROPHY, L. A.*
Associated Press, New York
BROWN, AUSTIN
Dean Witter & Co., New York
BROWN, BARRETT*
R. W. Pressprich & Co., New York
BROWNE, ALAN K.
Bank of America, N. T. & S. A., San Francisco
BROWNE, KENNETH C.*
New York Times, New York

BROWNING, HOMER*
Marine Trust Company of Western New York, Buffalo
BRUCHLOS, WERNER C.
The Bond Buyer, New York
BRYAN, JOHN E.*
Cleveland Plain Dealer, Cleveland
BRYCE, T. JERROLD
Clark, Dodge & Co., New York
BUECHLER, RICHARD K.*
E. F. Hutton & Company, New York
BULLOCK, HUGH*
Calvin Bullock, New York
BURNS, Jr., JAMES F.
Harris, Upham & Co., New York
BUSCAGLIA, RAFAEL
Government Development Bank, Puerto Rico
BUTCHER, III, HOWARD*
Butcher & Sherrerd, Philadelphia
BUTCHER, W. W. KEEN*
Butcher & Sherrerd, Philadelphia
BYRNE, WILLIAM D.*
Byrne and Phelps, Inc., New York
CAHN, Jr., WILLIAM M.*
Henry Herrman & Co., New York
CALLAGHAN, JOHN W.
Goldman, Sachs & Co., New York
CALLAWAY, Jr., DAVID H.*
First of Michigan Corporation, New York
CALVERT, GORDON L.
Investment Bankers Association, Washington
CAMPBELL, IRVING H.*
Bell, Gouinlock & Company, Limited, Toronto
CANNON, FRANCIS A.*
The First Boston Corporation, New York
CAPEK, CHARLES A.
Lee Higginson Corporation, Chicago
CARBERRY, PATRICK
Wall Street Journal, New York
CARDWELL, MARION H.*
J. J. B Hilliard & Son, Louisville
CAREY, CHARLES*
Harris Trust & Savings Bank, Chicago
CARHART, Jr., HAROLD W.*
Carlisle & Jacquelin, New York
CARPENTER, FREDERICK B.
John Nuveen & Co., Chicago
CARR, FRANK C.*
John Nuveen & Co., Chicago
CARRINGTON, Jr., WILLIAM G.
Ira Haupt & Co., New York
CARROLL, LEE W.*
Lee W. Carroll & Co., Newark
CARTER, Jr., HUGH D.
Courts & Co., Atlanta
CARTWRIGHT, TODD*
Sweney, Cartwright & Co., Columbus
CASEY, J. DOUGLAS
A. C. Allyn and Company, Incorporated, Chicago
CASSELL, EUGENE H.*
C. F. Cassell & Co., Inc., Charlottesville
CECIL, O. V.*
Merrill Lynch, Pierce, Fenner & Beane, New York
CHANDLER, JAMES W.*
W. L. Lyons & Co., Louisville
CHANNER, Jr., GEORGE S.
Barcus, Kindred & Co., Chicago
CHAPEL, HAROLD R.*
McDonald-Moore & Co., Detroit
CHAPMAN, DWIGHT W.
American Trust Company, San Francisco
CHAPMAN, R. C.
Fulton, Reid & Co., Cleveland
CHILES, WARREN D.
Chiles-Schutz Company, Omaha
CHRISTOPHEL, ARTHUR A.
Reinholdt & Gardner, St. Louis
CLAPP, Jr., JOHN J.*
R. W. Pressprich & Co., New York
CLARK, FORRESTER A.
H. C. Wainwright & Co., Boston
CLARK, GEORGE E.*
Adamex Securities Corporation, New York
CLARK, HAROLD W.
Clark, Landstreet & Kirkpatrick, Inc., Nashville

CLARK, JOHN C.
Wachovia Bank & Trust Co., Winston-Salem
CLARK, ROBERT E.*
Calvin Bullock, New York
CLARK, WILLIAM H.*
Merrill, Turben & Co., Cleveland
CLARKE, Jr., HAGOOD
Barcus, Kindred & Co., Miami
COBURN, MARY LOU
Investment Bankers Association, Chicago
COGGESHALL, GEORGE K.*
Schoellkopf, Hutton & Pomeroy, Inc., New York
COHU, HENRY WALLACE*
Cohu & Co., New York
COLEMAN, FRANCIS X.
Gregory & Son, Incorporated, New York
COLEMAN, MERRITT C.
Allen & Company, New York
COLEMAN, SYLVAN C.*
E. F. Hutton & Company, New York
COLLIER, W. T. K.
Collier, Norris & Quinlan, Montreal
CONDON, JOSEPH P.
McDougal & Condon, Inc., Chicago
CONDON, RAYMOND V.*
B. J. Van Ingen & Co., Inc., Chicago
COOK, A. HALSEY
The National City Bank of New York, New York
COOK, HAROLD H.*
Spencer Trask & Co., New York
COOK, ROBERT H.
B. J. Van Ingen & Co., Inc., Miami
CORRINGTON, JOHN W.*
Paine, Webber, Jackson & Curtis, Chicago
COUFFER, JAMES G.*
B. J. Van Ingen & Co., Inc., New York
COUIG, J. DALTON
Hirsch & Co., New York
COURTS, MALON C.
Courts & Co., Atlanta
COURTS, RICHARD W.
Courts & Co., Atlanta
COX, M. J. M.
Curtiss, House & Co., Cleveland
COWIE, JOHN H.
Starkweather & Co., New York
CRAFT, ROBERT H.*
Guaranty Trust Company of New York, New York
CRAIGIE, WALTER W.*
F. W. Craigie & Co., Richmond
CRANFORD, JAMES A.*
The Atlantic National Bank of Jacksonville, Jacksonville
CROLL, JOSEPH D.
Asiel & Co., New York
CROSS, CALVIN M.
Hallgarten & Co., New York
CROSS, MILTON C.
Harriman Ripley & Co., Incorporated, New York
CROUSE, CHARLES B.
S. R. Livingston, Crouse & Co., Detroit
CROUTER, GORDON
DeHaven & Townsend, Crouter & Bodine, Philadelphia
CROWELL, WARREN H.*
Crowell, Weedon & Co., Los Angeles
CURTIS, ARTHUR W.
A. G. Becker & Co., Chicago
DALENZ, JOHN McG.
Calvin Bullock, New York
DARLING, E. MERRILL
Kidder, Peabody & Co., Boston
DAVIS, DeWITT
Mullaney, Wells & Company, Chicago
DAVIS, HOWARD C.
Model, Roland & Stone, New York
DAVIS, RALPH W.
Paul H. Davis & Co., Chicago
DAY, JAMES E.
Midwest Stock Exchange, Chicago
DEAN, Jr., HOWARD B.*
Harris, Upham & Co., New York

Continued on page 71

gitized for FRASER
p://fraser.stlouisfed.org/

Canada Not Oversold in U. S.!

Canadian Committee of I B A, under Chairmanship of Arthur S. Torrey of W. C. Pitfield & Company Ltd., offers data indicating there is adequate ground for confidence in Canada's continued progress and prosperity. Reviews Canadian economic developments and Canadian securities markets, along with other matters such as removal of exchange controls, position of Canadian Federal budget, capital investment, oil and gas explorations, and position of leading industries. Looks for continued cooperation between U. S. and Canada.

For the fourth consecutive year, the Canadian Committee of the Investment Bankers Association of America has reported to the Annual Convention of the Association meeting at Hollywood, Fla. Arthur S. Torrey of W. C. Pitfield & Company Ltd., New York and Montreal, the Chairman of the Committee, decried the talk that the favorable publicity which has spread throughout the United States regarding Canada's progress has caused "Canada to be oversold in the United States." To offset this idea he presented data furnished by the Committee regarding various Canadian industries, and drew up an overall picture of Canada's current economic position.

Arthur S. Torrey

The text of the Committee's report follows:

So much has been written and said about Canada during the past 12 months that there is little new information that the Canadian Committee Report can give.

In this Fourth Annual Report of the Canadian Committee, however, we will continue by summarizing the position of various classes of industry and generalize with regard to the overall economic situation in Canada today.

In the past three months there has been some talk and considerable thought as to whether the favorable publicity which we have received has not oversold Canada in the United States. We do not believe this to be true—it is more likely that those who feel this way are in an overbought position.

As 1952 draws to a close, economic activity is at the highest level in Canada's history. More people are working, incomes are higher and consumer prices are rising after a drop earlier in the year. This reversal in consumer prices is taking place without any resumption in inflationary pressures, even though defense and capital spending continues on the up-trend.

Our exports have been noticeably higher this year. As a result, industrial production is at a record level and business profits appear to be turning slightly upward again. This prosperity is not confined to manufacturing companies in the urban areas alone. Our farmer is participating in this high level of income, even though prices of some agricultural products have softened and others have remained firm.

The record wheat crop recently harvested brings with it problems of storage and marketing but comes at a time when other countries are having only fair or, in some cases, poor crops. All this will, of course, ultimately mean more money for the Canadian farmer.

In the early part of the current year we heard considerable about recession in a few particular industries. Such industries, namely textiles, leather goods and appliances, had similar problems in the United States which brought about lower prices and competition again became keen. This adjustment was difficult but in the spring and early summer some improvement was shown and these industries felt much better about the future.

There was also some fear of a serious decline in home building. At the beginning of the year there was an indicated drop of nearly 35% compared with a year earlier but by June this was 17% above the same month a year previous.

Concern over the prospect of a drop in Canadian exports was not borne out inasmuch as during the first six months of 1952 export trade increased 20%, with sales to countries other than the United States rising more than 50%.

The gross national product in the first half of the year was ahead of that for the similar period of 1951. The annual rate will probably not be far from that assumed by Finance Minister Abbott in his 1952 budget and this budget was based on the assumption of a gross national product of \$22½ billion.

With this increase in economic activity the cost-of-living index dropped from 191.5 in January to 187.3 in June. At the same time, the wholesale-price index for this period declined about 4%. Incomes, on the other hand, continue to rise. The average weekly wage in industry rose from January to June about 7% in current dollar terms.

Having learned, at least for the time being, to take price and demand adjustments as they appear during the latter part of the year, Canadians have settled down to a period of good, average prosperity. This is not to say we are without problems—in fact any economy always has some problems. Currently, business is occupied with such questions as "how to remain competitive in spite of rising production and sales costs" and "how to diversify operations," "how long to consolidate and expand foreign markets," and, of course, the ever present worry of "how long will the present prosperity last and when can the next setback be expected."

So, as 1952 draws to a close, our domestic market is higher than ever. Consumers have increased by some 400,000, our population is now estimated at 14,000,000, our labor force approximates 5,500,000 and employment is 1½% higher than a year ago. Incomes are rising and the cost of living is still declining gradually. People are spending more on consumers' goods and services—with such expenditures something like 10% ahead of a year ago. Defense spending is proceeding at a rate of about one-third higher. Capital expenditures, some associated with the defense program, some as a result of substantial industrial research development, utility expansion and urban growth, are continuing at high levels and will likely reach the record figure of \$5.2 billion.

Exports, even though they may be leveling off at the moment, are likely to exceed, by a considerable margin, the \$3.9 billion total of 1951. Add to this our record wheat crop of 675 million bushels, or over 100 million bushels higher than the previous peak in 1928 or 1929, or 250 million bushels above the ten-year average.

Of course in these days of fast-moving events, things may happen between now and the end of the year that will upset these calculations but there are good grounds for believing that the gross national product of 1952, of \$22½ billion, will be equaled if not exceeded.

Turning briefly to the future and with the full realization that it is hazardous to forecast or project, our problems in this regard are not dissimilar to those with which you are confronted. The question as to whether we are leading up to a recession when the rearmament or defense programs have been concluded, is impossible to answer. It is always sane and sensible, when times are good, to think or talk of a future recession. We had a similar situation after World War II — concern about the transition from a war to a peacetime economy. However, this was accomplished with but little dislocation of the country's business.

At that time the chief concern was inflation. In Canada our government and our banking fraternity dealt most judiciously with this problem, with a limited amount of restrictions — so, at least, for the time being, inflation is no longer a problem of concern.

Defense spending is still on the increase and there is a heavy carryover in this particular department. It is felt that there will be a continuation of home building and commercial and service

Continued on page 40

SINCE 1888...

Underwriters · Distributors · Dealers · Brokers

Our staff and facilities are available at all times to assist dealers in the management of underwritings, secondaries and special offerings.

HORNBLOWER & WEEKS

40 Wall Street, New York 5, N. Y. DI 4-6600

*Midtown: 400 Madison Ave., New York 17, N. Y. PL 1-1900

*Open Thursdays until 9 PM

Members New York Stock Exchange and other Principal Exchanges

BOSTON NEW YORK CHICAGO DETROIT CLEVELAND PHILADELPHIA PROVIDENCE PORTLAND BANGOR

H&W EST. 1888

Rights-Scrip-Warrants

REORGANIZATION SECURITIES

McDONNELL & Co.

MEMBERS
New York Stock Exchange
New York Curb Exchange

120 BROADWAY, NEW YORK 5

Tel. REctor 2-7800

BRANCH OFFICES:
254 Park Avenue, New York
Buhl Building, Detroit, Mich. 1 Press Plaza, Asbury Park, N. J.

JOSEPH McMANUS & Co.

MEMBERS
New York Stock Exchange—New York Curb Exchange
Midwest Stock Exchange

39 Broadway **New York 6, N. Y.**

TRADING MARKETS and RETAIL DISTRIBUTION
through
CORRESPONDENT WIRE SYSTEM
to

Chicago —McMaster Hutchinson & Co.
Chicago —Hulburd, Warren & Chandler
Cleveland —Wm. J. Mericka & Co., Inc.
Dallas —Southwestern Securities Co.
Denver —B. E. Simpson & Company
Detroit —R. C. O'Donnell & Co.
Harrisburg—Blair F. Claybaugh & Co.
Houston —Crockett & Company
Kansas City —Burke & MacDonald
New Orleans—T. J. Feibleman & Co.
Pittsburgh —Blair F. Claybaugh & Co.
St. Louis —White & Company
San Antonio —Lentz, Newton & Co.
Toronto —Matthews & Company

Investment Securities

L. F. Rothschild & Co.

Members New York Stock Exchange

120 Broadway, New York 5, N. Y.

Telephone: REctor 2-4600 Bell Teletype NY 1-471

Boston Chicago Rochester Montreal

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Continued from page 20

Trends and Problems of Life Insurance Investments

industrial and miscellaneous bonds, held by life insurance companies at the end of 1951 had been acquired by direct placement.

The principal advantages of direct placements, as I see them, are these: First, the direct placement makes it possible to tailor the terms of the loan to meet the requirements of both the borrower and the lender. I can tell you that in the case of the Prudential, and I am sure life insurance companies in general, this advantage looms large. It is important to us to be able to work out directly with the borrower or his agent the terms which we feel will make the loan sound and attractive. The second advantage is that it makes possible greater speed of completion of the loan than is possible in the case of public offerings. In periods of changing interest rates, this advantage is a major consideration to the borrower. Third, direct placements facilitate adjustment of indenture provisions and in the terms of original loan agreement which are mutually beneficial to both the borrower and the lender. Facility of adjustment is important in the dynamic economy in which corporations operate today. It is also advantageous in noncorporate loans, such as in the New Jersey Turnpike issue where it was possible to obtain consent to additional financing.

Perhaps one of the more significant advantages of direct placement financing is that it is a source of financial and economic stability. This is true primarily because loan agreements under direct placements can usually be changed at times of general business decline, and this can help to stave off defaults and reduce losses. Moreover, and also important as a stabilizing element, is the fact that under direct placements corporations are able to obtain advance commitments for funds—a practice that encourages corporate management to engage in long-range investment planning. The knowledge also that changes in loan agreements, such as temporary waiver of sinking fund payments, may be made in periods of business adversity without forcing a borrower into bankruptcy, may also lead to greater willingness to borrow on long term in order to plan capital expenditures ahead. Finally, direct placements have made possible certain types of financing, such as gas pipelines, which might not have been practical under traditional methods of financing. These arguments for direct placement financing as a source of financial and economic stability were put forward last spring in the "Monthly Review" of the Federal Reserve Bank of New York, and I believe that they have merit. There can be no doubt that stability of investment expenditures by American business at a high level is the keystone of general economic stability.

Turning now from the advantages of direct placements, there are several questions which have been raised with respect to this method of financing. I would like to refer to three of the more important ones. First, there is the question of whether SEC registration of direct placements is needed to provide life insurance policyholders with full protection against unsound life company investments. This is the question which was raised last May during hearings before the Heller Subcommittee. I agree fully with the position taken by life insurance company witnesses that registration of direct placements is definitely *not* needed for the protection of policyholders.

The main purpose of SEC registration of a publicly offered security issue is to require a full disclosure of pertinent information about an issue in order to protect the uninitiated individual investor. The question of whether SEC registration of direct placements is needed to protect policyholders resolves itself, therefore, largely into the question of whether under direct placements the life companies are obtaining as much pertinent information as would be available in the case of a registered issue. The answer is that the life companies do obtain a complete disclosure of pertinent information about the issues purchased directly. In most instances this information is more complete and detailed than would be true in the case of public offerings. This is to be expected. When a borrower deals directly with one or a limited number of lenders he is more willing to disclose certain confidential information which would not be required under a public offering.

Moreover, state regulation of life insurance company investments gives the policyholder additional protection against unsound investments. The impact of the regulation is usually after the fact of purchase, but it is very real, nevertheless. No one tends to buy an investment which stands a chance of being written down by the regulatory authorities shortly thereafter. This state regulation has many sides to it. For one, the state in which a life company is chartered has a statute prescribing what investments a company may or may [illegible]

Secondly, each state in which a life company seeks to do business exercises jurisdiction over the company and requires among other things that the company report annually on its financial condition. For example, inasmuch as most life companies of any size desire to do business in New York State, the New York law on life company investments has had a broad regulatory effect throughout the country. Thirdly, life companies are subject to "zone examinations" made by the commissioner of the state of domicile and other state commissioners carrying out a joint examination. These examinations, which look closely into the investments and the financial condition of a company, are held at least every three years and last anywhere from a few months to as much as a year and one-half. Finally, the National Association of Insurance Commissioners, through its Committee on Valuation of Securities, establishes the values of securities held by life companies. In order to aid the staff of the Commissioners' Valuation Committee in their task of arriving at values for directly placed securities, life companies provide the NAIC staff with an enormous amount of information each year about their direct placements, information which is complete, to say the least.

As hearings before the Heller Subcommittee went forward last May, the registration question narrowed down to whether SEC registration should be required where issues, originally purchased directly, were subsequently resold and possibly got into the hands of the general public. In this connection a survey of sixteen major life insurance companies, holding 73% of the assets of all United States companies at the end of 1951, showed that out of a total of \$243,0?5,000 of directly placed securities which were resold during the period 1934-1951, an absolute maximum of \$43,000,000 might conceivably have gotten into the hands of the general investing public. Since the sixteen companies had acquired \$19,900,000,000 of direct placements during the period, the resales which might possibly have gone to the general public amounted to only 22/100 of 1% of total acquisitions. Inasmuch as the individual investor has virtually ceased to buy corporate bonds, it is likely that a large part of the \$43,000,000 of resales which could not be accounted for as having gone to other institutional investors probably in fact did actually go to such investors. Incidentally, as a matter of common law, when life companies sell direct placements they must disclose any facts known to them which indicate that the borrower is in poor condition. I conclude that there is no need for registration of direct placements which are subsequently resold.

Another question raised with respect to direct placements is whether they unduly restrict the opportunities of smaller institutional investors (particularly smaller life companies) to obtain high-grade bonds. This subject has been debated in the life insurance business for some time, but more heat than light has been [illegible] ment are about as follows: On the one hand, it is pointed out that direct placement financing usually leads large nationwide corporations to carry out their financing with one or several of the larger life insurance companies. It is further argued that, because of direct placements, prime-name securities of nationwide corporations are not available in sufficient quantity to smaller investors. In reply to the point made that many smaller life companies are active in the direct placements field it is contended that smaller companies making direct placements are limited mainly to the securities of business firms in their own localities and are not, therefore, securing proper diversification of risk such as would be provided by the securities of nationwide corporations.

On the other hand, the supporters of direct placements, and there are many in both large and small life companies, say that the facts about direct placements indicate that distribution of securities through this method is widespread among both large and small investors. The great activity of many smaller companies in direct placements is cited to show that direct placements have many advantages for both large and small investors. Through their direct placements with smaller corporations, plus participation in the continuing large volume of public offerings, the smaller life companies have many advantages from the viewpoint of diversification of risk. It is further pointed out that the smaller life companies as a general rule have important natural advantages over larger companies in the real estate mortgage field and that by and large the smaller companies continue to show a better overall return on their investments. All this is entirely apart from those advantages which direct placements have for all investors and borrowers, as well as the general economy, which should not be destroyed.

In recognition of the distribution question, a couple of years ago the American Life Convention and the Life Insurance Association of America formed a joint committee to study it. To date the discussions of the committee have revealed a considerable difference of opinion as to the seriousness of the problem. There are some who think it would be desirable to have a somewhat wider distribution of the large direct placements than has been the case. The stumbling block has been to discover a way to bring about a wider distribution without running the risk of having companies unwittingly in violation of the Federal antitrust laws, State laws prohibiting underwriting of securities by life companies, or the Securities Exchange Act. In any event, it is the borrower who decides with whom and with how many it will do business.

The third and final question with respect to direct placements which I would like to mention is the issue of whether this method of financing will give the life companies magnified problems in connection with defaulting corporate borrowers during a general business recession of fairly serious proportions. I confess I am somewhat puzzled by this suggestion. So long as life insurance companies invest a large volume of the people's savings, then in any period of serious defaults they will inevitably face public relations and other problems whether the funds are invested through direct placement or public offering. In fact, all indications seem to me to point to easier, quicker and better handling of problems in the case of direct placements as compared with issues involving countless holders. If a period of heavy defaults should occur it will take wise action by the life companies both to protect their investments and to avoid bad public relations. Nevertheless, I feel confident this wisdom will be forthcoming.

Government Policy and Economic Stability

Turning now to the problems of economic stability—for the last three decades we have seen the unhappy results of faulty Government policy with respect to economic stability. When the mistakes and excesses of the 20's ushered in the depression of the 30's, a new Government was swept into power, which has remained in power for full 20 years. Its attack upon the depression is well summed up by its own phrase: tax, spend and elect. The result was that the depression was unduly extended and was still severe when World War II ushered in its inflationary boom. In spite of the obvious and crying need for a different policy, the inflationary tax, spend and elect pol-

UNDERWRITERS AND DISTRIBUTORS
STATE AND MUNICIPAL BONDS
PUBLIC UTILITY BONDS
INDUSTRIAL BONDS
RAILROAD BONDS

GREGORY & SON
INCORPORATED
40 WALL STREET NEW YORK
Telephone Digby 4-1180 Teletype — NY 1-1691

AS TRANSFER AGENT
in
NEW YORK, N. Y. AND JERSEY CITY, N. J.

We afford economies and other advantages to underwriters, distributors, corporations and their stockholders.

Write for our free booklet setting forth the Current Federal and State Stock Original Issue and Transfer Tax Rates.

REGISTRAR AND TRANSFER COMPANY
50 CHURCH STREET New York 7, N. Y. BEekman 3-2170
Established 1899
15 EXCHANGE PLACE Jersey City 2, N. J. HEnderson 4-8525
Over 50 Years of Efficient and Economical Service

INVESTMENT COUNSEL . . . .
The critical problems of today are seriously complicating the consideration of intelligent investment of funds for every investor. Wise planning necessitates extended experience in law, business, manufacturing, corporate management, taxes, reorganizations, etc. Skill is required to soften the impact of new taxes and regulations that affect the investors' returns so vitally.

Individual and Institutional Investors

Reprints of articles on various securities and subjects of interest to individual and institutional investors will gladly be sent free on request.

Over thirty years' experience in securities, finance, economics, law, taxes, analyses, industry, counsel, research, and authorship backs up this invitation to confer with

THEODORE PRINCE. LL. M.
formerly Theodore Prince & Co., Members of N. Y. Stock Exchange
30 Broad Street, New York 4, N. Y. WHitehall 4-7429 & 4-7430

Digitized for FRASER
http://fraser.stlouisfed.org/

icy of the 30's was in effect continued as such throughout the artificially booming 40's and right down to today. That policy as it operates today seems to be summed up by those who say that inflation is continuously necessary—a little inflation is a good thing. The result has been a substantial destruction of our dollar.

Since the end of World War II inflation has been almost continuous. Consumers' prices have risen by 48% since October, 1945, which means that since the end of World War II the buying power of the consumer's dollar has fallen by 32%. In the space of just these few years, inflation has taken away a third of the value of our money.

The course of wholesale prices in the postwar period has been even more disturbing than that of consumers' prices. From 1945 to 1948, wholesale prices rose 54%. From 1948 to the beginning of 1950, they fell 8%. From the beginning of 1950 to the spring of 1951 they rose 19%. From the spring of 1951 to the present they have fallen 4%. Over the whole postwar period wholesale prices have risen 63%.

The erratic and inflationary movements of prices in the American economy in the postwar years have resulted partly from the tremendous demands of the defense program superimposed on the normal demands of the peacetime economy. Possibly some price rise has been unavoidable under these circumstances. But the price rise of the postwar period has not been simply a reflection of the defense program. It has in large part been a reflection of the attempts of small but powerful pressure groups to secure more for themselves in returns than they have been willing to contribute in increased productive effort. It has, in addition, been a reflection of inept and conflicting Government policies which have done more to contribute to inflation and instability than to curb these unsettling forces.

Fortunately, there are indications that in 1953 the great productive power of the American economic system may, for the time being at least, meet the problem of inflation, but the problem of stability is as unsolved as ever.

Each of us in this room, without doubt, has seen and read enormous quantities of material and advice recently on what to do to stabilize the economy. The thing about it that strikes me most forcefully is that the basic rules on what to do are simple and well known—but they are infinitely more difficult to put into effect and carry out than the easy way of inflationary palliatives pursued to date. General credit controls and sound monetary policy, sound fiscal policy, Federal debt management in accord with the evaluation of the market place; and in the more general field of economics, free markets, free prices, free production and consumption, and "trade—not aid." There is hardly one of these, salutary as they are, which will not arouse the most fierce and determined opposition of special groups. To win through with these conservative, well known, and efficacious measures, any Administration would have to act with great clearness of view, fortitude, and selflessness, particularly with an electorate which has been fed inflationary pablum for two decades. I would like to speak briefly about a few of these measures.

First, in the field of Federal Reserve monetary policy, we must recognize that the interests of our whole economy are more important than the narrow interests of the United States Treasury. It is, of course, essential that the Government securities market be orderly, particularly at times when the Treasury is offering a new or a refunding issue. But let's not confuse an orderly market with a pegged one.

A pegged market is a market in which the Federal Reserve System has surrendered its ability to contribute, through monetary measures, to the stability of our economic system. Once the Federal Reserve commits itself to maintain certain fixed prices and yields for Government securities, it loses its control over the additions to or subtractions from our money supply. In boom times, when investors are selling Governments in order to move to other investments, the Federal Reserve System becomes an engine of inflation through its support purchases. The huge portfolio thus built up may make the Federal Reserve reluctant to buy Government securities when it should do so to soften a downturn. Witness, early 1949. In fact, it may even sell.

If, on the other hand, the market is *not* pegged, the Federal Reserve System can contribute a great deal toward the stability of our economy. Since the removal of the pegs in March of 1951, we have seen a wise use of the general credit controls of the Federal Reserve System to restrain a potentially inflationary situation.

Despite rather depressed conditions in some industries, the overall demand for bank credit during the past year has been very heavy. Both the loans and the investments of commercial banks have been rising steadily, although the rise in the past few months has been somewhat less than seasonally anticipated. As all of you know, commercial bank lending leads to an increased money supply through expansion of deposits. The new money competes for the supply of goods and services. The most effective method of restraining deposit expansion of the commercial banks is to act on the reserves, which the commercial banks are required to keep against their deposits, through general credit controls, such as open market operations and changes in the rediscount rate. If these reserves can be reduced, or even held constant, then the ability of the commercial banking system to create new money is limited.

The general control of credit is not an easy problem. During the past year, for instance, the United States received from abroad about $1 billion in gold, leading to an increase in the reserves of the commercial banking system by a like amount.

Fortunately, during this period when an already inflationary situation was being aggravated by an inflow of gold, the Federal Reserve took steps to restrain the increase of bank credit. Beginning with the March, 1951, "accord," the Federal Reserve Banks have refrained from supporting the Government securities market except for short periods when the Treasury was offering a new issue. During the past year, the Federal Reserve Banks have thus been able to prevent their holdings of Government securities from rising, even though the Treasury has put on the market a substantial volume of new issues. The direct monetization of the debt has, therefore, been prevented and a restraining influence placed on member bank deposit expansion.

This action of the Federal Reserve Banks in refusing to supply reserves through the Government securities market has resulted in a tight money market. The commercial banks have been forced to resort to borrowing from the Federal Reserve Banks on a scale not seen since the early 'thirties. Inasmuch as commercial banks dislike being in debt to the Federal Reserve Banks, the net effect has been to cause them to be increasingly selective in their loans and investments. What might have been an extremely inflationary situation under the old "pegged" market, has been held, under the new Federal Reserve policy, to a much more manageable expansion.

All of this is as it should be. The Federal Reserve has been exercising its open market powers to exert a restraining influence on the expansion of credit, thus acting in the interest of the whole economy. Unfortunately, however, there are powerful elements who still refuse to recognize the importance of a Federal Reserve policy devoted to economic stability, and who still would like the Federal Reserve to be simply an agency for assisting the Treasury in its financing problems. In the difficult years ahead, it is vital that the Federal Reserve System be free to use its powers to contribute to the stability of our economic system. We should all lend our support to that end.

In addition to a wisely administered *monetary* policy, stability of the American economic system requires a sound and intelligent *fiscal* policy on the part of the Federal Government. Much can be done toward maintaining a stable level of business activity through varying the relationship between the revenue and the expenditures of the Federal Government.

The rules in connection with fiscal policy are simple. During inflationary periods raise taxes so that Federal cash income will exceed cash outgo. During a period of depressed or declining business activity, reduce taxes and, if necessary, spend more money. Unfortunately, the rules don't fit the problems before us. Today, the huge Federal tax burden is itself an important source of inflation. Reductions in spending are difficult, to say the least, because of the life and death necessity of arming. Nevertheless, I think we can cut down on defense expenditures without hurting the armament effort, and I believe the incoming Administration thinks so. Further, when armament expenditures begin to taper off, there is certainly amule leeway for substantial tax reduction to bolster the economy, and incidentally to bolster free enterprise, initiative, self-reliance and new business at the same time. I hope that taxes will be reduced enough to force searching and critical scrutiny of all Federal spending.

Finally, a good deal of artificial pressure can be removed from our monetary system if the Government will rely in its debt management on the evaluation of the market place. We should rid ourselves once and for all of the idea that the Treasury can borrow at low cost in good times as well as bad. Here again a big toe is trod upon because it raises the interest cost of carrying the Federal debt.

Nevertheless, continuance of low-cost borrowing at all times is too great a cost to the nation. Among other things, as I have said, it makes impossible workable general credit controls.

In the general free world economy, "trade—not aid" is probably a necessity for anything remotely approaching free world well being. Nevertheless, moves to implement "trade—not aid" will at the very outset run into most violent business, labor and community opposition—opposition of peculiar difficulty to the Republican Party. One cannot be too hopeful as to the outcome.

In closing, I believe that opposition to the various sound general measures which need to be taken today will result in their being emasculated in substantial part, unless the business community of which you are such an important part rallies to their support. If we come through with even half a loaf of a constructive economic program, it will be a great achievement and a seven-league step forward.

MUNICIPAL BONDS

Boland, Saffin & Co.

Established 1920

20 PINE ST. TELEPHONE
NEW YORK 5, N. Y. WHITEHALL 3-3414

Bell System Teletype—NY 1-535

MUNICIPAL and REVENUE
BONDS

RAND & CO.

1 WALL STREET, NEW YORK 5, N. Y.

Tel. WHitehall 4-3432 Teletype NY 1-838

Consultants on Municipal Finance

A Constructive Service to Municipalities

As Consultants on Municipal Finance we render a constructive planning service for Cities, States and other governmental units. This service includes experienced assistance in development of plans for new financing, reorganization of existing debt structures, planning the financing of self-liquidating projects, and financial public relations. WE DO NOT BUY OR SELL SECURITIES. We are pleased to cooperate with financial institutions and investment houses.

Wainwright, Ramsey & Lancaster

70 Pine Street New York 5, N. Y.

Telephone WHitehall 4-3540

STATE, MUNICIPAL
and
REVENUE BONDS

BYRNE AND PHELPS
Incorporated

44 Wall Street
New York 5, N. Y.

Telephone DIgby 4-2410 Teletype NY 1-1474

Open End Phone to Newark, N. J.: MArket 3-6319

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Continued from page 29

Reports 1952 Municipal Issues at Record High

the type of securities defined by the Code would embrace bonds issued by municipalities, including revenue bonds which would not be governed by Article 3 of the Code but would be governed by the provisions of Article 8. And further that the instruments in Article 8 are not negotiable securities under the terms of the Code. In fact, the Code itself makes a distinction between negotiable instruments and securities. Therefore, if the Code is enacted a revenue bond would be governed entirely by the provisions of Article 8 and it would not be a negotiable instrument.

Following the discussion a resolution was adopted on Sept. 16 by the Section of Municipal Law of the ABA, reading:

"*Be It Resolved*, by the Section of the Municipal Law of the American Bar Association:

"(1) That the proposed Uniform Commercial Code be amended to provide that a security issued by a government or governmental agency or unit shall be a negotiable instrument if it conforms to the provisions of Article 3, notwithstanding the fact that it is payable from a special fund.

"(2) That the Chairman of the Section be and he is hereby authorized to communicate this action to the Sub-Committee on Uniform State Laws of the Board of Governors of the American Bar Association and to other appropriate agencies of the Association."

For the good of the distribution and subsequent markets of State and municipal bonds and in the interest of the issuers thereof and investors therein, also dealers in such securities, we petition the Commissioners on Uniform State Laws and those advising with them in this matter to amend the proposed Code so that upon enactment it will declare or otherwise clearly designate state and municipal securities including revenue bonds to be negotiable instruments.

We are confident that the legal fraternity will recognize that there are very practical considerations involved in this situation. We are not concerned as to the particular wording or arrangement of the needed amendment but urge one that will definitely eliminate the existing merited concern respecting this feature of Article 8 of the proposed Code. We consider it essential from the municipal end that the measure ultimately recommended to the States for enactment be in such form as to meet with the approval: (1) of the examining attorneys who live with the issuance, marketing and enforcement of municipal securities and who in times of trouble are called upon from the legal end in the protection of holders of such securities, and (2) of those who are responsible for the underwriting, placement and subsequent secondary marketing of billioins of dollars of such securities every year.

Public Credit for Private Operations

It was at our Annual Convention a year ago that our Association passed a resolution expressing deep concern as to the latent risks inherent in the issuance of bonds for financing privately-owned and operated industrial developments in the name of municipalities or other local governments. This action was taken at the time after a protracted period of study of the situation and of the effects that might readily be involved. For reference here the resolution reads:

"*Whereas*, the legislatures in some of the States have recently enacted laws authorizing municipalities to construct or acquire manufacturing or industrial plants for the express purpose of leasing such plants to private corporations or individuals and to finance such construction or acquisition by the issuance of revenue or general obligation bonds of such municipalities payable solely or primarily from the rentals of such plants; and

"*Whereas*, similar practices in the past have had injurious effects upon public credit; and

"*Whereas*, if this practice is unchecked it may react to the detriment of our present system of free economy and further may ultimately endanger the valuable position of State sovereignty as a part of our constitutional dual system of government; now therefore

"*Be It Resolved*, that the Investment Bankers Association of America in convention assembled recommends to its members and to dealers generally:

"First, that each take it upon himself to become thoroughly informed on this whole development and exercise extreme caution in underwriting or marketing such bonds; and

"Second, that each use his best efforts to inform voters, state legislators, prospective issuing units of local government, and other interested parties of the past experience and inherent dangers of public financing of this character."

We believe that the dangers involved are becoming more evident and better understood by those studying the many angles of the situation in their various applications to credit and other important municipal phases, having particularly in mind the possible long-term adverse effects.

In the September issue of "Business Conditions," which is a review by the Federal Reserve Bank of Chicago, there is an article, "City-Financed New Factories."

Among other comments the following pertinent points are made in this article:

"State and local government aids and subsidies to private business are a part of our early history. In the 19th century, canal, turnpike, and railroad promotions were the principal beneficiaries. Some of these programs were spectacular failures and led to restrictions on the use of public funds for private benefit and on state-local borrowing in general, many of which persist to this day in the laws and constitutions of states, particularly in the Midwest."

The article is concluded under the heading, "Competitive Bidding for Industry":

"One dangerous possibility is that the extension of industrial financing programs will result in cities bidding against one another in their efforts to attract new plants. To outbid rival cities, they would tend to expand the degree of subsidy. This would expose cities to even more adverse effects in the event of unfavorable economic developments. In the most likely event, the competitive subsidies would tend to cancel out and firms would locate where they would have gone without any public aids.

"Another drawback of these programs is that the tax abatement features involve redistribution of the tax burden. If the new plants do not pay property taxes, other property owners in the community face heavier tax burdens than they might otherwise bear.

"Similarly, the income tax exemption of the bonds sold to build new factories can mean, if these programs are more widely adopted and used, a shift in state and Federal income tax burdens from taxable interest income to other sources.

"Finally, widespread defaults on bonds issued for new plants, such as could easily occur in a major economic downturn, could impair the financial capacity of states and their local governments to deal in future years with problems that are uniquely their own."

The Municipal Finance Officers Association of the United States and Canada adopted a resolution at its Annual Conference on June 18, 1952, in which it recommended that municipal finance officers and legislators:

"(1) Carefully consider the long-term adverse effects of the use of public credit for private purposes; and

"(2) Avoid the issuance of municipal debt obligations to acquire property of the kind mentioned in the resolution."

On Sept. 16 last the Section of Municipal Law of the American Bar Association at its Annual Meeting in San Francisco also adopted a resolution, reading:

"*Be It Resolved*, by the Section of Municipal Law of the American Bar Association:

"That it is contrary to the interests of local governmental units and to sound public policy for such local governmental units to issue their obligations to provide industrial plants or factory facilities for the direct benefit of private industry."

During the year there has been some financing of this character in a few of the States, principally in Mississippi, where general obligation bonds are authorized for the purpose.

In Florida the Supreme Court of that State held such financing illegal.

In Louisiana a constitutional amendment was approved by the electorate on Nov. 4 last authorizing the issuance of general obligation bonds of parishes (counties) and other municipalities in the state for the purpose of extending municipal aid to private operations.

Investment Banking Seminar

The second Investment Banking Seminar, held last June, was, like the first of these sessions, a pronounced success. It was again sponsored by our Association through the Education Committee in cooperation with the Wharton School of Finance and Commerce, University of Pennsylvania. There were 100 representatives of IBA member firms in attendance. Our Education Committee is to be congratulated upon the calibre of the program and the over-all success of both of these Seminars.

The subject of municipals was covered at one of the periods by Walter W. Craigie of F. W. Craigie & Co., Richmond; John N. Mitchell of Caldwell, Marshall, Trimble & Mitchell, New York, well-known municipal bond attorneys; and Dr. Julius Grodinsky, Associate Professor of Finance of the Wharton School. Walter A. Schmidt of Schmidt, Poole & Co., Philadelphia, acted as moderator.

Mr. Craigie in his talk discussed recent developments and outlook in the municipal field; also industrial municipal bonds. Mr. Mitchell discussed the legal investment characteristics of housing authority bonds and Dr. Grodinsky discussed various aspects of housing authority bonds.

Advertising Municipal Securities

This is the third year during which the "Bond Buyer" conducted its municipal advertising contest. As will be recalled from our previous reports the purpose of the contest is to arouse interest in and develop effective methods of advertising municipal securities and to deliver a message respecting the factors which make them attractive investments. As in the past, the "Bond Buyer" conducts this contest in active support of that part of the program of our Education Committee relating to advertising securities.

From advertisements entered in the contest each month—January through October — a winner is selected by a committee of judges chosen by the "Bond Buyer." It is the advertisement considered to be the best for originality, effectiveness and leadership. From among these monthly winners, the

G. H. WALKER & CO.
ESTABLISHED 1900
INVESTMENT BANKERS
Members:
New York Stock Exchange
New York Curb Exchange (Associate)
Midwest Stock Exchange
★ ★ ★ ★
Underwriting and Re-offering of Investment Securities
Dealers in Local and Over-the-Counter Securities
Municipal Securities
★ ★ ★ ★
NEW YORK ST. LOUIS PROVIDENCE
HARTFORD BRIDGEPORT WHITE PLAINS

THE NATIONAL STATE BANK 1812 NEWARK, N. J.
STATE and MUNICIPAL BONDS
★ ★ ★
NATIONAL STATE BANK
FOUNDED 1812
810 Broad Street, Newark 1, New Jersey
Telephones—Newark MI 3-4000—New York City BA 7-5928 Tele. NK 348
Member Federal Deposit Insurance Corporation

Digitized for FRASER
http://fraser.stlouisfed.org/

annual award is made on the same basis. The winner of this award will be announced at this Convention. [Ed. Note: The award for the year was made to Braun, Bosworth & Co., Inc., Toledo.] The winners for the first 10 months of this year are:

January: Braun, Bosworth & Company, Incorporated, Toledo.

February: Boland, Saffin & Co., New York.

March: Cleveland Dealer Group—comprising Fahey, Clark & Co.; The First Cleveland Corporation; Fulton, Reid & Co.; Ginther & Co.; Hayden, Miller & Co.; T. H. Jones & Company; McDonald & Company; Wm. J. Mericka & Co., Inc.; Merrill, Turben & Co.; Olderman, Asbeck & Co.; Prescott & Co.; Ball, Burge & Kraus; Braun, Bosworth & Company, and Curtiss, House & Company.

April: R. W. Pressprich & Co., New York.

May: R. W. Pressprich & Co., New York.

June: Harris Trust and Savings Bank, Chicago. Other names appearing on this advertisement were: The Northern Trust Company, Chicago; City National Bank and Trust Company of Chicago; Continental Illinois National Bank and Trust Company of Chicago; The First National Bank of Chicago, and American National Bank and Trust Company of Chicago.

July: John Nuveen & Co., Chicago.

August: The Marine Trust Company of Western New York. Other names appearing on this advertisement were: Blair, Rollins & Co. Incorporated, New York; Manufacturers and Traders Trust Company, New York; Roosevelt & Cross Incorporated, New York; Bacon, Stevenson & Co., New York; R. D. White & Company, New York; First of Michigan Corporation, Detroit, and Coffin & Burr Incorporated, Boston.

September: Harris, Hall & Company, Incorporated, Chicago. Other names appearing on this advertisement were: The First Boston Corporation; Blyth & Co., Inc., New York; A. C. Allyn and Company, Incorporated, Chicago, and John Nuveen & Co., Chicago.

October: Merrill Lynch, Pierce, Fenner & Beane, New York.

The winner of the annual award for 1950 was Ira Haupt & Co., New York, and for 1951, The Northern Trust Company, Chicago. Each received an award in the form of a plaque suitably inscribed and the writer of the ad in each instance was awarded $100 in cash. We understand that the "Bond Buyer" contemplates continuance of this contest in 1953 on a somewhat broadened basis with results of the ads as one of the determining factors of the awards, which will be in the same form.

It will be recalled that in order to qualify for entry in this contest an advertisement need not have been published in the "Bond Buyer" or any other publication. It may be prepared especially for this contest. Each contestant may submit for consideration as many advertisements as he wishes. The entries are not limited to members of our Association. They are open to all.

The judges in the contest, selected by the "Bond Buyer," consist of Robert W. Fisher of Doremus & Co., Upton E. Liptrott of the "American Banker," and William T. Hall, Jr., of the "Bond Buyer."

Court Decisions and Legislation in the States

[Appended to the Report are brief references to various court decisions rendered and legislation enacted in the states during the year. There were several of importance and interest to the municipal trade in both categories.—Editor.]

Respectfully submitted,

MUNICIPAL SECURITIES COMMITTEE

Lewis Miller, Chairman
First National Bank of Chicago

H. Wilson Arnold
Arnold & Crane, New Orleans

C. Meredith Boyce
Mercantile Trust Co. of Baltimore

Alan K. Browne
Bank of America, N.T. & S.A., San Francisco

H. Frank Burkholder
Equitable Securities Corporation, Nashville

James G. Couffer
B. J. Van Ingen & Co., Inc., New York City

Cecil R. Cummings
First of Michigan Corporation, Detroit

Carl H. Doerge
Wm. J. Mericka & Co., Inc., Cleveland

A. Webster Dougherty
A. Webster Dougherty & Co., Philadelphia

Chester R. Durgin
Lee Higginson Corporation, Boston

Robert M. Hall
Blyth & Co., Inc., Portland, Oreg.

Lloyd B. Hatcher
Trust Company of Georgia, Atlanta

Edwin B. Horner
Scott, Horner & Mason, Inc., Lynchburg

William C. Jackson, Jr.
First Southwest Company, Dallas

Carl J. Kall
First National Bank of Minneapolis

Walter E. Lang
Harriman Ripley & Co., Incorporated, Chicago

David B. McElroy
J. P. Morgan & Co. Incorporated, New York City

Andrew S. Mills
Newhard, Cook & Co., St. Louis

Richard Morey
A. G. Edwards & Sons, St. Louis

Frank H. Morse
Lehman Brothers, New York City

Dennis E. Murphy
The Ohio Company, Columbus

Donald L. Pettis
Kirkpatrick-Pettis Co., Omaha

Frank L. Reissner
Indianapolis Bond & Share Corporation, Indianapolis

Philip J. Rhoads
First National Bank & Trust Company, Oklahoma City

Albro F. Stepp
City National Bank & Trust Company, Kansas City

Anthony E. Tomasic
Thomas & Company, Pittsburgh

Paul E. Youmans
Bosworth, Sullivan & Co., Denver

Golf and Tennis Tournament Winners At 1952 Investment Bankers Assn. Convention

GOLF

Alden H. Little Trophy—Men:
1st—Salim L. Lewis, Bear, Stearns & Co., New York.
2nd—William O. Alden, Jr., O'Neal, Alden & Company, Inc., Louisville.

Kicker's Handicap—Ladies:
1st—Mrs. Cornelius Shields, Shields & Co., New York.
2nd—Mrs. William M. Cahn, Jr., Henry Herrman & Co., New York.

Investment Bankers Association of Canada Trophy—Men:
1st—V. Theodore Low, Bear, Stearns & Co., New York.
2nd—William D. Kerr, Bacon, Whipple & Co., Chicago.
3rd—Allen C. DuBois, Wertheim & Co., New York.

Robert E. Christie, Jr. Memorial—Men:
1st—Gerald P. Peters, Peters, Writer & Christensen, Inc., Denver.
2nd—George R. Waldmann, Mercantile Trust Company, New York.

18 Hole Handicap Tournament—Men:
1st—Elvin K. Popper, I. M. Simon & Co., St. Louis.
2nd—Russell M. Ergood, Jr., Stroud & Company, Inc., Phila.

18 Hole Tournament—Ladies:
1st—(Low Gross and Ladies Golf Champion):
Mrs. William M. Rex, Clark, Dodge & Co., New York.
2nd—(Low Gross):
Mrs. Benjamin J. Levy, Salomon Bros. & Hutzler, N. Y.
1st—(Low Net):
Mrs. William S. Hughes, Wagenseller & Durst, Inc., Los Angeles
2nd—(Low Net):
Mrs. Carl H. Doerge, Wm. J. Mericka & Co., Cleveland.

Mixed Foursomes Tournament:
1st—Mr. and Mrs. David B. McElroy, J. P. Morgan & Co., N. Y.
2nd—Mr. James D. Winsor, III, Biddle, Whelen & Co., Phila.
Mrs. William M. Rex, Clark, Dodge & Co., New York.

18 Hole Kicker's Handicap—Men:
1st—Frederick G. Larkin, Jr., Security-First National Bank, Los Angeles.
2nd—Eugene H. Cassell, C. F. Cassell & Co., Charlottesville.

New Orleans Cup—No Tournament Held.

San Joaquin Light & Power Trophy—No Tournament Held.

TENNIS

Men's Doubles:
1st—Wilbur E. Hess, Fridley & Hess, Houston.
Jack R. Staples, Fulton, Reid & Co., Cleveland.
2nd—Malon C. Courts, Courts & Co., Atlanta.
Kimball Valentine, Vance, Sanders & Company, Boston.
Scores: 6-1, 6-2

Mixed Doubles:
1st—Jack R. Staples, Fulton, Reid & Co., Cleveland.
Mrs. Robert W. Ewing, A. E. Masten & Company, Wheeling, W. Va.
2nd—Malon C. Courts, Courts & Co., Atlanta.
Mrs. A. C. Potter, Bacon, Whipple & Co., New York.
Scores: 6-3, 4-6, 6-4.

F. S. SMITHERS & CO.
ESTABLISHED 1857
MEMBERS
New York Stock Exchange • New York Curb Exchange

UNDERWRITERS AND DISTRIBUTORS

RAILROAD, PUBLIC UTILITY, INDUSTRIAL AND MUNICIPAL SECURITIES

One Wall Street, New York 5, N. Y.

UNDERWRITERS AND DISTRIBUTORS OF INVESTMENT SECURITIES

RESEARCH AND ADVISORY SERVICE

SHEARSON, HAMMILL & CO.
Founded in 1902

NEW YORK CHICAGO MONTREAL LOS ANGELES PASADENA BEVERLY HILLS
HARTFORD DALLAS HOUSTON BASLE, (Switzerland) MEMPHIS MACON

EXCHANGE MEMBERSHIPS

New York Stock Exchange
New York Curb Exchange
Chicago Board of Trade
Chicago Mercantile Exchange
Midwest Stock Exchange
Commodity Exchange, Inc.
Liverpool Cotton Association, Ltd.
Los Angeles Stock Exchange
Memphis Cotton Exchange
Montreal Curb Exchange
New Orleans Cotton Exchange
New York Cocoa Exchange, Inc.
New York Coffee & Sugar Exchange, Inc.
New York Cotton Exchange
New York Produce Exchange

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Continued from page 23

Canada's Development And Its Prospects

population and about 10% for national product. But of course Canada, except in her area and her international trade, is still relatively a small country, with a population only one-eleventh of yours and an output of less than one-fifteenth.

I hope that in what I have said so far I have been able to convey something of the variety and magnitude of the investment projects now being carried out in Canada. Many of these developments are obviously still in their infancy; it will be several years before the full implications of western oil, Labrador iron ore, the St. Lawrence seaway, Kitimat aluminum and Beaverlodge uranium can be assessed. One thing is already clear, however; the sum total of the developments now going on in Canada constitutes a very important increase in the free world's supply of strategic materials and industrial capacity. The strength of the western world depends just as much on the ready availability of the resources necessary to support a very high level of production as on its armed forces and armaments.

I now turn to the part of American capital in stimulating this rapid economic growth in Canada. In past periods of quick expansion Canada has relied on capital imports to provide part of the necessary savings, and has run a deficit in her current balance of payments. This pattern was still apparent in 1950 and the first half of 1951 when Canada had very large current account deficits which were more than balanced by capital imports, though it is worth noting that even in these years about five-sixths of investment outlays were financed from domestic sources. During the past 12 or 18 months, however, Canadians have apparently been able to finance themselves entirely out of their own resources on an over-all basis, without these being supplemented by a net capital inflow.

It is perhaps surprising that during these months Canada has been able to carry both an ambitious program of basic development and a large scale defense effort without incurring a deficit in the current balance of payments, and indeed with a substantial increase in the foreign exchange value of the Canadian dollar. Moreover, this has been accomplished without the artificial protection of either exchange restrictions or import quotas. As I have indicated, in past periods of heavy investment activity there has usually been a current account deficit and it would not be in the least alarming to see this pattern reassert itself in the future.

That there has been little or no net inflow of capital during the past year or so does not, of course, mean that American capital is not playing a most vital part in stimulating Canadian development. It may not be generally known, however, that there is at present a substantial two-way flow of capital between the United States and Canada. On the one hand, American investors are putting large sums of venture capital, combined with American technical know-how, into such things as Alberta oil and Labrador ore—and there can be little doubt that in the absence of such American investment these developments would probably have to wait for many years. Most of this capital inflow takes the form either of direct investment in enterprises owned or controlled by parent companies in this country, or of the purchase of Canadian corporate securities.

Canadians are good savers and they risk large sums each year on the long-range ventures involved in development of basic resources. But where the projects are very large, as is the case with many of those to which I have referred, it is hard to get equity money in Canada on the scale required. In Canada, as in the United States, these projects usually have to be undertaken by very substantial companies or groups of companies which are able to finance them in a variety of ways. Obviously the United States has many more great corporations than Canada, and it is not surprising that only they have been able to tackle some of these activities in Canada. Moreover, in a number of cases the investing corporation has been one which has an interest in, and is able to develop, a market for the product concerned.

Capital Inflow Offset by Reduced Short-Term Balances Owed U. S.

During the past year or so, the inflow of long-term capital from the United States has been approximately balanced by the outflow of short-term capital to the United States — partly the repatriation of Canadian government securities, partly the reduction of Canadian dollar balances owned in the United States, partly changes in the net balance of commercial credit outstanding in connection with U. S.-Canadian trade. In short, Canadians have been paying off short-term obligations in this country at about the same rate as American investors are putting capital into new enterprises in Canada.

The willingness of American investors to put their savings and know-how against the risks and problems of these great long-range productive schemes in Canada may be a good augury for the economic future of the free world. If the free world is to survive without putting intolerable economic strains on the weaker members and without the maintenance and proliferation of direct restrictions on trade and payment, ways must be found for American savings to be invested fruitfully in the development of other parts of the world. Looking back over the years I think that most informed people would agree that American investment in Canada has produced substantial dividends of an intangible as well as a tangible sort. My hope is not only that this mutually profitable relationship will continue in the future, but that conditions will be such that American capital will be tempted to venture further afield.

Why has the United States long-term capital sought out Canada in increasing volume throughout the postwar period? A general answer is easy: in Canada two necessary conditions are met — first, the existence of favorable investment opportunities, and secondly, confidence in the financial integrity of Canada and the soundness of her fundamental economic policies. I have said enough about the fulfillment in Canada of the first condition. A brief reference to the second condition may be in order.

A central purpose of Canadian economic policy has been to maintain a framework of free enterprise and competition, coupled with an adequate program of social welfare. In the main economic development is not government sponsored, nor government directed. Yet the role of government is not negative or unimportant. Canada has sought, and may be relied upon to continue to seek, to create conditions in which economic development can proceed steadily either without stalling or running wild. The early fears that a world-wide depression might follow the second World War proved unfounded. Throughout the postwar period, and particularly in the past two years, in Canada as in the United States, inflation has been more of a problem than deflation.

Inflation Control in Canada

Soon after the Korean outbreak, Canadians were affected, as you were, by the world-wide upsurge in prices. Canadian prices are very sensitive to world influences; Canadian external trade, exports plus imports, is now valued at over $8 billion a year and the gross national product is currently at the annual rate of some $23 billion. In 1950, in addition to rapidly rising external prices, Canada was subjected, as most countries were, to a sharp rise in inventories and to consumer spending based on fears of shortages and further price increases. The heavy investment program received new impetus, particularly in industries producing materials of strategic importance for defense. In addition Canada, along with the United States and other countries of the North Atlantic alliance, enormously enlarged her defense program.

As in the United States, there was public pressure in Canada to combat the post-Korea upsurge in prices by applying direct price controls. Canada had made a success of price control during the last war, and some thought that it should be tried again. Probably the Canadian Government would have done so in case of all-out war; but that kind of war did not come and the pressure for price controls was resisted. Instead, reliance was placed upon less direct fiscal and monetary methods, such as restriction of consumer credit, measures to slow down or postpone non-essential construction, and two sharp increases in taxes with resulting substantial budgetary surpluses. Indeed, there have been budgetary surpluses every year since 1946, and the national debt has been reduced since then by nearly $2½ billion.

This program, particularly the taxation part of it, has naturally not been uniformly popular. Are

Keeping up-to-date on CANADA?

You'll find our monthly Business Review a great help. It brings you a clear analysis of Canada's economic developments, detailed surveys of industrial and commercial conditions. To receive this regularly, write to any of our Canadian or U. S. branches, or our Head Office in Montreal.

"MY BANK" TO A MILLION CANADIANS — B of M

BANK OF MONTREAL
Canada's First Bank

UNITED STATES OFFICES:
New York, 64 Wall St. Chicago, 27 S. La Salle St.
San Francisco, 333 California St.

Resources over $2,000,000,000 — 575 branches spanning Canada

SAVARD, HODGSON & CO., INC.
Members of The Investment Dealers' Association of Canada

276 St. James Street West,
MONTREAL

SHERBROOKE — TROIS-RIVIERES — CHICOUTIMI

SAVARD & HART
Members: Montreal Stock Exchange
Toronto Stock Exchange
Montreal Curb Market

Head Office: 276 St. James St. West, Montreal

Branch Offices:
62 William St., New York City, HAnover 2-6625

QUEBEC — TROIS-RIVIERES — SHERBROOKE
CHICOUTIMI — ST. JOHNS, P. Q.

Greenshields & Co Inc
Underwriters and Distributors of Canadian Security Issues

Greenshields & Co
Members Montreal Stock Exchange
The Toronto Stock Exchange
Montreal Curb Market

507 Place d'Armes, Montreal

Ottawa Quebec Sherbrooke Toronto

Digitized for FRASER
http://fraser.stlouisfed.org/

high taxes ever popular? Yet it provided a reasonably effective brake on prices without reducing the flexibility of the economy. For a time prices rose somewhat more quickly in Canada than they did here in the United States after price controls were reintroduced. During the present year, however, the Canadian cost-of-living has declined considerably, while the U. S. index is still close to its highest level. From mid-1950 to date the rise in the Canadian index is about the same as in the United States index, indicating that both countries have achieved the same over-all result by different means.

Canada's Dependence on Foreign Markets

A very good reason for seeking to maintain a flexible and dynamic economy in Canada is the heavy dependence on external markets. Care must be taken that the quality and price of export goods are such that they can compete effectively, and that home industries can stand up to import competition.

I am glad to say that in the field of trade policy, as in most other fields, Canadians and Americans are pursuing similar objectives. Trade relations between the U. S. and Canada are good—but there is still room for improvement. Each country has for a long time been the other's best customer. Trade between them has grown about seven times in value and three times in volume since before the war. No very serious obstacles to trade in raw materials now exist. Canadians are conscious, however, that Americans still do not buy as much from them as they do from you, and wish that this country was as ready to admit Canadian manufactured goods and agricultural products as Canadian metals and other raw materials.

To both our countries the position of our overseas customers is of critical importance. Their ability to continue buying goods which they need and which we in North America wish to sell them is limited to the dollars they obtain by trade, aid and loans or investments. All of us, having learned our lesson, recognize the fundamental truth of the current slogan that "trade is better than aid." We also recognize that the economic strength of the nations of the free world is, in our dangerous era, the foundation of its military power and political security. In North America there is developing a better public understanding of the responsibilities of the good debtor and the good creditor. Both must play their proper parts.

In this matter Canada has a dual role. On the one hand, Canada has been the recipient of a large volume of foreign investment; total non-resident investments in Canada are valued at some $9.4 billion, of which over $7.2 billion are held in the United States. On the other hand, Canada is, on a much smaller scale, a net creditor of several countries to which substantial loans were made during the period of post-war reconstruction. Thus, it behooves Canada to act both as a good debtor and as a good creditor. In order to service and ultimately to repay the loans and investments received, Canada must develop an over-all export surplus. The same is true of the overseas countries to which we and you have made loans. They can repay us only in goods and services, whether supplied direct or through multilateral settlements. It is a very hopeful sign that in both your country and mine there is at last developing a fairly general public understanding of the role of the good creditor. In this process of public education business and financial associations can play, and are playing, a very important part.

The biggest international economic problem of today is how to complete the task of substituting trade for aid. I emphasize that this is the **completion** of a task, in which very great progress has been made. I think, however, that we shall, and should, want some special forms of aid to continue. Military aid by the United States and also by Canada will, I am sure, go on until we feel greater confidence that we and our partners in the North Atlantic Alliance have together built up the strength of our collective forces and armaments to a safer level. Economic aid I would expect also to continue in such forms as technical assistance to underdeveloped countries, through methods like the Point Four Program and the Colombo Plan of British Commonwealth countries.

Apart from these forms of aid, which are in part investments in our own security, our aim now must surely be to encourage the doing of what still has to be done to bring the economies of our friends and allies in Western Europe and the Sterling Area into a sufficiently safe balance to enable them to remove the wasteful blockages to international trade caused by import and payments restrictions, and hence to restore the convertibility of currencies and multilateral trading. That this should be accomplished is, I am sure, profoundly in the interest of both the United States and Canada. How to achieve it is now under discussion at a meeting in London of the governments of the Commonwealth. When the new Administration is established in Washington, the problems will certainly be discussed in a broader forum.

The way in which the Canadian economy weathered some cold blasts in the postwar years is not irrelevant to this larger problem. Canada has had her exchange crises, and in 1947 saw her central monetary reserves rapidly running away. Exchange control, imposed of necessity at the beginning of the war, had to be continued in one form or another until 1950. For a period from 1947 on the Canadian Government had to resort to the distasteful process of restricting imports and stiffening exchange controls in order to prevent the disappearance of the central reserves.

These measures worked, by good management perhaps not unassisted by goodluck. The drain on reserves was promptly checked, the flow was reversed, and the reserves soon climbed to a comfortable height. The difficulties thus surmounted were external, for production, employment and economic development continued at high levels inside Canada.

The import restrictions were rapidly relaxed and were abolished several years ago. Not long after their final disappearance the Canadian Government, aided by the large inflow of capital from this country, did away with exchange control. Furthermore, they decided not to maintain an official rate for the Canadian dollar because of the uncertainties inherent in fixing a new rate.

The results, I expect, are familiar to you. Without any official rate of exchange, the market rate has been left to the free play of demand and supply. The Canadian dollar promptly demonstrated that it was undervalued at the previous official rate of a discount of 10%. By last January the two dollars were being exchanged at parity. By last March the Canadian dollar, surprisingly, climbed to a premium over the U. S. dollar, a premium which reached a level of 4% by the late summer. It has fallen a little since then and now stands at about 2½ cents.

The Canadian Minister of Finance recently said: "I am not one of those who takes undue pride in the present strength of the Canadian dollar, nor would I be unduly alarmed if at some future date the external value of our dollar dipped below equality with the United States dollar." It has been an unusual experience, and in some measure a pleasant one, for Canadians to find their dollar worth more than yours, but this has its inconveniences, especially for exporters, into which I need not go.

The chief reason for the present strength of Canadian currency arises from recent changes in the Canadian balance of trade. In the year ending in August, 1951, Canadian imports exceeded exports by $340 million. In the following year, ending last August, however, Canadian exports exceeded imports by $460 million—a net reversal between the two years of some $800 million. This obviously greatly affected both the supply of, and the demand for, Canadian dollars abroad.

Just at present the Canadian economy is in a state of equilibrium at a high level. The inflow of capital from outside is about even with the outflow of capital from Canada. In the balance of payments on current account the so-called invisible items of interest, dividends, and so on, are probably involving net Canadian payments roughly equal to the net receipts from commodity trade. Employment and production are very high and so is consumer demand.

For this fiscal year budgetary receipts should at least equal and perhaps exceed expenditures. I do not suppose that, in a world as troubled and dangerous as that in which we live, such an equilibrium can be steadily maintained; but, barring some great convulsion, the foundations of the economy are solid enough both to withstand any tremors which may occur and to support continued expansion.

Although it appeared to many contemporaries that Great Britain was making a poor bargain in 1763 in keeping Canada and returning Guadeloupe to France, in retrospect on the whole it does not seem to have been such a bad deal.

Wood, Gundy & Co., Inc.
14 Wall Street, New York 5
105 West Adams Street, Chicago 3

Affiliated with
Wood, Gundy & Company
Limited

Toronto • Montreal • Winnipeg • Vancouver • Halifax
Quebec • Ottawa • Hamilton • London, Ont. • Kitchener
Regina • Edmonton • Calgary • London, Eng. • Victoria

BONDS STOCKS

MARKETS maintained in all classes of Canadian external and internal bond issues.

Stock orders executed on the Montreal and Toronto Stock Exchanges, or net New York markets quoted on request.

DIRECT PRIVATE WIRES CONNECT OUR
NEW YORK, TORONTO, MONTREAL & OTTAWA OFFICES
BELL SYSTEM TELETYPE NY 1-702-3

DOMINION SECURITIES CORPORATION

Associate Member New York Curb Exchange
40 EXCHANGE PLACE, NEW YORK 5
Telephone WHitehall 4-8161

Philadelphia, London, Eng., Calgary, Ottawa, Halifax

Toronto, Montreal, Winnipeg, Vancouver, Victoria

Offices at
WINNIPEG
VANCOUVER
VICTORIA
CALGARY
EDMONTON
REGINA
SASKATOON
MOOSE JAW
LETHBRIDGE
PORTAGE LA PRAIRIE
SWIFT CURRENT
KENORA
KINGSTON
TORONTO
MONTREAL

CANADIAN SECURITIES
GOVERNMENT
MUNICIPAL
CORPORATION
MINES, OIL, GRAIN
COMMODITIES

JAMES RICHARDSON & SONS
ESTABLISHED 1857
WINNIPEG, CANADA
A CHAIN OF OFFICES FROM MONTREAL TO VICTORIA CONNECTED BY OUR OWN DIRECT PRIVATE WIRES

Members
THE TORONTO STOCK EXCHANGE
MONTREAL STOCK EXCHANGE
MONTREAL CURB MARKET
CALGARY STOCK EXCHANGE
VANCOUVER STOCK EXCHANGE
WINNIPEG STOCK EXCHANGE
WINNIPEG GRAIN EXCHANGE
CANADIAN COMMODITY EXCHANGE INC.
THE INVESTMENT DEALERS' ASSOCIATION OF CANADA
INVESTMENT BANKERS ASSOCIATION OF AMERICA

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Continued from page 33

Canada Not Oversold in U. S.!

construction may well rise in the coming year as a result of a greater availability of steel. However, to offset capital expenditures in such industries as iron, steel, aircraft and shipbuilding, which are rapidly being completed, there are other industries which still have a great deal to do.

There are many new, large scale developments such as the St. Lawrence Seaways, Bersimis River hydro project in Eastern Quebec and many others about which little has been said, and while there will be some reduction in the huge capital expenditures made during the past year or two, there is still much to be done. There is little doubt but that Canada's economic development will continue, provided we have an expanding policy through immigration; and that her capital investments for a long period continue to be a large proportion of her national income; and, finally, that outside capital continues to have confidence in the government policy of just and equal terms.

Gross National Product

In 1951 Canada's gross national product, the value of goods and services produced, rose to $21.2 billion—an increase of 17% over 1950 and 80% over 1945. In terms of constant dollars, the increase was about 5.6% over 1950 and double that of 1939. It has been officially estimated that the gross national product this year will reach $22.5 billion—a rise of 6% over 1951—and from all indices this estimate will certainly be maintained or possibly exceeded.

Foreign Trade

As most of you are no doubt aware, foreign trade is vital to the health of the Canadian economy. Exports now earn 23% of the nation's income and Canada is the world's fourth largest trading nation and the world's largest on a per capita basis. It is, therefore, important to take a hard look at the country's current trade position.

Canada ended 1951 with a net deficit on current account of $524 million. This, however, was more than financed by capital inflow—mainly from the United States. Capital funds received from the States were about $560 million last year. Nonetheless, the trading deficit was so large that Canada still needed $400 million with which to balance her accounts with the United States. This had to come from overseas, particularly the Sterling Area, where dollar shortages are a continuing problem.

While for the first six months of 1952 Canada had a trading surplus of $164 million against a deficit of $339 million the previous year, the reason for this improvement is disturbing. Although the deficit with the United States is down slightly at $326 million, surplus with overseas countries has risen astonishingly from $45 million to $490 million. The value of overseas exports increased by nearly 55% and two-thirds of this was in the main attributable to increased sales in the United Kingdom, Brazil and South America.

It is, therefore, readily seen how necessary it is for Canada to expand and diversify her export trade, as it is questionable as to whether the overseas countries mentioned above can maintain their purchases from Canada at current levels.

Bond and Stock Markets

The tabulation reproduced below points out very clearly the trend of government bond yields, which rose slightly during the final quarter of 1951 and remained quite steady until July of this year and then started to rise again.

The Canadian stock market, with one or two exceptions, has followed the general pattern of the American market. The exceptions, of course, are covered by those classes of stocks which were selling far beyond their relative merit. The most striking example is reflected by the oil shares, which have declined in the past three months just as sharply as they advanced in the previous 12 months. Speculation, of course, had a great deal to do with this.

We do not feel that it is the purpose of these reports to discuss the relative merits of any class of security but rather to point out that, fundamentally, whether it be the oil development or the natural gas development or any other, their value will be proven in time to come. No doubt some of the unwise speculations were fostered as a result of the publicity given by American publications to our commerce and industry and to our wealth of natural resources.

We appreciate that American Investment Bankers have been giving an excellent and valuable service to inquiries regarding Canada's growth. This is evidenced by an ever increasing number of requests from U. S. members for information being received by us. Further evidence of such is the opening up of Canadian branches by New York member firms; the increase in the number of Canadian securities being listed for trading in New York and the formation of several investment companies in the United States to invest solely in Canada securities.

We also wish to record that American interest in Canada is being reciprocated and that Canadians are being given a better opportunity to buy shares of some of the larger American companies doing business in Canada as is witnessed by the listing on Canadian Exchanges of the shares of Standard Brands, General Motors, Johns-Manville and General Dynamics during the past year. It is to be hoped that as the economy grows and American investors continue to make investments in our shares, members of the Investment Fraternity will point out one great difference between your markets and those of Canada—and I refer to the narrowness of our market as compared with yours. It is not, and will not be possible for some time in a rapidly declining market, to dispose of shares at fractional changes, any more than it will be possible, in a rising market, to so purchase them—in other words, fluctuations are bound to be of a much sharper nature, as a sizable purchase or sale can affect prices appreciably in our markets.

Extradition Treaty

In June the Canadian Parliament completed ratification of the Supplementary Convention between Canada and the United States for extradition of Canadian citizens in case of fraud. The Convention had been previously ratified by the U. S. Senate.

The Supplementary Convention amended the existing extradition treaty to correspond with those sections of the Canadian Criminal Code which deal with the fraudulent sale of securities. In turn, these sections have corresponding clauses in U. S. Federal Statutes.

The new clauses have extended extraditable crimes to "obtaining property, money or valuable securities by false pretenses or by defrauding the public, or any person by deceit or falsehood, or other fraudulent means" and "making use of the mails in connection with schemes devised or intended to deceive or defraud the public."

The steps that have been taken to make both the Canadian Criminal Code and the extradition treaty correspond with American law, will allay, to some extent, objections to the principle of double criminality. This principle, which is incorporated in the U. S.-Canada Extradition Treaty, states that the crime with which a fugitive is charged must be a crime both in the country in which it is alleged to have been committed and in the country where the fugitive is found.

Thus, before a person can be extradited from Canada, he must be brought before a Canadian Court with a view to establishing evidence of criminality under Canadian law. If the evidence is sufficient, the fugitive is surrendered. Now that the Canadian Criminal Code, the U. S. Statutes and the extradition treaty have analogous clauses with respect to fraudulent security sales, any American demands for extradition should be largely satisfied.

Exchange Control

You are all familiar with the action taken by the Canadian Government last December in removing all Foreign Exchange Control with the result that the Canadian dollar, worth, at that time, about 96 cents U. S., had, at late January, 1952, moved to parity. From that point it climbed gradually to a high of $1.0431 last August 13th. It has fluctuated around this figure until late October or early November, when it declined rather sharply to about $1.015. The strength in the Cana-

Long-Term Government Bond Yields

ANNUAL AVERAGE:	*Canada	†United States	‡United Kingdom
1938	3.35	2.61	---
1939	3.28	2.38	3.45
1940	3.39	2.21	3.00
1941	3.26	1.98	2.92
1942	3.17	2.24	2.86
1943	3.17	2.15	2.89
1944	3.10	2.49	2.88
1945	2.98	2.37	2.95
1946	2.63	2.15	2.52
1947	2.59	2.20	2.61
1948	2.93	2.41	2.82
1949	2.85	2.24	2.93
1950	2.77	2.24	3.19
1951	3.21	2.58	3.49
MONTHLY AVERAGE 1952:			
January	3.49	2.72	4.10
February	3.50	2.71	4.17
March	3.52	2.70	4.29
April	3.52	2.60	4.21
May	3.46	2.53	4.29
June	3.49	2.55	4.47
July	3.57	2.55	4.45
August	3.61	2.65	4.26
September	3.62	2.68	4.12

*Canada—
1938-1944 ... 3% Perpetuals
1945 ... 3% 1959/62
1946-present ... 3% 1961/66

†United States—
1938-1941 ... 2⅞% Mar. 15, 1956/60
1942-1943 ... 2½% Mar. 15, 1956/58
1944-present ... 2½% Dec. 15, 1963/68

‡United Kingdom—
1939-1944 ... 3% July 15, 1954/58
1945-present ... 3% Apr. 15, 1959/69

Source: Bank of Canada, Statistical Summary.

Mills, Spence & Co. Limited

GOVERNMENT, MUNICIPAL AND CORPORATION BONDS

25 KING ST. WEST
TORONTO

MONTREAL KITCHENER WINNIPEG

McLEOD, YOUNG, WEIR & COMPANY
LIMITED
Members of The Investment Dealers' Association of Canada

DEALERS IN ALL CANADIAN SECURITIES

Direct private wire to Montreal and The First Boston Corporation, New York
Stock orders executed on all Exchanges

Head Office
50 King Street West, Toronto, Canada

Branch Offices
Montreal Ottawa Hamilton London Winnipeg New York
Correspondents in London, England

Capital For Canadian Industry

Utilities · *Sugar Refining* · *Pulp and Paper* · *Biscuits, bread, confectionery, dairies* · *Grain elevators* · *Western Oils* · *Textiles* · *Department Stores* · *Heavy industry, foundries, machinery* · *Wholesale groceries*

In all these industries there are representative Canadian companies whose issues of securities have been originated, underwritten and distributed by Gairdner & Company Limited, Toronto.

Private enquiries as to financing in Canada are invited.

Gairdner & Company Inc.
40 Wall Street, New York 5
WHitehall 4-5336

Toronto Montreal Quebec City Calgary
Hamilton Kingston Kitchener London

gitized for FRASER
p://fraser.stlouisfed.org/

dian dollar was a result of a heavy net inflow of capital funds and, more recently, due to a surplus on Trading Account. Canadian Government holdings of gold and U. S. Dollars have risen steadily from $1.61 billion in September, 1951 to $1.86 billion in September of this year. At the same time, trading on current account, which recorded a deficit in 1951, has been running at a substantial surplus during the current year.

The Federal Budget

On March 31 last Canada ended its fiscal year with another surplus—its sixth in succession. The amount of the surplus was used to write down the net national debt, with the result that since March 31, 1946, this debt has been reduced by almost 15%—or to a total amount of $11.4 billion. By the end of this year it is estimated that the per capita debt in Canada will be about $800, or a little less than one-half the comparable figure for the United States.

During the present fiscal year the Canadian Government will spend approximately $4.5 billion, which is considerably in excess of the previous fiscal year, when expenditures approximated $3 billion. This reflects the increasing impact of Canada's rearmament program, with defense outlays accounting for almost 40% of the total government expenditures.

In an effort to stimulate the demand for consumers' durable goods, Canada reduced or eliminated the excise tax on such items as washing machines, stoves, electrical appliances, cars and radios, and subsequent months have proven the efficacy of this action.

In addition, measures taken in the previous Federal Budget to check inflation were revoked in April and May of this year with the removal of all consumers' credit restrictions and as a result retail trade has experienced a considerable revival. The increase in the sale of durable goods over the same months of the previous year has been substantial and all other lines have registered improvement, although in a less spectacular fashion.

Revenues for the year to date unquestionably will permit Canada to continue its reputation for balancing its budget and while the surplus for the current fiscal year will be substantially reduced from the huge surplus of a year ago, it is indicative that the financial integrity of the country continues. Indications are that in the next Federal Budget, there will be tax reductions of a reasonable amount.

Capital Investment

Capital expenditures since the war have been an increasing percentage of gross national product. The average for the years 1946-51 was 19.7%. In 1951 more than $4.5 billion or 21.6% of gross national product was expended on new durable physical assets and this year planned investment is in excess of $5.1 billion, or 22.5% of estimated gross national product.

This year's amount is an increase of 13% over 1951 and 8% of this is expected to be represented by a growth in physical volume. New machinery and equipment will be up 18% while construction will rise 9%. The major increases will be recorded by industries whose activities are closely related to the defense effort and the development of strategic resources. Chemicals will increase 129%, non-ferrous metals 90%, iron and steel 62%, petroleum and coal 60%, rubber 52%, railways and water transport 32%, transportation equipment 32%. On the other hand, housing, wholesale and retail trade, commercial services, finance, insurance and real estate will all be down.

Foreign investment at the end of 1951 had a book value of $9.4 billion—up 9% from 1940. Of this amount, 76% was held in the United States and 19% in the United Kingdom. Net inflow from U. S., although down more than 40% from that of the previous year, did not have that year's spectacular character.

It is not generally realized that despite foreign participation in our economic development, the vast bulk of new money is still coming from Canadian savings. For instance, of the $4.5 billion invested in new enterprise last year, residents supplied about 85%. It must be admitted, however, that much of the venture capital is coming from abroad, particularly from the United States.

The Canadian's reluctance to take risks, vis a vis his American neighbor, is usually explained by the Canadian temperament which, it is said, tends to caution and conservatism. However, one should not overlook the fact that Canada's per capita income is even now much less than America's and that, generally speaking, the assumption of risk is in proportion to its wealth.

Oil

The glamour of Canadian growth is undoubtedly epitomized by the development of Western Oil. The step-up in exploration and discovery since 1947 has been phenomenal and there is no sign of any let-up.

Canada now has about 1.5 billion barrels of proven reserves against 45 million in 1946. During the past five years over a billion dollars were spent by the oil industry and present activity suggests expenditures of another billion between 1952 and 1955.

It is estimated that exploration and development work this year will cost approximately $250 million.

In 1951, 1,500 wells were drilled and the number this year will likely approximate 2,000. Although Alberta remains Canada's premier oil reservoir, drilling crews are now operating in British Columbia, Saskatchewan, Manitoba, Alberta and the North West Territories. The entire area which is regarded as geologically favorable, is immense—some 770,000 square miles or three times the favorable area in Texas. This is some indication of the tremendous sums of money which will be needed to develop it properly.

As reserves have expanded, producing capacity has risen steadily. At present it is close to 300,000 barrels a day, although pro-rationing has limited actual production to about 200,000 in recent months. Within the next few years it is expected to top 400,000 barrels daily. Such increases in production would hardly be undertaken without an expansion in outlets for the oil.

It is, therefore, not surprising that the Interprovincial Pipe Line to the head of the Great Lakes is increasing its capacity by the addition of new pumping stations. The Trans Mountain Pipe Line to Vancouver is well under way and completion is expected by late 1953 or early 1954. Initially, it will carry 75,000 to 120,000 barrels per day, while this could and probably will be raised to 200,000 barrels. In the East an oil products line has been completed from Sarnia to Toronto. This is in addition to a similar products line from Montreal East to Toronto.

As in the case of natural gas, Canadian oil is seeking its logical export markets in the Pacific Northwest. The recent cut of 10½c a barrell in the U. S. import tariff has made Alberta crude competitive as far south as Portland, Oregon. This is of great significance for the Trans Mountain Pipe Line. It seems reasonably certain that Canadian crude will be supplying U. S. consumers before long.

Expansion in refining capacity has run concurrently with other developments in the oil industry. Between 1947 and 1951, $310 million were spent to create new refining capacity. This year witnessed the opening of a new $23

Continued on page 42

Canadian Imports and Exports by Main Groups
(Millions of Dollars)

Imports—	1939	1949	1950	1951	†1952
Agric. & vegetable products	127.8	377.4	*485.0	*550.2	*315.3
Animals and products	32.8	74.1	*86.6	*130.0	*57.7
Fibres and textiles	100.9	333.0	364.5	483.4	227.0
Wood and paper	33.7	86.3	100.4	137.0	83.8
Iron and its products	183.2	891.6	980.2	1,332.5	942.0
Nonferrous metals	42.1	174.7	215.5	290.9	182.4
Nonmetallic minerals	132.8	535.3	611.8	684.6	401.7
Chemicals & allied products	43.7	130.7	158.1	191.9	119.6
Miscellaneous products	54.1	158.1	172.1	296.4	266.9
	751.1	2,761.2	3,174.2	4,096.9	2,596.4
Exports—	1939	1949	1950	1951	‡1952
Agric. & vegetable products	220.1	773.0	*644.0	*891.6	*455.9
Animals and products	131.8	338.4	*360.0	*350.4	*144.8
Fibres and textiles	14.4	25.2	30.0	37.2	17.6
Wood and paper	242.5	875.3	1,113.4	1,399.2	694.6
Iron and its products	63.1	292.9	250.8	342.0	228.3
Nonferrous metals	182.9	426.6	457.0	570.0	358.1
Nonmetallic minerals	29.3	73.7	103.0	130.8	72.1
Chemicals & allied products	24.3	70.7	99.4	132.0	64.5
Miscellaneous products	16.5	117.1	61.2	61.2	54.7
	924.9	2,992.9	3,118.8	3,914.4	2,089.6

*Approximate figure. †Eight months ending August. ‡Six months ending August.
Source: Dominion Bureau of Statistics.

L. G. BEAUBIEN & CO.
LIMITED

UNDERWRITERS AND DEALERS

Specialists in Securities Originating in the Province of QUEBEC

Government, Municipal, Corporation,
School Commissions, Parishes and Fabriques,
Religious Institutions.

221 NOTRE DAME STREET, WEST
MONTREAL 1

Quebec - Ottawa - Trois-Rivieres
St. Hyacinthe - Shawinigan Falls
Paris - Brussels

Take a look at Canada

Canada offers unusually attractive opportunities for investment today . . . and we are in close touch with the Canadian scene through W. C. Pitfield & Company, Limited, and our associate, Hugh Mackay & Company. Offices, linked by private wire, are maintained in major Canadian cities from coast to coast and memberships are held in Canada's leading Stock Exchanges. Through this nation-wide service we can furnish prompt quotations and pertinent information on Canadian securities. We shall be glad to put these facilities at the disposal of dealers and institutions.

Canadian Affiliate
W. C. Pitfield & Company, Limited

Branches
Montreal — Halifax
Saint John — Moncton
Ottawa — Cornwall
Toronto — Winnipeg
Hamilton — Edmonton
Calgary — Vancouver
London, Eng. — Kingston, Jamaica

W. C. Pitfield & Co., Inc.
30 Broad Street NEW YORK HAnover 2-9250

RSC ESTABLISHED 1903

Canadian Securities
Underwriters - Distributors - Dealers

Orders accepted for execution on all stock exchanges

Wire connections: Montreal - Toronto - New York

Royal Securities Corporation
Limited
244 St. James Street West - Montreal 1, Canada
Telephone HArbour 3121

Toronto Halifax Saint John Quebec Ottawa Hamilton Winnipeg
Calgary Edmonton Vancouver Charlottetown St. John's, Nfld.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Continued from page 41

Canada Not Oversold in U. S.!

million refinery at Sarnia to process 20,000 barrels of Alberta crude daily for Eastern markets.

Natural Gas

Estimated reserves of natural gas have risen considerably over last year. Alberta's reserves are estimated at about 9 trillion cubic feet and another 2 trillion cubic feet have been developed in British Columbia and Saskatchewan. Most discussion of Canada's natural gas now focuses on exports and markets. Both the Alberta Government and the Board of Transport Commission have approved exports from the Peace River area and a pipeline is under consideration which would run to Vancouver and thence on to Seattle, Spokane and Portland. It is necessary to enter the U. S. if the line is to be economic. First, however, the Federal Power Commission must give its approval.

Plans for other pipelines include the one from Southern Alberta to Minnesota and another across the country to Eastern Canada. Many of you are familiar with the discussions which are taking place with regard to both of these and, therefore, regardless of the factors involved, whether they be political or economic, we are all satisfied that in due course the obstacles will be met and the lines eventually built.

Forest Products

Of Canada's pulp production 25% is exported and 90% of this goes to the United States. The great proportion of this is chemical pulp. In the last few years prices of sulphite and sulphate pulps have risen much more rapidly than newsprint and there has also been a wide-scale expansion in facilities.

The Canadian lumber industry is heavily dependent on exports to the United Kingdom and the United States. Demand in both of these countries has been spotty at intervals during the year.

Contracts with the United Kingdom expired in September and for the most part have not been renewed. On the other hand, early weakness in the demand from the United States and within Canada, has improved and other export markets such as Japan, appear to be excellent possibilities. The market for Canadian lumber is a bit brighter now than it was during the summer months. To be sure prices are somewhat lower and profit margins diminished, due to increased costs and slight wage increases but over the long-term the value of our tremendous resources of excellent timber will prove their worth.

Hydro Electric Power

Last year's report dealt rather extensively with Canada's Hydro Electric development—easily one of our outstanding assets—and when it is realized that present installed capacity is but 25% of its potential and that almost one-half of this potential is in the Province of Quebec, one can readily realize that this great asset will keep pace with other developments within our economy.

Aluminum

The Aluminum Company of Canada, Limited, the world's largest individual producer of aluminum ingots, is proceeding with an expansion program designed to raise Canadian production by more than 100%.

On the west coast the Kitimat project is well under way. Completion of the initial stage by 1954 at a cost of $160 million will bring 90,000 tons into production. When the entire $500 million plant is finished, output is expected to be 500,000 tons annually. The power project required by the Kitimat development is on a colossal scale. Initially, 500,000 h.p. will be generated with provision for a capacity of 2,000,000 h.p.

In Quebec, Alcan is opening up the first of the two new dams and power houses on the Peribonka River. Together they will provide 540,000 h.p. or enough for another 45,000 tons of aluminum.

Non-Ferrous Metals

Canada is at present the world's largest producer of nickel and plans under way will increase the output by over 10% in two or three years. Completion of Falconbridge's current expansion program in 1954 will raise its production by 25%—to 35 million pounds annually. This company has now outlined a large new nickel-copper ore body in the Sudbury area; the indicated amount of ore is 10 million tons and further drilling may uncover much greater tonnage.

Plans are well advanced for bringing into production the new Sherritt-Gordon nickel-copper mine in Northern Manitoba. Anticipated production by 1954 is 17 million pounds of nickel and 9 million pounds of copper. A $17.5 million refinery for handling the ores is being constructed near Edmonton, Alberta.

International Nickel's expansion and conversion program, estimated to cost $100 million, will be completed next year. This will make it the world's largest underground mining operation. Capacity is expected to be maintained at 252 million pounds of nickel annually.

A low-grade copper body of 65 million tons of ore has been outlined on the Gaspe Peninsula, Quebec, by Noranda Mines and progress is being made toward bringing the property into production.

Consolidated Mining and Smelting has brought three additional lead-zinc mines into production and a fourth should be in production by the end of this year. The company is spending about $80 million on the construction of additional refining facilities, a fertilizer plant and a hydro-electric power project.

There are many others of a major importance but which it is not within the scope of this report to mention.

Uranium

Canada shows promise of becoming one of the world's great uranium producers. Production at present comes from Great Bear Lake in the Northwest Territories. Recent discoveries at Beaverlodge and Goldfields, a few hundred miles south on Lake Athabaska have uncovered large uranium deposits. A mill is being built and initial production is expected by 1953. Ultimately, output from the Athabaska mines may be four times that from the Great Bear Lake area. The development of uranium is largely a government enterprise but private companies are now entering the field and the government's mill is equipped to handle their ores on a customs basis.

Iron and Steel

One of the most exciting developments in Canada during the last few years has been the discovery of vast iron ore deposits. It now appears that the country's potential production of iron ore is very great.

In Ungava along the Quebec-Labrador border, exploration has proved upwards of 418 million tons of high grade iron ore to a depth of about 350 feet. Some estimates have put the ultimate

Net Canadian Income
(Millions of Dollars)

	1939	1944	1945	1946	1947	1948	1949	1950	1951
Salaries, wages & supplementary labor income	2,575	4,940	4,953	5,323	6,221	7,170	7,761	8,271	9,660
Military pay & allowances	32	1,068	1,117	340	83	82	115	137	201
Investment Income	917	1,829	1,859	1,975	2,269	2,464	2,445	2,921	3,494
Net income of agric. and other unincorp. business	849	1,989	1,911	2,183	2,412	2,844	2,873	3,077	3,742
Net national income at factor cost	4,373	9,826	9,840	9,821	10,985	12,560	13,194	14,406	17,097

Source: National Accounts Income and Expenditure 1926-1950.

Industrial Production in Canada
(Volume Indexes, Seasonally Adjusted—1935-39 = 100)

DIVISION OF INDUSTRY:	1939	1945	1946	1947	1948	1949	1950	1951	*1952
Agriculture	110.2	163.5	161.7	170.5	171.6	169.4	173.3	177.7	177.2
Pulp and paper	96.7	126.2	151.1	166.7	176.1	170.8	183.4	201.3	199.6
Petroleum and coal prod.	106.7	161.4	167.5	177.7	193.1	205.6	225.8	252.9	†236.4
Iron and steel products	108.7	223.9	187.3	211.9	221.2	220.3	226.1	251.3	256.1
Nonferrous metals & prod.	119.5	162.5	149.7	186.4	205.0	208.0	237.2	269.7	261.3
Electric power	108.4	153.7	159.2	172.5	170.2	178.7	194.4	219.6	236.1
Composite Industrial prod.	109.3	176.3	159.2	175.5	181.5	184.3	198.3	212.0	212.4

*Six months ending June 1952. †Four months ending April.
Source: Publications of Dominion Bureau of Statistics.

Canadian Securities

BONDS

Government, Provincial, Municipal
Corporation—External and Internal

STOCKS

Orders Executed on Canadian Exchanges at
regular commission rates or traded in U. S. funds

Burns Bros. & Denton, Inc.

37 Wall Street, New York 5, N. Y., *Tel.:* DIgby 4-3870

Affiliated with:

Burns Bros. & Denton Limited
Members: The Investment Dealers' Association of Canada

Burns Bros. & Company Members:
The Toronto Stock Exchange

TORONTO • WINNIPEG • MONTREAL • OTTAWA

Canadian

Bonds
Government, Municipal,
Utility, Corporate
External and Internal

Stocks
Orders executed on
Canadian Exchanges or
at net New York prices

Inquiries Invited

A. E. Ames & Co.
Incorporated

New York **Boston**

Affiliates in:

TORONTO MONTREAL WINNIPEG CALGARY VANCOUVER VICTORIA
and other Canadian Cities
LONDON, ENGLAND

CANADIAN
STOCKS - BONDS

Orders executed on all Canadian Exchanges at
regular commission rates or traded
in New York in United
States funds.

CHARLES KING & CO.

Members:
New York Stock Exchange *Toronto Stock Exchange*
New York Curb Exchange *Montreal Stock Exchange*
Montreal Curb Market

61 Broadway • New York 6, N. Y.

Telephone:
WHitehall 4-8974
Teletype NY 1-142

Branch Offices:
Toronto
Montreal

DIRECT PRIVATE WIRES CONNECT NEW YORK
WITH TORONTO AND MONTREAL

NESBITT, THOMSON AND COMPANY
Limited

UNDERWRITERS and DISTRIBUTORS

Government, Municipal,
Public Utility & Industrial Issues

PHONE (MONTREAL) HARBOUR 9221*

355 St. James Street, W. - Montreal

TORONTO HAMILTON WINNIPEG OTTAWA
QUEBEC LONDON, ONT. CALGARY EDMONTON
VANCOUVER VICTORIA SAINT JOHN, N. B.

itized for FRASER
ser.stlouisfed.org/

reserves in this area at approximately 2 billion tons. By 1954 ore should be moving at the rate of five million tons a year and 10 million in 1956. If the St. Lawrence Seaway is undertaken production can be stepped up to 20 million tons a year.

In addition, Canada has several other iron developments of a less spectacular nature. The Steep Rock property, 142 miles west of Port Arthur, near Lake Superior, will produce about 1.3 million tons this year and output is expected to rise to 3.5 million tons by 1955 and possibly 5.5 million tons by 1957. The ultimate objective is 10 million tons annually.

Algoma Ore properties are steadily increasing their output and in Southern Ontario a number of big America steel companies are searching for new sources of ore, including U. S. Steel at Simcoe and Bethlehem Steel at Marmora.

Chemicals

Current chemical plant construction is about $200 million, of which $140 million is in the field of petrochemicals. Industry is developing rapidly around Edmonton, Sarnia and Montreal East, where the refinery and natural gasses supply an abundance of primary raw materials. In Edmonton the Canadian Chemical Co., a subsidiary of Celanese Corporation, is building a $54 million plant for the production of organic chemicals, cellulose acetate, staple fibre and filament yarn. Canadian Industries Limited are spending $45½ million in 1952-53, to manufacture polythene at Edmonton, Alberta, intermediates for nylon at Maitland, Ontario, and sulphur dioxide.

Since the American defense program began gaining momentum, sulphur has been in short supply. Canadian industry has taken steps which will go far towards giving it self-sufficiency in this vital material. New plants in Alberta are now recovering elemental sulphur from natural gas. Production will come from smelter gases, refinery and natural gas and iron sulphide. Current projects will increase annual capacity by 246,000 tons, against imports in 1951 of 396,000 tons.

St. Lawrence Seaway

Last December, Canada established the St. Lawrence Authority as a body empowered to construct and maintain the Seaway, either as an all-Canadian undertaking or jointly with the United States. President Truman submitted the project to Congress in January but the U. S. Senate failed to approve —thus, for the time being at least, precluding a going navigation scheme.

In June, Canada and the United States applied to the International Joint Commission for approval to develop power in the International Rapids section of the St. Lawrence River. In its application, the Canadian Government stated its intention to undertake concurrently and alone, the navigation scheme. Before this is possible the International Joint Commission must appoint an authority to cooperate with Ontario in carrying it out and that authority must be licensed by the U. S. Federal Power Commission. The successful negotiation of these obstacles may be long and difficult but it now appears that the much discussed Seaway is closer to reality than ever before.

May we, therefore, conclude this report with the firm hope that the cooperation between the United States and Canada will flourish in the future as in the past.

As businessmen we have much in common—as respective citizens we have even more. In business we are the custodians of the interests of others—as citizens we are custodians of great ideals which we hold in common. Governed by those ideals our countries will go forward as an example to the spirit of good will which President Roosevelt called "the policy of good neighbors."

Respectfully submitted,

CANADIAN COMMITTEE

Arthur S. Torrey, Chairman
W. C. Pitfield & Company, Ltd., Montreal

Frederick B. Ashplant
F. B. Ashplant & Co., New York City

Ralph D. Baker
James Richardson & Sons, Winnipeg

Russell D. Bell
Greenshields & Co., Inc., Montreal

A. E. Boothe
Bell, Gouinlock & Company, Limited, Toronto

W. T. K. Collier
Collier, Norris & Quinlan, Ltd., Montreal

C. G. Fullerton
A. E. Ames & Co. Limited, Toronto

James A. Gairdner
Gairdner and Company, Ltd., Toronto

W. H. R. Jarvis
McLeod, Young, Weir & Company Limited, Toronto

Edward S. Johnston
Wood, Gundy & Co., Inc., New York City

Arnold B. Massey
Mills, Spence & Co., Toronto

Stanley E. Nixon
Dominion Securities Corpn. Limited, Montreal

George P. Rutherford
The Dominion Securities Corporation, New York City

Denzil R. A. Walker
Wood, Gundy & Company, Limited, Toronto

D. B. Weldon
Midland Securities Corpn. Limited, London, Ont.

1953 Convention Again in Florida

At the concluding session of this year's meeting, the Board of Governors decided to return to the Hollywood Beach Hotel for the 42nd Annual Convention of the IBA in 1953. The meeting will get underway on Nov. 29 and will be concluded on Dec. 4.

Outstanding Dominion and Provincial Debt

	*Dominion of Canada (March 31)	†Provinces of Canada	Total Dominion and Provincial
1946	$17,348,000,000	$1,895,000,000	$19,243,000,000
1947	17,109,000,000	1,953,000,000	19,062,000,000
1948	16,479,000,000	2,127,000,000	18,606,000,000
1949	16,140,000,000	2,298,000,000	18,438,000,000
1950	15,751,000,000	2,640,000,000	18,391,000,000
1951	15,595,000,000	2,722,000,000	18,317,000,000
1952	15,216,000,000	----------	----------

*Net funded debt plus guaranteed securities. †Net total funded debt plus contingent liabilities and guarantees.

Sources: Public Accounts of the Government of Canada and each Province. Statistical Summary Bank of Canada. Dominion Bureau of Statistics.

Public and Private Financing in Canada

Reported sales of new Government, Municipal and Corporation bonds to date in 1952, with comparative figures for 1951 and 1950 as follows:

	1952 to Nov. 3	1951 to Oct. 22	1950 to Oct. 23
Government of Canada	$3,825,000,000	$3,400,000,000	$4,820,000,000
Govt. of Canada, guar.	--------	--------	40,000,000
Provincial	174,600,000	282,312,000	257,850,000
Provincial, guaranteed	185,665,000	32,740,000	116,949,500
Municipal	168,667,651	179,903,689	142,987,234
Corporation	341,439,000	334,665,000	280,215,303
	$4,695,371,651	$4,229,620,689	$5,658,002,037
Less short-term financing (less than 1 year)	3,775,000,000	3,200,000,000	3,000,000,000
	$920,371,651	$1,029,620,689	$2,658,002,037

Of the above, the following amounts have been sold in New York:

	1952 to Nov. 3	1951 to Oct. 22	1950 to Oct. 23
Government of Canada	--------	--------	$50,000,000
Provincial	$72,000,000	$239,025,000	83,700,000
Municipal	27,800,000	68,292,000	19,000,000
Corporation	130,900,000	2,500,000	20,000,000
	$230,700,000	$309,817,000	$170,700,000

Collier Norris & Quinlan
MEMBERS
MONTREAL STOCK EXCHANGE
MONTREAL CURB MARKET

Collier Norris & Quinlan
Limited
MEMBERS
The Investment Dealers' Association of Canada
Investment Bankers Association of America

Montreal — 507 Place d'Armes — HArbour 2201
Toronto — 320 Bay Street — WAverley 2984

Underwriters and Dealers in —
Canadian Government, Municipal and Corporation Securities

Prices quoted in United States Funds for delivery in the United States or Canadian Funds for delivery in Canada.

EQUITABLE SECURITIES OF CANADA
LIMITED
220 Bay Street Toronto, Canada
Telephone: EMpire 6-1141

CANADIAN GOVERNMENT
PROVINCIAL AND MUNICIPAL
SECURITIES

BELL, GOUINLOCK & CO.
LIMITED
Established 1920
MONTREAL TORONTO WINNIPEG

BRAWLEY, CATHERS & COMPANY
Members Investment Dealers' Association of Canada

CANADIAN
GOVERNMENT-MUNICIPAL-CORPORATION
SECURITIES

CANADIAN BANK OF COMMERCE BUILDING
EMPIRE 3-5821
TORONTO

gitized for FRASER
tp://fraser.stlouisfed.org/

Continued from page 19

A Free Market Propels Our Economic Machinery

to do this morning is to talk a little about what I consider to be the basic principles of propulsion of our economic machinery and of the present competitive enterprise system, which we talk about glibly but not always with understanding.

We are once again, not only in this country but in the entire Western World, returning to a recognition of the principles upon which our strength rests. Within the framework of human nature —of which you may or may not approve—the maximum benefits for all of us flow from utilizing private property, free enterprise, and the profit motive in accordance with the dictates of the market place—something that has been almost forgotten for a period of years.

The heritage of all wars is inflation. And inflation can be just as serious an enemy, just as serious a threat to the vitality and the vigor of an economy and a country, as can an enemy from without its borders. It is subtle. It is insidious. It creates the conditions which produce controls and regimentation, and it permits the excuse that after all, we have to move in this or that direction because Stalin makes it impossible to move in another way. There is always a grain of truth in that, and there is always some palliative that can be suggested as a temporary expedient. But the essentials, the basic ingredients of the decision of the market place, have been the foundation and the cornerstone of the American economy and of the economy of the Western World. That is one of the reasons why we have been able to achieve current high levels of employment and of production, a record expansion, and a defense program — which is now rolling — without serious inflationary consequences. At the risk of appearing *too* confident, I might say that I think the inflation situation today is very much like the foam on the waves that you see out there in the sea—that this inflationary swing is at the tail end and we have caught it where, if we handle ourselves wisely and intelligently, we can prevent the reforming of another wave that will roll on and endanger our structure.

Return to the Free Market

Now this process of returning to acceptance and use of the market place is slow, painful and hard. It is not achieved because people necessarily like it; it is achieved because alternative ways don't work—and that has been found out in most of Western Europe since the war. In struggling with the problem of inflation, most of Western Europe has gravitated around the Marshall Plan, a program that was in its initial stages not only desirable but intelligently conceived and intelligently planned —not as a perpetual handout or perpetual dole, but as a means of helping people to help themselves in a period of hospitalization, making it possible for the patient to get the strength to earn his own way when he left the hospital. We have seen the countries of Europe that struggled along with Marshall Plan aid return to the earning process, one by one, and do it the hard way. We have seen monetary policy put to work in Belgium and in Italy. We have seen it move from Italy up to the Netherlands, on to Denmark, and on to Britain. For the last year Britain has been taking measures running somewhat parallel to ours.

I certainly don't intend to imply that monetary policy, alone, is responsible for restraining inflation. Monetary policy is just one ingredient—one weapon or one test—but it is a part of the general method by which we let the forces of the market reassert themselves. Other tools should be used, of course, but if we did not use monetary policy, too, we would be turning away not only from the traditional way but also from the purposeful experience of the past. It seems to me that the record of the last few months, and I might say the period since the Treasury-Federal Reserve Accord in 1951, has shown that monetary policy, if properly used in cooperation with debt management, can and does have a tangible, beneficial effect.

During the past year, under the authority of the Federal Open Market Committee, an ad hoc sub-committee has been reviewing our operations in the Government securities market with a view to determining what might be done to develop and improve those operations under the changed conditions.

Cooperation in "Unpegging" The Bond Market

I want to take this opportunity to pay tribute to your members who have so greatly aided us in this task. I had the privilege of spending three full days, three working days, with your Government Securities Division. I have never seen more interested, intelligent, devoted individuals; it contributed a great deal to our understanding that we have been able to have the benefit of their experience and their guidance. When we were unpegging the Government bond market we had a whole new field to explore. It was most encouraging to find that there were some groups that had been thinking about this problem, realizing that the latent inflation must not go on, and that at some point you had to put a restraining influence on it. I thought I might be able to give you today something tangible, but at the moment, I can only report, as Mr. Miller did this morning, that we have made "progress."

Still, I would like to share with you a bit of the experience we had with the unpegging of the Government market because from it you can see how you get frozen or strait-jacketed into concepts which require a great deal of thoughtful, patient work to shake off if you are to permit the forces of the market to reassert themselves.

After 10 years of the pegged market, and the obvious desirability even during that time of minimizing monetization of the debt, we found that once the market was freed a little bit, all of the devices and techniques we had been using to prevent monetization of the debt now worked in reverse. We found that the dealers, the brokers, the individuals — that composite that makes up the market—thought of the Federal Reserve System much in the same way (to draw on my experience on the floor of the Stock Exchange) that some of the traders felt with respect to a pool operator in the days when pool operations were permitted in the early '30's. Naturally, they were much more interested in finding out what the Federal planned to do and how the Federal was going to operate than they were in making judgments for themselves. Also, we started this program of freeing the market under the obvious difficulty that people were talking about collapse and panic and despair and disaster; some said that once Government bonds went below par the credit of the United States would be destroyed.

The Role of the Federal Reserve

By now I rather enjoy recalling the first three of four months of my experience in the Federal under an unpegged market, but at that time it certainly wasn't a period of pleasure. I used to get calls at midnight, as my wife can testify, from people who saw disaster, panic and collapse on the horizon merely because there had been a movement of a few thirty-seconds in the Government securities market. The word "stability" had come to mean "stagnation" and "frozen prices." Yet today, after 18 months with an unpegged market, there is still too much uncertainty and unawareness of the desirability of letting the market forces reassert themselves, too little understanding of the part the Federal should and must play in supplying reserves to the market or absorbing reserves from the market. Against that background, it is our purpose to try to develop and write some ground rules which will give those of you who participate in the market, and those of you who have contacts in the market, an understanding of how the Federal may intervene, when it will intervene, and for what purpose it will intervene; also, an understanding that the intervening will always be at a minimum and not at a maximum.

We had the problem of the concept of "maintaining an orderly market." I tried before several committees of the Congress to define "orderly market." I don't think I was very successful, but I do think that gradually our emphasis has been shifting toward a realization that we should not be the judges of what an orderly market is; that our efforts should be directed more toward preventing disorderly conditions—if you can see the shade of difference in emphasis—and that even there, we ought to be extremely careful about attempting to intervene unduly and in determining in the Open Market Committee what is a sound or unsound Government securities market. The direction in which we are trying to move is, we believe, the right way to maintain the fundamental credit of the United States. However, a very good friend who had some Government securities was terribly distressed when his bonds went down. He had no understanding whatever of what a marketable security was, and he started out by telling me that the credit of the United States had been destroyed—that it had been debauched, and that I was partly responsible. I listened as patiently as I could and tried to explain to him that the credit of the United States hadn't been debauched; that the credit of the United States was stronger than it had ever been; that we were trying to get at the root of the matter, the purchasing power of the dollar, and see that the integrity of the currency is such that when those bonds come due and when interest on your bond comes due, you will have something you didn't have before. After two and a half hours I hadn't made any progress, but it was interesting to me for this reason: he was showing me a statement from his broker when I happened to notice that on one of his sales he had sold several Government securities at 103½. So I asked, "What did you pay for those securities?" It turned out that he had gotten them at par. As he put it, "I got those on subscription, through my banker." Then I asked him, "Did you send the Treasury a check for those 3½ points you made?" It was the only thing that made an impression on him.

In my early experience in finance, I was trained in the view that there is no risk in Government securities. Certainly in a government like the United States, there is no risk whatever. You can depend on that completely. The only risk is in currency depreciation. That risk, we are confident, will be minimized by molding our thinking, within the framework of logic, to reliance on the forces of the market.

Clearing Away Debris in Government Bond Market

Let me give you just one illustration which supports that view. The year 1951 was largely a year of clearing away the debris in the

LYONS & SHAFTO
Incorporated

State and Municipal Bonds

BOSTON HARTFORD NEW YORK

F. S. MOSELEY & CO.
ESTABLISHED 1879

MEMBERS
New York Stock Exchange — New York Curb Exchange
Boston Stock Exchange — Midwest Stock Exchange

Underwriters and Distributors of
CORPORATE AND MUNICIPAL SECURITIES
COMMERCIAL PAPER

NEW YORK • BOSTON • CHICAGO • INDIANAPOLIS • PHILADELPHIA

The Bond Fund
OF BOSTON

Massachusetts Investors Trust

MASSACHUSETTS INVESTORS GROWTH STOCK FUND

Boston Fund

Century Shares Trust

CANADA GENERAL FUND

A prospectus relating to the shares of any of these separate investment funds may be obtained from authorized dealers or

VANCE, SANDERS & COMPANY
111 DEVONSHIRE STREET
BOSTON

NEW YORK 61 Broadway — CHICAGO 120 South LaSalle Street — LOS ANGELES 210 West Seventh Street

itized for FRASER
fraser.stlouisfed.org/

Government bond market and re-establishing some of the forces that make for a freer market. The Federal attempted to move away from several things: from mothering the market, and from the so-called open mouth policy. Of course when you have a bond account of the size of the Federal's bond account, it is very easy to move in the other direction; very easy to say, "Why don't we make the market—we will make it what it ought to be. We will be the judge of whether it ought to go up this amount or down that amount."

That is a very natural temptation for one who gets control of a large block of securities, as I learned years ago while watching some of the people who made markets on the floor of the Stock Exchange. I remember standing in a General Motors crowd one day on the floor of the Exchange when it was rumored that an important executive of the company had unloaded his stock, and the company, therefore, so far as the traders were concerned, was absolutely worthless. I happened to have 50 shares of General Motors at the time, and I thought, "There is no hope for this company, so I had better rush over there and sell my 50 shares."

Right then, a little trader for whom I had great respect and with whom I talked a great deal came up to me on the floor and said something like this: "You know, that is a great company; it is going places; it doesn't make any difference whether a big executive has sold all his holdings in it or not—the company, the automobile business, is still there, and if they haven't got the right management now, they can get a new management." Those words encouraged me very much. I held my 50 shares, and later sold them for a small profit.

That case, to me, demonstrates something fundamental. We don't really have to worry about the credit of the United States if we handle our fiscal, monetary and debt management problems properly. Both the Treasury and the Federal Reserve — jointly — are deeply and sincerely interested in restraining inflation and maintaining the integrity of the dollar; none could be more interested than is the Treasury of the United States, or the Secretary of the Treasury with whom I have had the privilege of working. Let me remind you that during the Patman Committee hearings he came out clearly and explicitly for the independence of the Federal Reserve System.

Renewal in Deficit Financing

I would like to give you one more experience in clearing away the debris. In 1951, and extending into 1952, came deficit finance. Now I was greatly disturbed when I saw it loom late in 1951, because I thought, maybe that is the spark that will really ignite the fuel that is lying around. But we had a very interesting experience, and I would say that the deficit financing we have had to date has been largely non-inflationary. When the Treasury put out a 2⅜%, six-year issue in the early part of the summer, it was widely misconstrued as inflationary. It impressed me very much that even some of the financial publications didn't seem to understand what the reserve process was, so they said—just automatically—this is inflationary. I was asked to answer one article, but I said no, it is not worthwhile; give them six weeks, and the answer will appear on its own power. And so it went. When the 2⅜% issue came out it was attractive to banks all right, but it wasn't available to them because nonbank investors took it up under the subscription technique. Now I won't say this was handled either badly or well; that isn't the point of my illustration. You have to learn step by step how to do some of these things, relearn some of the processes that you knew very well at one time, only that time was years ago. This issue was oversubscribed, heavily oversubscribed. We had high level activity for a period of several weeks and everyone said: "Oh, this is inflationary!" But what happened? Banks found they weren't getting reserves from the Federal Reserve System, so they began to reappraise their portfolios. Then the short-term rate began to go up and, as it did, corporation treasurers who had idle deposits began to think that investing might be worthwhile, and began to buy bills. That in turn took care of the banks, for they proceeded to sell bills to get the reserves they hadn't gotten from the Reserve System.

I was quite impressed at the end of the eight-week period. Mind you, one swallow doesn't make a summer, but what happened in that eight-week period certainly is indicative of the effectiveness of the free interplay of market forces. The Treasury raised over $4,200,000,000 at the beginning of the period and refunded $2,000,000,000 of maturing certificates of indebtedness before its close. That the banks found the new issue attractive was shown by the fact that, at the end of the eight weeks, they held $1,400,000,000 of the $4,200,000,000 in new securities. And yet, during the same period, there was a decline of nearly $600,000,000 in total holdings of Government securities—including the new issue—and in loans by banks against Government securities. So instead of more inflation, we had a touch of credit restraint, by virtue of the market attracting corporate deposits into bills. I know some of you will say, oh that is short-term; it will just come back. But the very fact that it happened at all shows that the process of reappraisal and readjustment is going on. Other things show it too. There was the period when mortgages were being picked up right and left. An insurance executive told me that when the Government market was unpegged he sat down to look at some of those mortgages he had been getting and found quite a number of commitments he wished he hadn't made. Here again was the market, bringing into play penalty and reward.

People say to you, "Well, you can't measure monetary policy." No, I don't think you can, and I understand the plight of newsmen who come to me from time to time and say there is no news in monetary policy. No, there can't be, because monetary policy doesn't work all in a single afternoon, so it doesn't make spot news. Yet it is a process that goes on quietly, with a general effect on the economy, although it isn't measurable in precise terms.

Question of Effect of Monetary Policy

That brings to mind a talk I had some time ago with a very brilliant economist who didn't believe that monetary policy had any effectiveness whatever. He has had doubts recently as to how correct his convictions were. He remarked that he couldn't see that an interest rate adjustment of an ⅛th of 1% has any effect whatever on the economy. I replied that I couldn't prove to him that our policy had been effective, but that, after all, we had been having stability at high levels in this country—with some forces of inflation and some forces of deflation, but equilibruim in the main for a period of many months.

At this point, an associate of mine on the Board, who has a very nice way of putting things, suggested that the comments of our friend the economist about the effect of monetary policy on inflation—or rather its lack of effect—reminded him of the time when Max Baer was fighting Joe Louis. Baer had taken a pretty bad drubbing. When the seventh round ended, he had blood over one eye and sweat was oozing from his brow. His handlers were doing everything they could to make him not only able but willing to get back in the ring with Louis, so they said: "Maxie, he isn't hitting you at all—he isn't touching you. Just get in there and sock him in the jaw." Just as the bell was about to ring, and as they mopped his brow for the last time, Maxie turned around, rather peevishly, and said: "If he isn't hitting me, you fellows better keep an eye on the referee, because somebody in that ring is knocking the hell out of me."

That may be about the only sort of measurement you can apply to the effect of monetary policy.

Solution Lies in Freedom of Market Place

I want to reiterate what to me is the crux of the matter: that we should be seeking solutions for today's problems as energetically and as intelligently as we can so as to make sure that we preserve freedom of action and choice in the market place. The reason is that the decisions, the judgments of the market place by and large will be sounder than those of any public administrators or any group of super men or any super staff that you are likely to have in Washington or in your own business. For this applies to our private business as well as to the Government. From it, you will get the framework that will support free democratic institutions.

One of those institutions is our Federal Reserve System. I have been impressed with how effectively the defects revealed in our monetary system in the period of 1906-1907 have been overcome by the successful working of the Federal Reserve System. True, the Federal Reserve System must change its course and must adapt itself to changing times and progress like any other organization, but the adjustments that should be made must be made in accord-

Continued on page 46

COFFIN & BURR
INCORPORATED
Founded 1898
BOSTON
NEW YORK CHICAGO
HARTFORD PORTLAND BANGOR
MEMBERS—BOSTON STOCK EXCHANGE
NEW YORK CURB EXCHANGE (ASSOCIATE)
MIDWEST STOCK EXCHANGE

Purchasing and Distributing
State, Municipal, Corporation, Railroad and Public Utility Securities

National Distributor
NEW ENGLAND FUND
Organized 1931

EATON & HOWARD BALANCED FUND
EATON & HOWARD STOCK FUND
PROSPECTUSES OF THESE TWO INVESTMENT FUNDS MAY BE OBTAINED FROM YOUR INVESTMENT DEALER OR
EATON & HOWARD
INCORPORATED
BOSTON
24 Federal Street
BOSTON
333 Montgomery Street
SAN FRANCISCO

FOUNDED 1925
INCORPORATED INVESTORS
A Mutual Investment Fund
Prospectus may be obtained from investment dealers or
THE PARKER CORPORATION
200 Berkeley St. Boston, Mass.
120 So. La Salle St. Chicago, Ill.
453 S. Spring St. Los Angeles

itized for FRASER
http://fraser.stlouisfed.org/

Continued from page 45

A Free Market Propels Our Economic Machinery

ance with fundamental principles. And I insist that the basic principles of propulsion center around the market place, not distortions of the market place either by pool operators or by a Federal Reserve committee with a large amount of government securities.

You will recall that in 1907 we had a money panic and that the people who struggled with the solution for that panic, realizing it must not happen again, founded our present Federal Reserve System. Before that, money had a tendency to appear when it was least needed and disappear when it was most needed. Today we have no shortages of currency—except temporarily when demand for small coins gets ahead of the coinage—and we hardly realize there once were problems in terms of elasticity or inelasticity of our currency. But it was also found that bank reserves had a way of scattering or disappearing when they were most needed, and also of starting a sad chain of events. So the Federal Reserve System was given power to expand and contract reserves—a power that goes to the heart of our money system.

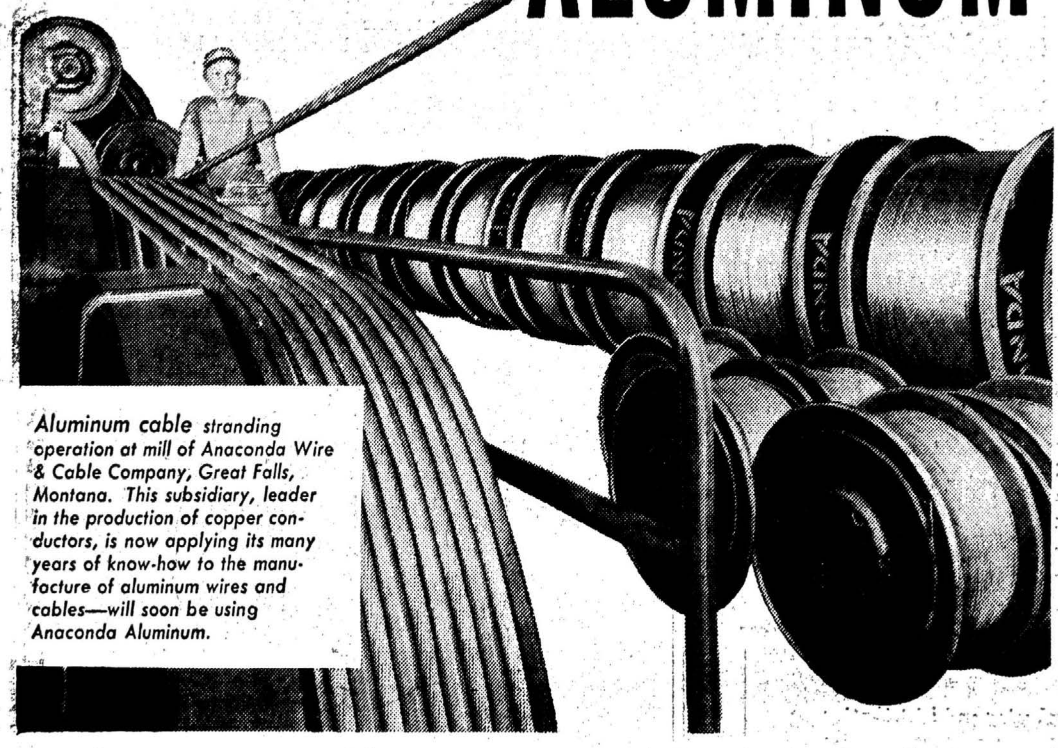
Thus the money system is directly and fundamentally related to letting the adjustments be made by the market place. If we ever let political expendiencies or selfish private interests obscure the fundamental principle that the currency belongs to the people, then we will have destroyed the fundamental ingredient of a sound business economy and swept away the base of the free enterprise system. Because the Federal Reserve System upholds the fundamental principle and stands against forces that might destroy it, the System frequently is called the primary bulwark of the free enterprise system.

Considerable study has been given, in the Patman Committee hearings particularly, to the role of debt management in achieving price stability and high level employment—two things that you all realize are mutually contradictory in one sense, however desirable they are socially. I am glad that price stability was given the same consideration as high level employment because we had been hearing for a long time that prices didn't make any difference, exchange rates didn't make any difference, and interest rates didn't make any difference. Well, once again we are realizing that they do; realizing that the productive capacity of American business is such that you will have to reduce prices in order to sustain volume on the scale needed for high level employment, or else that in order to keep prices up, you will have to reduce the number of units—and that will mean some unemployment. We should never again in this country permit the misery and suffering that existed as a result of the unemployment following the '29 collapse. But let's not have our social security or our welfare work impair the fundamental working of the system that has made us great and made us strong.

I'd like to conclude by reciting an experience I had in Moscow in 1943 when I went there on a lend-lease mission. Our group was having dinner with the Russian equivalent of our Secretary of Commerce and Secretary of Defense, all rolled into one. In the course of the evening, he expounded at length on the Russian system. Then he began questioning me, because he thought I would know something about American business and finance. I told him things don't work in our country as they do in his, that we depend upon the market place to make decisions. Oh, he said, we couldn't permit that over here — you just couldn't have it. Then he went on to tell about the marvels of American products and how he simply couldn't understand how the jeeps we were sending over there seemed to roll in an unending stream. Yet, in the end, he went back to the initial argument, ending up on this note: "That is fine, this matter of freedom, but we just couldn't permit it."

Well, I said, that may be so, but I just want to point out to you that we in the United States can't permit it **not to be**, because that is the process by which our strength has been created. We are free men because we are strong, and our strength comes from the working of the market place in accordance with proper incentives—from realization that in making our adjustments we are not impairing the fundamental structure. Yes, whether it is the New Capitalism of Theodore Roosevelt or the New Freedom of Woodrow Wilson, or even the New Deal of Franklin D. Roosevelt, the adjustment itself must be made within the framework of the solid, fundamental concept that there will be a minimum of intervention in the market place, and that we will depend on the composite of decisions as the basis of free, strong, democratic institutions.

ANACONDA ADDS ALUMINUM



Aluminum cable stranding operation at mill of Anaconda Wire & Cable Company, Great Falls, Montana. This subsidiary, leader in the production of copper conductors, is now applying its many years of know-how to the manufacture of aluminum wires and cables—will soon be using Anaconda Aluminum.

The formation of Anaconda Aluminum Company, and recent ground-breaking operations on a $45,000,000 aluminum plant, mark Anaconda's broadening interest in nonferrous metals. The new plant at Columbia Falls, Montana, with a capacity of about 50,000 tons of primary aluminum per year, should be completed early in 1954.

This step in aluminum reflects Anaconda's continuing determination to move forward. The Company's current program of expansion, modernization, and improvement—at mines, mills, and fabricating plants—is designed to *keep* Anaconda first in nonferrous metals.

52326-B

ANACONDA
ALUMINUM COMPANY

Subsidiary of Anaconda Copper Mining Company

Continued from page 28

Market for Railroad Securities Improved

or other facilities constructed or maintained at public expense.

Revised Transport Policy

Another major undertaking dealing with the problems of national transportation policy is now rapidly reaching the action stage. For the last several years our reports have made reference to the Cooperative Project of the Transportation Association of America, which seeks by agreement among all interested parties to formulate a modern transportation policy geared to today's competitive conditions. The report of the Cooperative Project is now in the hands of the Board of Directors of the Transportation Association of America and has received widespread acclaim from many groups interested in our transportation problems.

A number of bills affecting transportation regulation were introduced in the Senate in January of this year. One of the more important of these bills would revise the basic rule of rate making and another seeks to reduce the time lag which has been experienced between the impact of higher costs and the achievement of compensating rate increases. These bills, as well as many of the others, bore a striking resemblance to certain of the recommendations contained in the report of the National Cooperative Project, although we do not believe they were then promoted by the Transportation Association of America. While these bills were not enacted into legislation during the last session of Congress it is to be hoped that public opinion fostered by the Transportation Association of America program will accomplish a greater degree of success in the 1953 Congress.

We recommend that all friends of free enterprise, and particularly those interested in transportation —whether as users, providers or investors — support the Transportation Association of America program.

Respectfully submitted,

RAILROAD SECURITIES COMMITTEE

Charles L. Bergmann, Chairman
R. W. Pressprich & Co.,
New York City

George A. Barclay
Kean, Taylor & Co.,
New York City

Howard M. Biscoe, Jr.
Whiting, Weeks & Stubbs,
Boston

Rowland H. George
Wood, Struthers & Co.,
New York City

George M. Grinnell
Dick & Merle-Smith,
New York City

V. Theodore Low
Bear, Stearns & Co.,
New York City

Samuel B. Payne
Morgan Stanley & Co.,
New York City

George E. Richardson
Vilas & Hickey,
New York City

Henry S. Sturgis
First National Bank of
New York

J. Emerson Thors
Kuhn, Loeb & Co.,
New York City

K. P. Tsolainos
Baker, Weeks & Hardin,
New York City

James D. Winsor, 3rd
Biddle, Whelen & Co.,
Philadelphia

igitized for FRASER
://fraser.stlouisfed.org/

INVESTMENT BANKERS ASSOCIATION OF AMERICA

OFFICERS 1952-1953

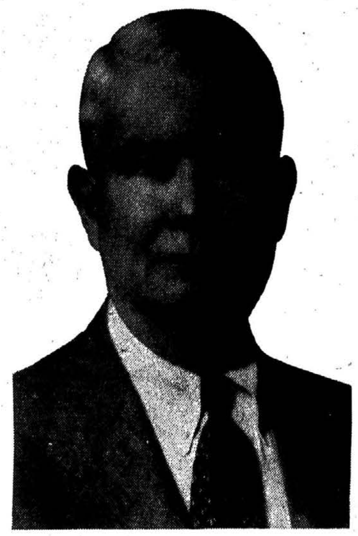
President

Ewing T. Boles
The Ohio Company
Columbus

Vice-President

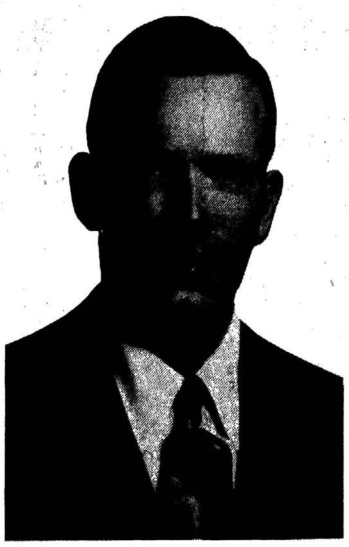
Malon C. Courts
Courts & Co.
Atlanta

Vice-President



Lewis Miller
First National Bank of Chicago

Vice-President



Ralph E. Phillips
Dean Witter & Co.
Los Angeles

Vice-President

Walter A. Schmidt
Schmidt, Poole & Co.
Philadelphia

Vice-President

Norman P. Smith
Merrill Lynch, Pierce, Fenner & Beane
New York City

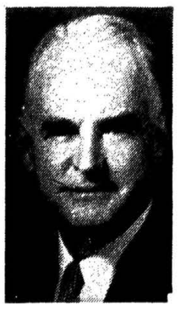
gitized for FRASER
tp://fraser.stlouisfed.org/

IBA GOVERNORS

Charles M. Abbe
Blyth & Co., Inc., Boston

Amyas Ames
Kidder, Peabody & Co., New York City

W. K. Barclay, Jr.
Stein Bros. & Boyce, Philadelphia



Walter F. Blaine
Goldman, Sachs & Co., New York City

Robert E. Brooma
Guaranty Trust Co., New York City

Hugh Bullock
Calvin Bullock, New York City

Hugh D. Carter, Jr.
Courts & Co., Atlanta, Ga.

Forrester A. Clark
H. C. Wainright & Co., Boston

George K. Coggeshall
Schoellkopf, Hutton & Pomeroy, Inc., N. Y. C

Chas. F. Eaton, Jr.
Eaton & Howard, Incorporated Boston

Leslie J. Fahey
Fahey, Clark & Co., Cleveland

Holden K. Farrar
Smith, Barney & Co., Chicago

Benjamin F. Frick, Jr.
Stix & Co., St. Louis

Clarence E. Goldsmith
White, Weld & Co., New York City

Robert L. Harter
Sutro & Co., San Francisco

J. G. Heimerdinger
Walter, Woody & Heimerdinger, Cinn.

William S. Hughes
Wagenseller & Durst, Inc., Los Angeles

Joseph T. Johnson
The Milwaukee Co., Milwaukee

John L. Kenower
Kenower, MacArthur & Co., Detroit, Mich.

Russell A. Kent
Bank of America, N. T. & S. A., San Francisco

George B. Kneass
The Philadelphia Nat'l Bank, Philadelphia

igitized for FRASER
http://fraser.stlouisfed.org/

IBA GOVERNORS (Continued)

James H. Lemon
Johnston, Lemon & Co., Washington, D. C.

Robert G. Mead
Stone & Webster Securities Corp., Chicago

Stanley N. Minor
Pacific Northwest Company, Seattle

Nathan K. Parker
Kay, Richards & Co., Pittsburgh

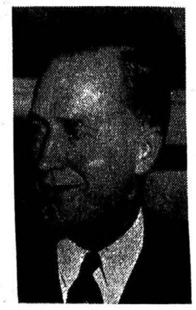
Charles R. Perrigo
Hornblower & Weeks, Chicago

John J. Quail
Quail & Co., Davenport, Iowa

Stuart R. Reed
Paine, Webber, Jackson & Curtis, New York City

William M. Rex
Clark, Dodge & Co., New York City

Philip J. Rhoads
First National Bank & Trust Company, Oklahoma City, Okla.



Walter S. Robertson
Scott & Stringfellow, Richmond, Va.

Joseph L. Ryons
Lester, Ryons & Co., Los Angeles

Garfield J. Taussig
Taussig, Day & Co., Inc., St. Louis

Arthur S. Torrey
W. C. Pitfield & Co., Ltd., Montreal

Charles S. Vrtis
Glore, Forgan & Co., Chicago

Charles W. Warterfield
First American National Bank, Nashville

Hempstead Washburne
Harris, Hall & Co., Chicago

Chas. B. White
Chas. B. White & Co., Houston

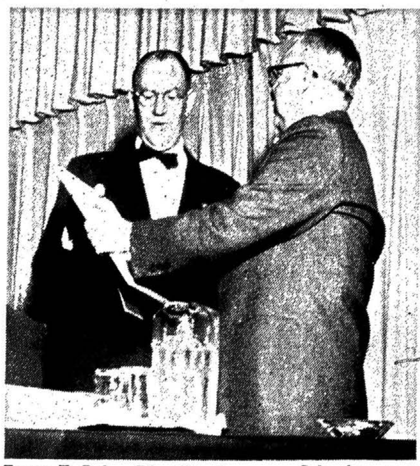
Lawrence B. Woodard
Woodard-Elwood & Co., Minneapolis

Paul E. Youmans
Bosworth, Sullivan & Co., Inc., Denver

Henry J. Zilka
Conrad, Bruce & Co., Portland, Oreg.

gitized for FRASER
p://fraser.stlouisfed.org/

Pictures Taken at 1952 IBA Convention



Ewing T. Boles, *The Ohio Company*, Columbus, new President, presenting plaque to Joseph T. Johnson, *The Milwaukee Company*, Milwaukee, retiring President

New Officers—1952-1953: Ralph E. Phillips, *Dean Witter & Co.*, Los Angeles; Lewis Miller, *First National Bank of Chicago;* Malon C. Courts, *Courts & Co.*, Atlanta; Ewing T. Boles, *The Ohio Company*, Columbus; Walter A. Schmidt, *Schmidt, Poole & Co.*, Philadelphia; Norman Smith, *Merrill Lynch, Pierce, Fenner & Beane*, New York City

Hugh Bullock, *Calvin Bullock*, New York City; H. Hume Wrong, *Canadian Ambassador to the United States;* Murray Hanson, *Investment Bankers Association*, Washington D. C.

Mr. & Mrs. Joseph T. Johnson, *The Milwaukee Company*, Milwaukee

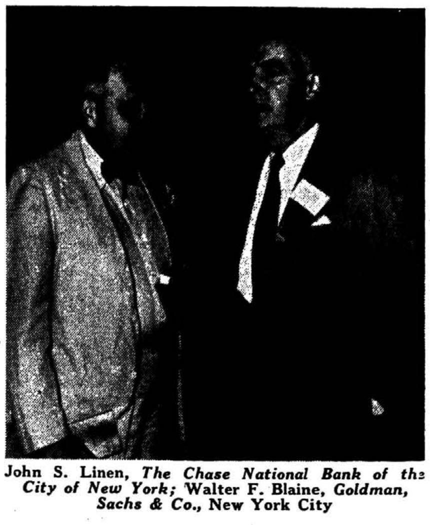
Newly elected Governors: William S. Hughes, *Wagenseller & Durst, Inc.*, Los Angeles; Robert G. Mead, *Stone & Webster Securities Corporation*, Chicago; Nathan K. Parker, *Kay, Richards & Co.*, Pittsburgh; Garfield J. Taussig, *Taussig, Day & Co.*, St. Louis; Arthur S. Torrey, *W. C. Pitfield & Co., Ltd.*, Montreal; Charles S. Vrtis, *Glore, Forgan & Co.*, Chicago; Paul E. Youmans, *Bosworth, Sullivan & Co.*, Denver; Charles F. Eaton, Jr., *Eaton & Howard, Incorporated*, Boston

Mrs. Thomas Beckett, Dallas; Frederic P. Mullins, *A. E. Masten & Co.*, Pittsburgh

Municipal Securities Committee; Lewis Miller, *First National Bank*, Chicago, Chairman

Joseph T. Johnson, *The Milwaukee Company*, Milwaukee; William A. Patterson, President, *United Air Lines*

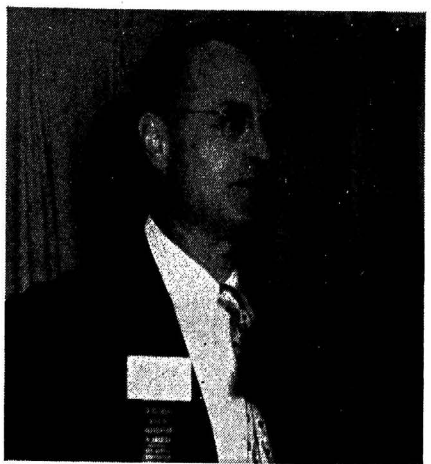
Investment Companies Forum: Edward S. Amazeen, *Coffin & Burr, Incorporated*, Boston (Chairman); Donald Rogers, *New York Herald Tribune*, New York City; John Sheffey, *National Association of Investment Companies*, New York; Arthur Wiesenberger, *Arthur Wiesenberger & Co.*, New York City; Maurice Sandberg, *A. E. Weltner & Co.*, New York City; Robert L. Osgood, *Vance, Sanders & Co.*, Boston; George Mathison, *Milwaukee Sentinel*, Milwaukee; Theodore C. Henderson, *T. C. Henderson & Co.*, Des Moines, Iowa; Ray Trigger, *Investment Dealers Digest*, New York City; Herbert R. Anderson, *Distributors Group, Incorporated*, New York City; Charles F. Eaton, Jr., *Eaton & Howard, Incorporated*, Boston; Paul Johnston, *Barron's Weekly*, New York City; Walter L. Morgan, *The Wellington Company*, Philadelphia; William McK. Gillingham, *Business Week*, New York; Paul A. Just, *Television Shares Management Co.*, Chicago



John S. Linen, *The Chase National Bank of the City of New York;* Walter F. Blaine, *Goldman, Sachs & Co.*, New York City

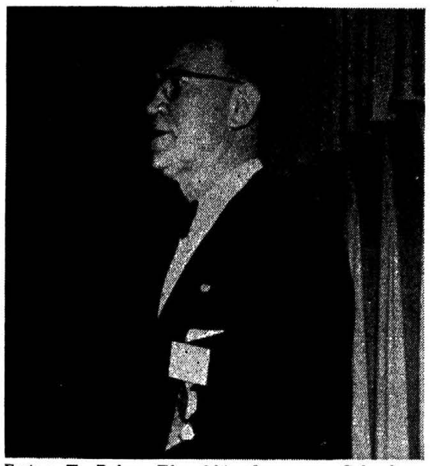
gitized for FRASER
p://fraser.stlouisfed.org/

At Hollywood Beach Hotel, Florida

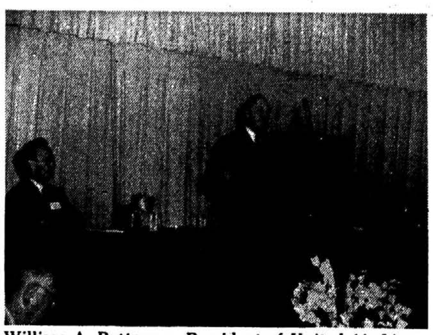


Carrol M. Shanks, President, *Prudential Life Insurance Company of America,* addressing the Convention

Darnall Wallace, *Bache & Co.,* New York City; Homer Browning, *Marine Trust Company of Western New York,* Buffalo; Chester A. Atwood, *L. F. Rothschild & Co.,* New York City; Mrs. Darnall Wallace; Mrs. Homer Browning; Alfred B. Averell, *Bache & Co.,* New York City



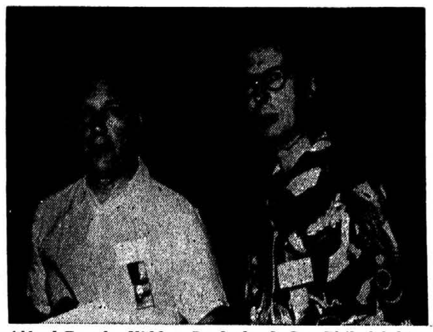
Ewing T. Boles, *The Ohio Company,* Columbus, incoming President, delivering inaugural address.



William A. Patterson, President of *United Air Lines,* addressing Convention

William McC. Martin, Jr., Chairman of the Board of Governors of the *Federal Reserve System,* addressing the convention

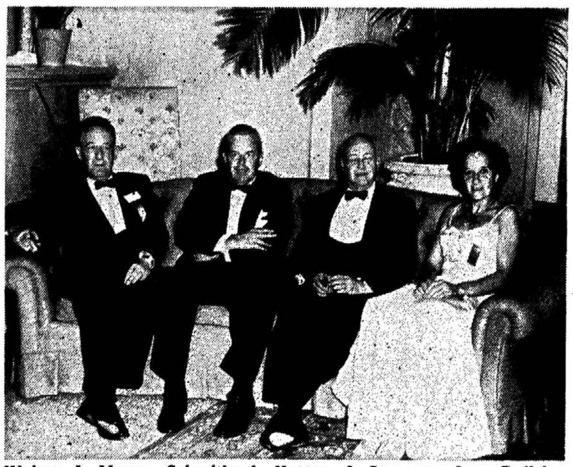
Harry A. McDonald, Administrator, *Reconstruction Finance Corporation,* addressing the Convention



Alfred Rauch, *Kidder, Peabody & Co.,* Philadelphia; Robert C. Johnson, *Kidder, Peabody & Co.,* New York City

John McG. Dalenz, *Calvin Bullock,* New York City; Mrs. Graham Jones; Raymond D. Stitzer, *Equitable Securities Corporation,* New York City; H. Lawrence Bogert, Jr., *Eastman, Dillon & Co.,* New York City; Graham Jones, *Cooley & Co.,* Hartford, Conn.

Benjamin F. Frick, Jr., *Stix & Co.,* St. Louis; Edward D. Jones, *Edward D. Jones & Co.,* St. Louis; Arthur A. Christophel, *Reinholdt & Gardner,* St. Louis; Garfield J. Taussig, *Taussig, Day & Co.,* St. Louis



Walter J. Monro, *Schoellkopf, Hutton & Pomeroy, Inc.,* Buffalo; George K. Coggeshall, *Schoellkopf, Hutton & Pomeroy, Inc.,* New York City; Edward B. Hall, *Harris, Hall & Co. (Incorporated),* Chicago; Mrs. George K. Coggeshall

Industrial Securities Committee; Eaton Taylor, *Dean Witter & Co.,* San Francisco, Chairman

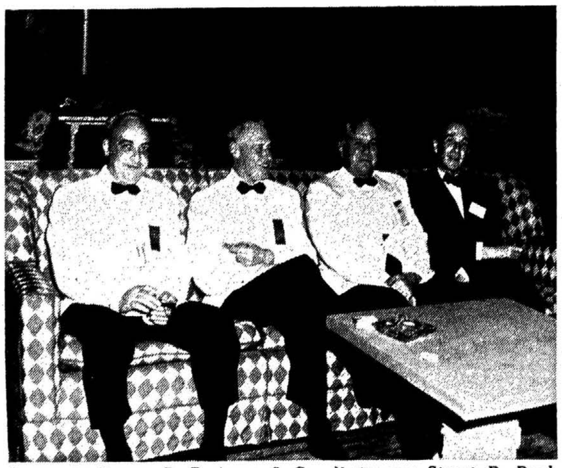
Public Service Securities Committee; Charles C. Glavin, *First Boston Corporation,* N. Y. C., Chairman

gitized for FRASER
tp://fraser.stlouisfed.org/

Elvin K. Popper, *I. M. Simon & Co.*, St. Louis; Walter W. Ainsworth, *Metropolitan St. Louis Co.*, St. Louis

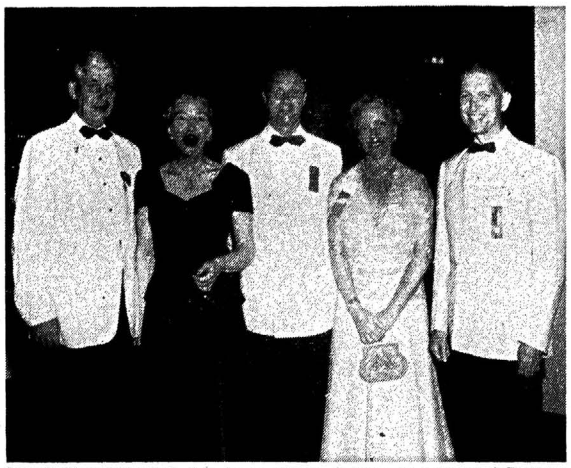
Mr. & Mrs. Leonard M. Horton, *Aubrey G. Lanston & Co.*, New York City; Mr. & Mrs. Theodore A. von Glahn, *Salomon Bros. & Hutzler*, New York City; Mr. & Mrs. Howard Butcher, 3rd, *Butcher & Sherrerd*, Philadelphia

Jacob C. Stone, *Asiel & Co.*, New York City; Mrs. Seymour Owens, Miami; Austin Brown, *Dean Witter & Co.*, New York City



Arthur L. Baney, *E. R. Jones & Co.*, Baltimore; Stuart R. Reed, *Paine, Webber, Jackson & Curtis*, New York City; Elisha Riggs Jones, *E. R. Jones & Co.*, Baltimore; Louis G. Mudge, *International Bank*, New York City

Henry P. Heid, Jr., *Robinson-Humphrey Co.*, Atlanta; Mrs. Claude Wilhide, Baltimore; Mr. & Mrs. Edwin B. Horner, *Scott, Horner & Mason*, Lynchburg, Va.; Joseph L. Morris, *Robinson-Humphrey Co.*, Atlanta



Mr. & Mrs. Albert T. Armitage, *Coffin & Burr, Incorporated*, Boston; John C. Clark, *Wachovia Bank & Trust Company*, Winston-Salem, N. C.; Mr. & Mrs. Walter W. Craigie, *F. W. Craigie & Co.*, Richmond, Va.

Charles V. Thackara, *Byrne and Phelps*, New York City; Herbert V. B. Gallager, *Yarnall & Co.*, Philadelphia; Gerald B. West, *Stone & Webster Securities Corp.*, New York City

Mr. & Mrs. Clarence E. Sample, *Mercantile National Bank*, Dallas; Mr. & Mrs. Alfred J. Stalker, *Kidder, Peabody & Co.*, New York City; Mr. & Mrs. Charles C. Pierce, *Rauscher, Pierce & Co.*, Dallas; Mr. & Mrs. R. W. Ewing, *A. E. Masten & Co.*, Wheeling, W. Va.; Mr. & Mrs. Louis J. Kocurek, *Rauscher, Pierce & Co.*, San Antonio; Mrs. Frank Carr, Chicago

David M. Wood, *Wood, King & Dawson*, New York City; Dudley C. Smith, *Investment Bankers Association*, Chicago; Robie L. Mitchell, *Mitchell & Pershing*, New York City

Sidney L. Weedon, *Hugh W. Long & Co., Inc.*, Elizabeth, N. J.; Mr. & Mrs. Woodford Matlock, *Broad Street Sales Corp.*, New York City; Mrs. Sidney L. Weedon; Mr. & Mrs. Charles A. B. Boss, *Broad Street Sales Corp.*, Boston

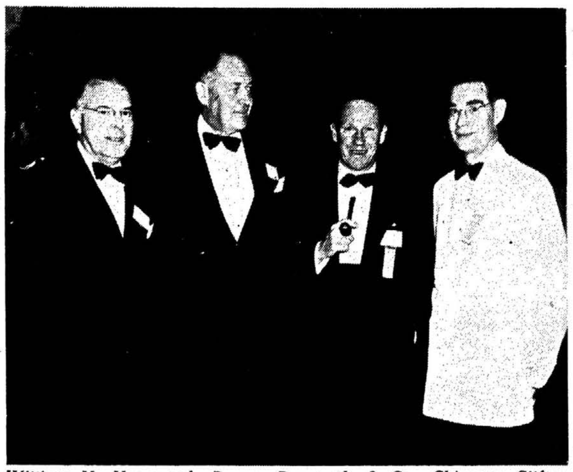
Mr. & Mrs. William N. Edwards, *William N. Edwards & Co.*, Ft. Worth; Mr. & Mrs. Thomas Beckett, *First Southwest Company*, Dallas; Mr. & Mrs. T. E. Graham, *First National Bank*, Ft. Worth, Texas

gitized for FRASER
p://fraser.stlouisfed.org/

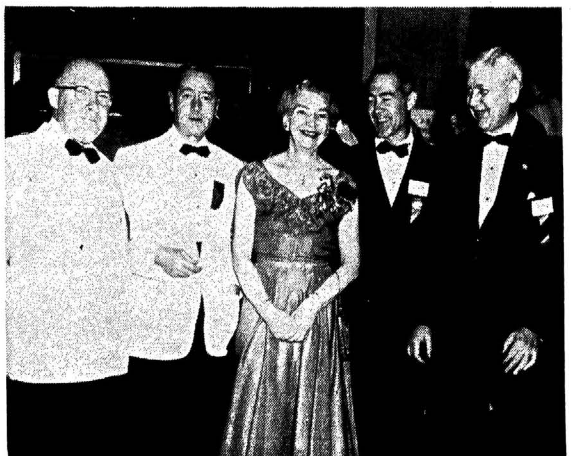
Charles R. Mosser, *Hornblower & Weeks*, New York City; Charles R. Perrigo, *Hornblower & Weeks*, Chicago; J. Wesley Hickman, *Schneider, Bernet & Hickman*, Dallas

M. M. Grubbs, *Jenks, Kirkland & Grubbs*, Pittsburgh; Mr. & Mrs. Milton G. Hulme, *Glover & MacGregor*, Pittsburgh; Mr. & Mrs. Nathan K. Parker, *Kay, Richards & Co.*, Pittsburgh; Harold X. Schreder, *Distributors Group, Incorporated*, New York City; Mr. & Mrs. Francis M. Brooke, Jr., *Brooke & Co.*, Philadelphia

Joseph B. Wise, *Weeden & Co.*, New York City; Paul L. Mullaney, *Mullaney, Wells & Co.*, Chicago; Philip J. Rhoads, *First National Bank & Trust Co.*, Oklahoma City, Okla.



William H. Hammond, *Braun, Bosworth & Co.*, Chicago; Clifton A. Hipkins, *Braun, Bosworth & Co.*, New York City; Daniel O'Day, *Northern Trust Company of Chicago*, New York City; Harold J. Schluter, *First National Bank of Chicago*, New York City



Guy H. Phillips, *Caldwell-Phillips Co.*, St. Paul; E. Merrill Darling, *Kidder, Peabody & Co.*, Boston; Mrs. Albert T. Armitage; Robert L. Osgood, *Vance, Sanders & Co.*, Boston; Albert T. Armitage, *Coffin & Burr, Incorporated*, Boston

Robert L. Harter, *Sutro & Co.*, San Francisco; Mrs. Samuel L. Varnedoe; Philip M. Stearns, *Estabrook & Co.*, Boston; (standing) Samuel L. Varnedoe, *Varnedoe, Chisholm & Co.*, Savannah; Paul L. Mullaney, *Mullaney, Wells & Co.*, Chicago

Mr. & Mrs. Joseph H. Fauset, *Fauset, Steele & Co.*, Pittsburgh; A. Webster Dougherty, *A. Webster Dougherty & Co.*, Philadelphia

Board of Governors Meeting

Mr. & Mrs. John D. Williamson, *Dittmar & Co.*, San Antonio; Mr. & Mrs. Edward D. Muir, *Russ & Co.*, San Antonio

Special Rights Committee; Walter A. Schmidt, *Schmidt, Poole & Co.*, Philadelpnia, Chairman

State Legislation Committee; Charles S. Vrtis, *Glore, Forgan & Co.*, Chicago, Chairman

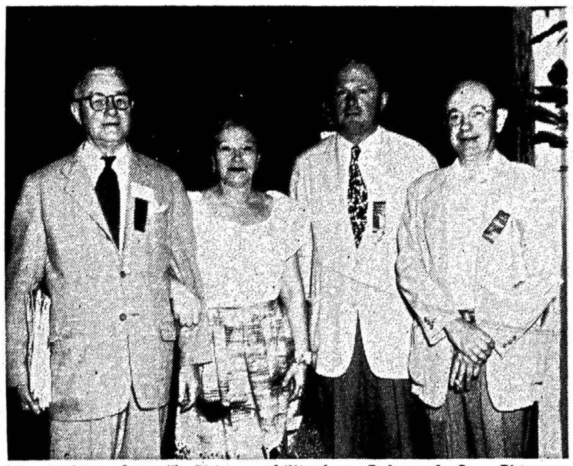
gitized for FRASER
tp://fraser.stlouisfed.org/

Bert Horning, *Stifel, Nicolaus & Company, Incorporated*, St. Louis; Joseph A. Glynn, Jr., *Blewer, Heitner & Glynn*, St. Louis

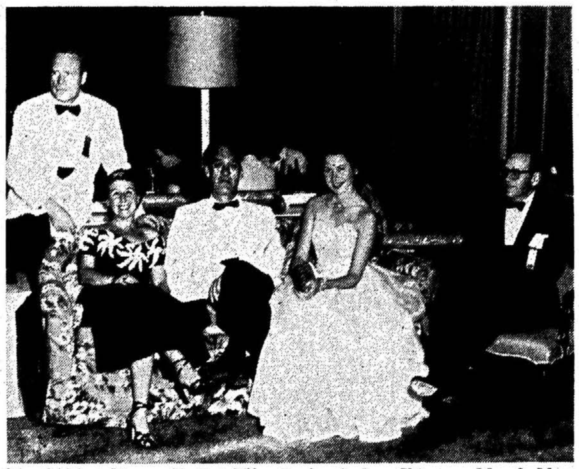
Hempstead Washburne, Chicago; Leroy A. Wilbur, *Stein Bros. & Boyce*, Baltimore; C. Prevost Boyce, *Stein Bros. & Boyce*, Baltimore; Mr. & Mrs. Fred W. Gardner, *Reinholdt & Gardner*, St. Louis; Joseph W. Dixon, *American Securities Corporation*, New York City

Mr. & Mrs. Hugh W. Long, *Hugh W. Long & Co., Inc.*, Elizabeth, N. J.; Arthur J. C. Underhill, *Arthur Wiesenberger & Co.*, New York City

Mr. & Mrs. George M. McCleary, *Florida Securities Company*, St. Petersburg; Mr. & Mrs. Joseph W. Sener, *John C. Legg & Company*, Baltimore



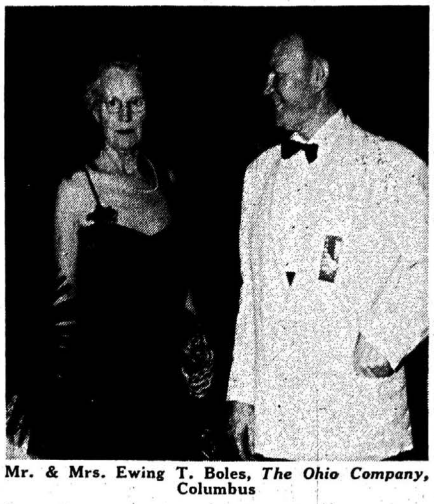
Mr. & Mrs. John F. Bolger, *Shillinglaw, Bolger & Co.*, Chicago; Paul L. Mullaney, *Mullaney, Wells & Co.*, Chicago; Wallace M. McCurdy, *Thayer, Baker & Co.*, Philadelphia



Mr. & Mrs. Myron F. Ratcliffe, *Bache & Co.*, Chicago; Mr. & Mrs. Wickliffe Shreve, *Hayden, Stone & Co.*, New York City; Lee H. Ostrander, *William Blair & Company*, Chicago

Herman J. Sheedy, *McDonald & Co.*, Cleveland; Walter C. Lyklema, *A. C. Allyn & Co.*, Chicago

Mr. & Mrs. Rudolf Smutny, *Salomon Bros. & Hutzler*, New York City; Mr. & Mrs. Joseph Ludin, *Dillon, Read & Co.*, New York City; Mr. & Mrs. Arthur S. Friend, *Folger, Nolan Inc.*, Washington, D. C.



Mr. & Mrs. Ewing T. Boles, *The Ohio Company*, Columbus

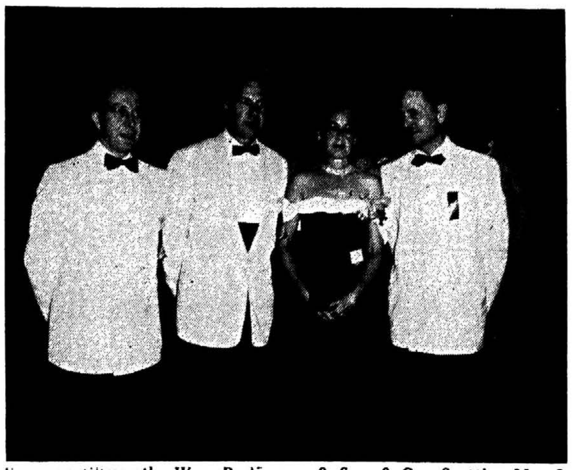
Burt T. Ryan, *Ryan, Sutherland & Co.*, Toledo; Laurence B. Woodard, *Woodard-Elwood & Co.*, Minneapolis; Frank L. Lucke, *Laidlaw & Co.*, New York City; Mr. & Mrs. Charles S. Werner, *Wertheim & Co.*, New York City; Donald E. McFarland, *Kalman & Co.*, Minneapolis

Mr. & Mrs. O. V. Cecil, *Merrill Lynch, Pierce, Fenner & Beane*, New York City; Mr. & Mrs. Robie L. Mitchell, *Mitchell & Pershing*, New York City; Mr. & Mrs. Anthony E. Tomasic, *Thomas & Co.*, Pittsburgh; Mr. & Mrs. Henry L. Harris, *Goldman, Sachs & Co.*, New York City

gitized for FRASER
p://fraser.stlouisfed.org/

Richard C. Van Houten, *Heller, Bruce & Co.,* San Francisco; Mrs. Arthur E. Goodwin, Jr.; Mrs. Clarence E. Sample; Mrs. Richard C. Van Houten; Clarence E. Sample, *Mercantile National Bank,* Dallas; Arthur E. Goodwin, Jr., *Rowles, Winston & Co.,* Houston

Grace Carver; Ralph Fordon, *Fordon, Aldinger & Co.,* Detroit; Mrs. Kelton E. White, St. Louis; Cyrus B. Aldinger, *Fordon, Aldinger & Co.,* Detroit, Mich.; Mr. & Mrs. Harry Theis, *Albert Theis & Co.,* St. Louis



Sherman Ellsworth, *Wm. P. Harper & Son & Co.,* Seattle; Mr. & Mrs. Edgar J. Loftus, *R. S. Dickson & Co., Inc.,* New York City; Herbert R. Anderson, *Distributors Group, Inc.,* New York City

Mr. & Mrs. Carl H. Doerge, *Wm. J. Mericka & Co., Inc.,* Cleveland; Mr. & Mrs. J. Earl Jardine, Jr., *William R. Staats & Co.,* Los Angeles

Kelton E. White, *G. H. Walker & Co.,* St. Louis; Paul A. Sellers, *The Illinois Company,* Chicago; Alexander Forsyth, *Calvin Bullock,* Denver; F. Vincent Reilly, *Commercial & Financial Chronicle,* N. Y. C.

Earl G. Fridley, *Fridley & Hess,* Houston; Mr. & Mrs. Douglas R. Hansel, *Shields & Company,* New York City; Mrs. Cornelius Shields, New York City; Mr. & Mrs. Thomas Beckett, *First Southwest Company,* Dallas; Eugene P. Barry, *Shields & Company,* New York City

Mr. & Mrs. Arnold Tschudy, *Bank of America, N. T. & S. A.,* New York City; Mr. & Mrs. Henry L. Prankard, 2nd, *Lord, Abbett & Co.,* New York City; Clarence A. Bickel, *National Association of Securities Dealers, Inc.,* Milwaukee; Mr. & Mrs. Ira Owen, *Allison-Williams Company,* Minneapolis

Russell E. Siefert, *Stern Brothers & Co.,* Kansas City, Mo.; Mr. & Mrs. Mark A. Lucas, Jr., *Lucas, Eisen & Waeckerle,* Kansas City, Mo.; James F. Quigg, *Paine, Webber, Jackson & Curtis,* Chicago; Mr. & Mrs. Richard Morey, *A. G. Edwards & Sons,* St. Louis; Arthur Horton, *Penington, Colket & Co.,* Philadelphia; Mrs. Harley L. Rankin, *Goldman, Sachs & Co.,* Philadelphia

Robert L. Thayer, *Lehman Brothers,* New York City; Richard B. Walbert, *Lehman Brothers,* New York City; Edward H. Robinson, *Schwabacher & Co.,* New York City; John C. Clark, *Wachovia Bank & Trust Company,* Winston-Salem, N. C.; John F. Egan, *First California Company, Inc.,* San Francisco; Charles F. Matton, *Wachovia Bank & Trust Company,* Winston-Salem, N. C.

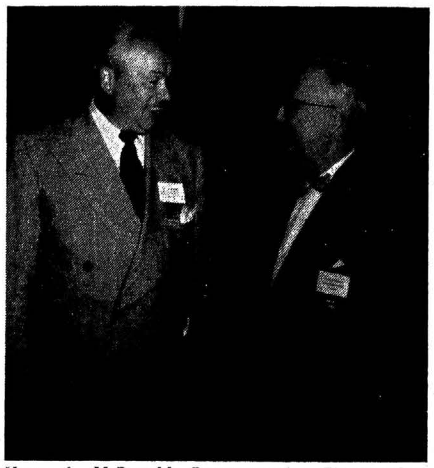
igitized for FRASER
tp://fraser.stlouisfed.org/

Irving H. Campbell, *Bell, Gouinlock & Co.*, Toronto; Mrs. Arnold B. Massey; Mrs. Irving H. Campbell; Mrs. William M. Alley; Arnold B. Massey, *Mills, Spence & Co.*, Toronto; William M. Alley, *A. E. Ames & Co., Inc.*, New York City

Mrs. Frank T. Kennedy, New York City; Mr. & Mrs. Lewis F. Lyne, *Mercantile National Bank*, Dallas; Mr. & Mrs. James A. Cranford, *Atlantic National Bank*, Jacksonville, Fla.; Mr. & Mrs. Stewart A. Dunn, *C. J. Devine & Co.*, New York City

John Latshaw, *Uhlmann & Latshaw*, Kansas City, Mo.; Hugh Bradford, *Southwestern Securities Company*, Dallas

Clarence A. Bickel, *National Association of Securities Dealers, Inc.*, Milwaukee; Ludlow F. North, *Robert W. Baird & Co.*, Milwaukee; Mr. & Mrs. David H. Callaway, Jr., *First of Michigan Corporation*, New York City; W. Sydnor Gilbreath, Jr., *First of Michigan Corporation*, Detroit; Joseph L. Morris, *The Robinson-Humphrey Company*, Atlanta



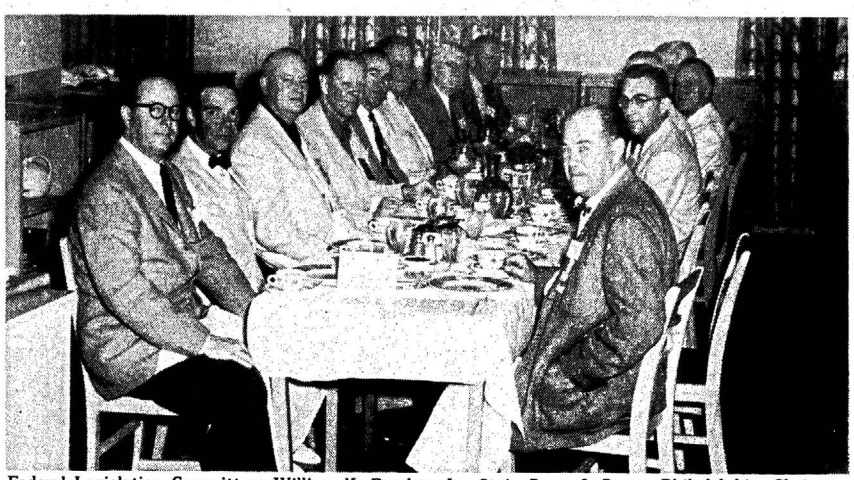
Harry A. McDonald, *Reconstruction Finance Corporation*, Washington, D. C.; Joseph T. Johnson, *The Milwaukee Company*, Milwaukee

Mr. & Mrs. Thomas M. Johnson, *Johnson, Lane, Space & Co.*, Savannah; Joseph T. Johnson, *The Milwaukee Company*, Milwaukee; Mr. & Mrs. Julian A. Space, *Johnson, Lane, Space & Co.*, Savannah

Mr. & Mrs. Russell M. Ergood, Jr., *Stroud & Company, Incorporated*, Philadelphia; Mr. & Mrs. Gilbert Hattier, Jr., *White, Hattier & Sanford*, New Orleans

Mr. & Mrs. William S. Hughes, *Wagenseller & Durst, Inc.*, Los Angeles; Mr. & Mrs. John L. Kenower, *Kenower, MacArthur & Co.*, Detroit

Investment Companies Committee; Edward S. Amazeen, *Coffin & Burr, Incorporated*, Boston, Chairman



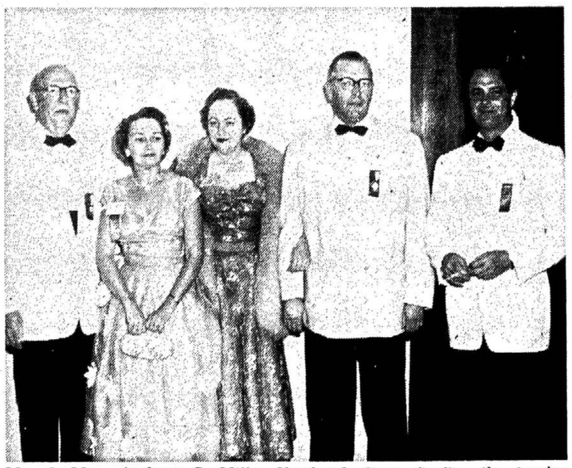
Federal Legislation Committee; William K. Barclay, Jr., *Stein Bros. & Boyce*, Philadelphia, Chairman

Digitized for FRASER
http://fraser.stlouisfed.org/

E. Ray Allen, *E. Ray Allen & Co.*, Chicago; D. E. Bradshaw, *Woodmen of the World*, Omaha, Nebraska

Mr. & Mrs. Rudolf Smutny, *Salomon Bros. & Hutzler*, New York City; Mr. & Mrs. Theodore A. von Glahn, *Salomon Bros. & Hutzler*, New York City; Mr. & Mrs. Benjamin J. Levy, *Salomon Bros. & Hutzler*, New York City

Edward B. Wulbern, *R. S. Dickson & Co., Inc.*, Charlotte, N. C.; George L. Martin, *International Bank*, New York City; David H. Callaway, Jr., *First of Michigan Corporation*, New York City



Mr. & Mrs. Andrew S. Mills, *Newhard, Cook & Co.*, St. Louis; Mr. & Mrs. Charles B. White, *Chas. B. White & Co.*, Houston; Malon C. Courts, *Courts & Co.*, Atlanta

Mr. & Mrs. Joseph P. Lombardo, *Stubbs, Smith & Lombardo*, Birmingham; John L. Blake, *Eaton & Howard, Incorporated*, Boston; Mr. & Mrs. H. Wilson Arnold, *Arnold & Crane*, New Orleans

Mr. & Mrs. Jesse A. Sanders, Jr., *Sanders & Newsom*, Dallas; Mr. & Mrs. Charles B. White, *Chas. B. White & Co.*, Houston; Gerald B. West, *Stone & Webster Securities Corporation*, New York City

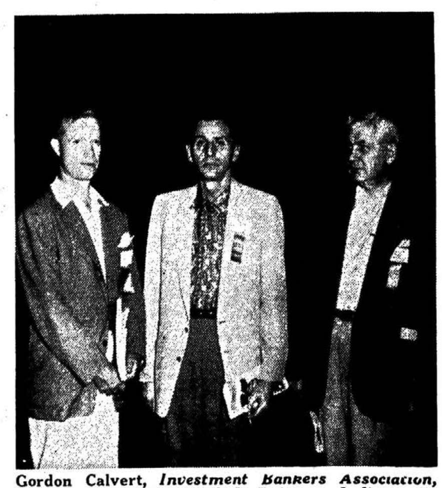
Emil C. Williams, *A. M. Kidder & Co.*, New York City; Al Seaber, *A. M. Kidder & Co.*, Miami; Herbert McNichol, *A. M. Kidder & Co.*, Miami Beach, Fla.; Garland Wright, *A. M. Kidder & Co.*, Ft. Lauderdale, Fla.

F. D. Farrell, *City National Bank & Trust Co.*, Kansas City, Mo.; Elmer G. Hassman, *A. G. Becker & Co.*, Chicago; Thomas W. Evans, *Continental-Illinois National Bank & Trust Co.*, Chicago; Mark A. Lucas, Jr., *Lucas, Eisen & Waeckerle*, Kansas City, Mo.; Alan K. Browne, *Bank of America, N. T. & S. A.*, San Francisco; Milton S. Emrich, *Julien Collins & Company*, Chicago; S. David Lamon, *Blyth & Co., Inc.*, Los Angeles; Andrew S. Mills, *Newhard, Cook & Co.*, St. Louis; Harry Beecroft, *Beecroft, Cole & Co.*, Topeka

H. Albert Ascher, *W. E. Pollock & Co., Inc.*, New York City; Henry L. Harris, *Goldman, Sachs & Co.*, New York City; Gordon Reis, Jr., *Seasongood & Mayer*, Cincinnati; Brainerd H. Whitbeck, *First Boston Corporation*, New York City

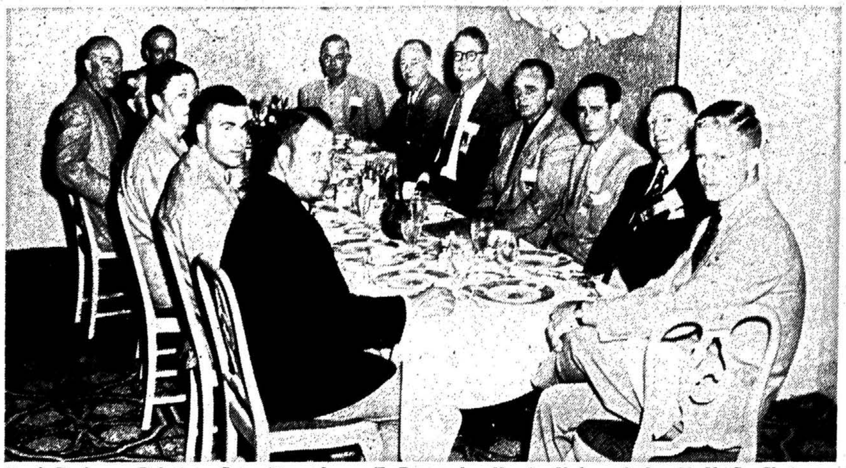
E. Norman Peterson, *Equitable Securities Corporation*, New York City; Eugene L. De Staebler, *Sills, Fairman & Harris, Inc.*; New York City; William M. Rex, *Clark, Dodge & Co.*, New York City

Education Committee meeting; Norman Smith, *Merrill Lynch, Pierce, Fenner & Beane*, New York City, Chairman



Gordon Calvert, *Investment Bankers Association*, Washington, D. C.; Frank L. Reissner, *Indianapolis Bond & Share Corporation*, Indianapolis, Ind.; Albert T. Armitage, *Coffin & Burr, Incorporated*, Boston

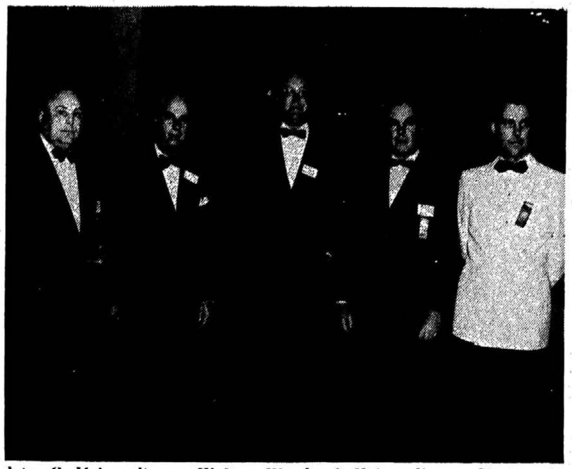
igitized for FRASER
tp://fraser.stlouisfed.org/



Stock Exchange Relations Committee; James F. Burns, Jr., *Harris, Upham & Co.*, N. Y. C., Chairman

St. Louis Room

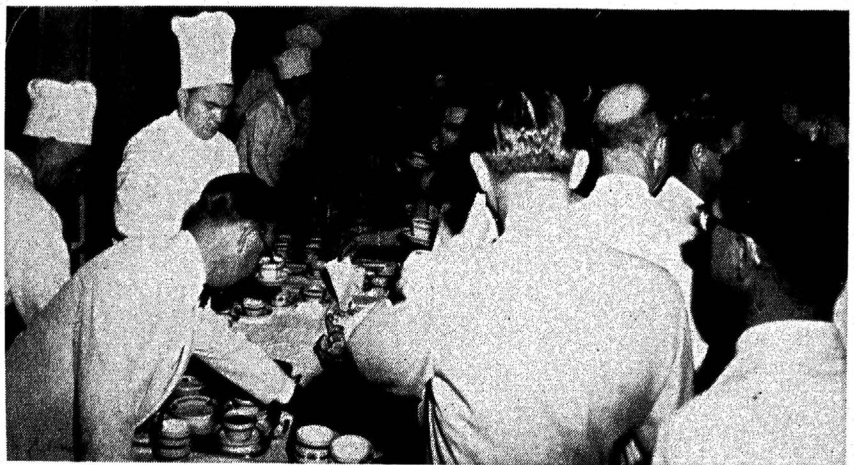
Carl H. Doerge, *Wm. J. Mericka & Co., Inc.*, Cleveland; Frank P. Gallagher, *Kidder, Peabody & Co.*, New York City; Frederick J. Bolton, *H. V. Sattley & Co., Inc.*, Detroit; R. C. Chapman, *Fulton, Reid & Co.*, Cleveland; Harold R. Chapel, *McDonald-Moore & Co.*, Detroit



John G. Heimerdinger, *Walter, Woody & Heimerdinger*, Cincinnati; Julian A. Magnus, *Magnus & Co.*, Cincinnati; John M. Heimerdinger, *Walter, Woody & Heimerdinger*, Cincinnati; Stanley G. McKie, *Weil, Roth & Irving Co.*, Cincinnati; Charles A. Richards, *Field, Richards & Co.*, Cincinnati

William S. Hildreth, *Peoples National Bank*, Charlottesville, Va.; Roderick D. Moore, *Branch, Cabell & Co.*, Richmond, Va.; Thorburn Rand, *Rand & Co.*, New York City; Julian A. Magnus, *Magnus & Co.*, Cincinnati; James W. Chandler, *W. L. Lyons & Co.*, Louisville, Ky.

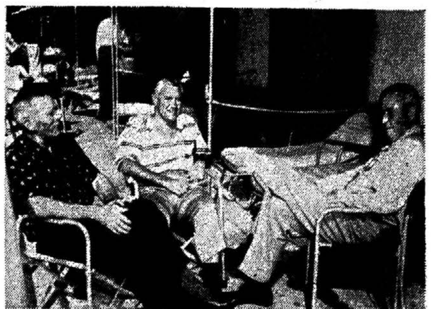
Federal Taxation Committee; James M. Hutton, Jr., *W. E. Hutton & Co.*, Cincinnati, Chairman



Blyth's Black Bean Broth Party

Charles F. Matton, *Wachovia Bank & Trust Co.*, Winston-Salem, N. C.; John C. Clark, *Wachovia Bank & Trust Co.*, Winston-Salem, N. C.; Edwin B. Horner, *Scott, Horner & Mason, Inc.*, Lynchburg, Va.; Francis D. Bartow, Jr., *Bartow Leeds & Co.*, New York City

Quitman R. Ledyard, *J. C. Bradford & Co.*, Nashville; Thomas Whiteside, *Chace, Whiteside, West & Winslow*, Boston; William J. Anderson, Jr., *Equitable Securities Corporation*, Nashville; Donald B. Brayshaw, *Lord, Abbett & Co.*, Atlanta; Bayard Dominick, II, *Dominick & Dominick*, New York City; J. Kary Beavers, *Trust Company of Georgia*, Atlanta; G. Shelby Friedrichs, *Howard, Weil, Labouisse, Friedrichs & Co.*, New Orleans

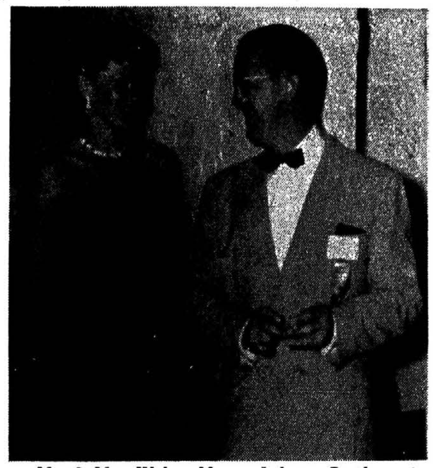


Ralph Phillips, *Dean Witter & Co.*, Los Angeles; Lewis J. Whitney, Jr., *Dempsey-Tegeler & Co.*, Los Angeles; Edward Hopkinson, Jr., *Drexel & Co.*, Philadelphia

gitized for FRASER
://fraser.stlouisfed.org/

H. Wilson Arnold, *Arnold & Crane*, New Orleans; Edward D. Muir, *Russ & Co.*, San Antonio

Mr. & Mrs. Roderick D. Moore, *Branch, Cabell & Co.*, Richmond, Va.; Mr. & Mrs. Eugene H. Cassell, *C. F. Cassell & Co.*, Charlottesville, Va.; Mr. & Mrs. James W. Chandler, *W. L. Lyons & Co.*, Louisville



Mr. & Mrs. Walter Morse, *Lehman Brothers*, New York City

Edward S. Amazeen, *Coffin & Burr, Incorporated*, Boston; Walter A. Schmidt, *Schmidt, Poole & Co.*, Philadelphia; Edwin A. Stephenson, *Chase National Bank*, Chicago; Wm. Russell Barrow, *Barrow, Leary & Co.*, Shreveport, La.; James W. Means, *Courts & Co.*, Atlanta

Julian W. Tindall, *J. W. Tindall & Co.*, Atlanta; James W. Speas, *First National Bank*, Atlanta; Lloyd B. Hatcher, *Trust Company of Georgia*, Atlanta; J. Hollis Austin, *J. W. Tindall & Co.*, Atlanta; J. Kary Beavers, *Trust Company of Georgia*, Atlanta

Ralph Fordon, *Fordon, Aldinger & Co.*, Detroit; Joseph H. Fauset, *Fauset, Steele & Co.*, Pittsburgh; E. Jansen Hunt, *White, Weld & Co.*, New York City; Cyrus B. Aldinger, *Fordon, Aldinger & Co.*, Detroit; Henry R. Hallowell, *Hallowell, Sulzberger & Co., Philadelphia*

George H. Armstrong, *New York Hanseatic Corporation*, New York City; Mr. & Mrs. Arthur C. Turner, *New York Hanseatic Corporation*, New York City; Robert M. Work, *Salomon Bros. & Hutzler*, Chicago

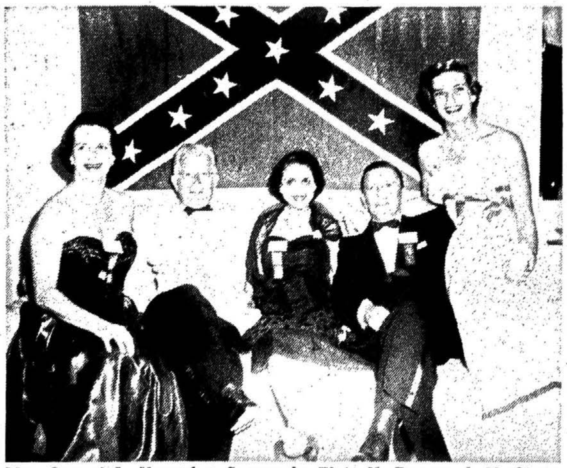
Mr. & Mrs. Kelton E. White, *G. H. Walker & Co.*, St. Louis; Miss Mary R. Lincoln, *Investment Bankers Association*, Chicago; Miss Mary Lou Coburn, *Investment Bankers Association*, Chicago; Mr. & Mrs. Harry Theis, *Albert Theis & Sons*, St. Louis

Mr. & Mrs. Jesse P. Donnally, *Peoples National Bank*, Charlottesville, Va.; Edward G. Webb, *Scott, Horner & Mason, Inc.*, Lynchburg, Va.

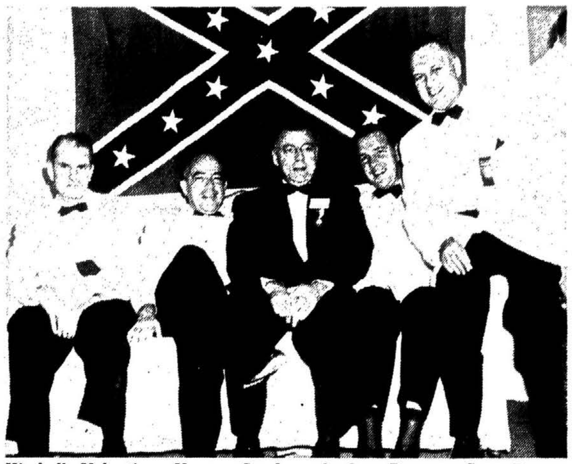
Richard N. Rand, *Rand & Co.*, New York City; David H. Callaway, Jr., *First of Michigan Corporation*, New York City; Arthur S. Friend, *Folger, Nolan, Incorporated*, Washington, D. C.; William T. Kemble, *Estabrook & Co.*, Boston; J. Mills Thornton, *Thornton, Mohr & Co.*, Montgomery, Ala.; Joseph P. Lombardo, *Stubbs, Smith & Lombardo, Inc.*, Birmingham; Delmont K. Pfeffer, *National City Bank of New York*

Harold S. Backus, *Investment Dealers' Association of Canada*, Toronto; Mrs. Edward S. Johnston, New York City; W. T. K. Collier, *Collier, Norris & Quinlan*, Montreal; Mrs. Howard W. Hunter, Toronto; Mrs. Eric S. Morse, New York City; Mr. & Mrs. Arthur S. Torrey, *W. C. Pitfield & Co., Ltd.*, Montreal; D. B. Weldon, *Midland Securities Corpn.*, London, Ont., Canada; Andrew S. Beaubien, *L. G. Beaubien & Co.*, Montreal

igitized for FRASER
ttp://fraser.stlouisfed.org/



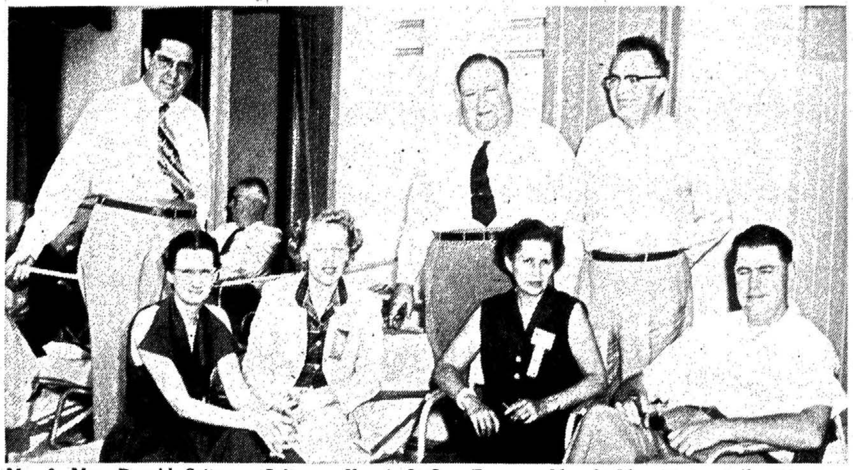
Mrs. Samuel L. Varnedoe, Savannah; Elvin K. Popper, *I. M. Simon & Co.*, St. Louis; Mr. & Mrs. Joseph P. Lombardo, *Stubbs, Smith & Lombardo*, Birmingham; Mrs. Lewis F. Lyne, Dallas



Kimball Valentine, *Vance, Sanders & Co.*, Boston; Carr Payne, *Cumberland Securities Corporation*, Nashville; F. Vincent Reilly, *Commercial & Financial Chronicle*; Lewis F. Lyne, *Mercantile National Bank*, Dallas; Arthur E. Goodwin, Jr., *Rowles, Winston & Co.*, Houston

Mrs. Arthur E. Goodwin, Jr., Houston, Tex.; James E. Roddy, *Scharft & Jones, Inc.*, New Orleans; Mrs. Richard Morey, St. Louis; Mrs. Gordon Reis, Jr., Cincinnati; J. Kary Beavers, *Trust Company of Georgia*, Atlanta; Mrs. Kimball Valentine, Boston

Mrs. Julian W. Tindall, Atlanta; Malon C. Courts, *Courts & Co.*, Atlanta; Mr. & Mrs. Joseph T. Johnson, *The Milwaukee Company*, Milwaukee



Mr. & Mrs. Donald Seltsam, *Seltsam, Hanni & Co.*, Topeka; Mr. & Mrs. Kichard B. McEntire, *Securities & Exchange Commission*, Washington, D. C.; Mrs. Harry Beecroft; Philip J. Rhoads, *First National Bank and Trust Co.*, Oklahoma City; Harry Beecroft, *Beecroft, Cole & Co.*, Topeka

George S. Channer, Jr., *Parcus, Kindred & Co.*, Chicago; Quitman R. Ledyard, *J. C. Bradford & Co.*, Nashville; Wayne Martin, *Milhous, Martin & Co.*, Atlanta, Ga.

John G. Heimerdinger, *Walter, Woody & Heimerdinger*, Cincinnati; Stanley G. McKie, *Weil, Roth & Irving Co.*, Cincinnati; Robert H. Cook, *B. J. Van Ingen & Co. Inc.*, Miami; F. Boice Miller, *B. J. Van Ingen & Co. Inc.*, Miami; L. Walter Dempsey, *B. J. Van Ingen & Co. Inc.*, New York City

Mr. & Mrs. John S. Loomis, *The Illinois Company*, Chicago

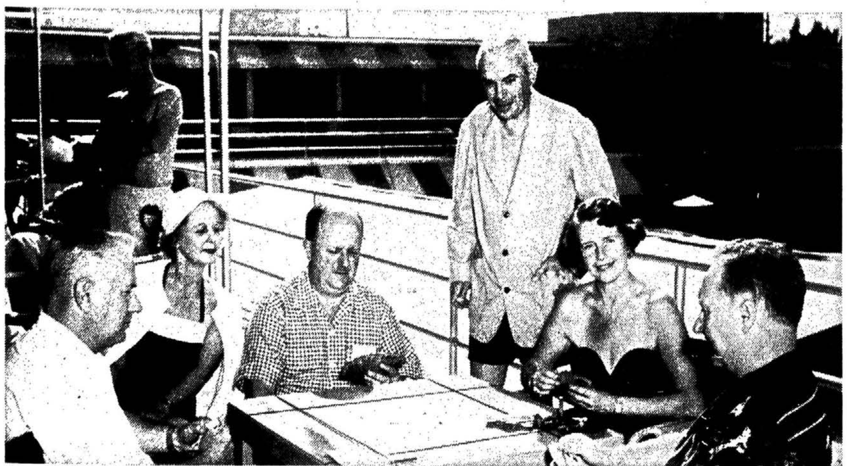
Mr. & Mrs. W. Carroll Mead, *Mead, Miller & Co.*, Baltimore; Mr. & Mrs. William W. Mackall, *Mackall & Coe*, Washington, D. C.

Carnot W. Evans, *Harris, Hall & Co. (Incorporated)*, Chicago; Arthur R. Robinson, *Anderson & Strudwick*, Richmond, Va.; S. E. Johanigman, *The Milwaukee Company*, Chicago; Robert V. Wehrheim, *Philadelphia National Bank*, Phila.

Standing: William H. Clark, *Merrill, Turben & Co.*, Cleveland; Walter A. Schmidt, *Schmidt, Poole & Co.*, Philadelphia; Mrs. Jesse P. Donnally, Charlottesville, Va.; James W. Chandler, *W. L. Lyons & Co.*, Louisville; Edwin B. Horner, *Scott, Horner & Mason*, Lynchburg, Va.; Mrs. Alfred J. Stalker, New York City; Scott Perry, *Gordon Graves & Co.*, New York City; Mrs. William S. Hildreth, Charlottesville, Va.; Gordon Crouter, *DeHaven & Townsend, Crouter & Bodine*, Philadelphia; Seated: K. P. Tsolainos, *Baker, Weeks & Harden*, New York City; Orlando Brewer, *Phelps, Fenn & Co.*, New York City; Mrs. Scott Perry, Mrs. Edwin B. Horner; Mrs. William H. Clark; Mrs. Orlando Brewer

Carnot W. Evans, *Harris, Hall & Co. (Incorporated)*, Chicago; Lewis Miller, *First National Bank*, Chicago; Monroe V. Poole, *George B. Gibbons & Co.*, New York City; Marquette de Bary, *F. S. Smithers & Co.*, New York City

gitized for FRASER
p://fraser.stlouisfed.org/

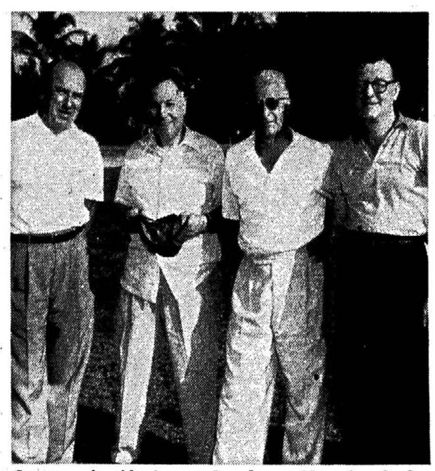


Elisha Riggs Jones, *E. R. Jones & Co.*, Baltimore; Mrs. Charles A. B. Boss; Walter H. Weed, Jr., *Union Securities Corporation*, New York City; Charles A. B. Boss, *Broad Street Sales Corp.*, Boston; Mrs. and Mr. Paul B. Hanrahan, *Hanrahan & Co.*, Worcester, Mass.

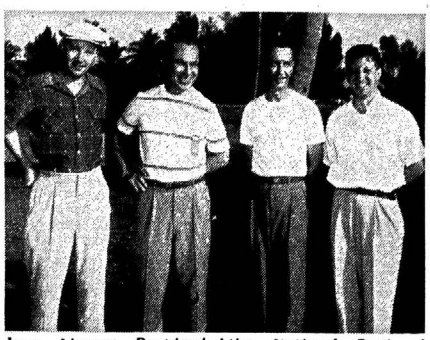
Arthur J. Neumark, *H. Hentz & Co.*, New York City; Wilbur E. Hess, *Fridley & Hess*, Houston; Walter Maynard, *Shearson, Hammill & Co.*, New York City; H. Stanley Krusen, *Shearson, Hammill & Co.*, New York City; Mrs. Walter Maynard

Wallace M. McCurdy, *Thayer, Baker & Co.*, Philadelphia; William M. Cahn, Jr., *Henry Herrman & Co.*, New York City; Milton G. Hulme, *Glover & MacGregor*, Pittsburgh; Paul Mullaney, *Mullaney, Wells & Co.*, Chicago

Standing: F. Brian Reuter *Mellon National Bank*, Pittsburgh; Frederick T. Seving, *Butcher & Sherrerd*, Philadelphia; Mrs. Milton G. Hulme, Pittsburgh; Charles McK. Lynch, Jr., *Moore, Leonard & Lynch*, Pittsburgh; Mrs. Milton Trost, Louisville; Wilbur E. Johnson, Sr., *Johnson & Johnson*, Pittsburgh; Mrs. Arthur Nelson, New York City. Seated: Mrs. Wilbur E. Johnson; Mrs. Nathan K. Parker, Pittsburgh; Mrs. Robert W. Ewing, Wheeling, W. Va.; Mrs. Frederick T. Seving; Mrs. F. Brian Reuter; Mrs. Charles McK. Lynch



Gustave A. Alexisson, *Granbery, Marache & Co.*, New York City; J. W. Wolff, *Zuckerman, Smith & Co.*, New York City; Elvin K. Popper, *I. M. Simon & Co.*, St. Louis; Arthur Nelson, *Burnham & Co.*, New York City



John Ahearn, *Rockland-Atlas National Bank of Boston;* Herbert A. Dewitz, *J. A. Hogle & Co.*, Salt Lake City, Utah; Warren D. Chiles, *Chiles-Schutz Co.*, Omaha; A. A. Anastasia, *Wall Street Journal*, New York City

Benjamin J. Levy, *Salomon Bros. & Hutzler*, New York City; Robert G. Rowe, *Stroud & Company, Incorporated*, Philadelphia; Rudolf Smutny, *Salomon Bros. & Hutzler*, New York City; Francis B. Bowman, *Chase National Bank of the City of New York*

S. David Lamon, *Blyth & Co., Inc.*, Los Angeles; Edward G. Webb, *Scott, Horner & Mason*, Lynchburg, Va.; Reginald M. Schmidt, *Blyth & Co., Inc.*, New York City; John V. Hollan, *Barr Brothers & Co.*, New York City

George M. Gregory, *Gregory & Son, Inc.*, New York City; William H. Gregory, Jr., *Bonner & Gregory*, New York City; Jerome F. Tegeler, *Dempsey-Tegeler & Co.*, St. Louis; Frederick W. Straus, *Straus, Blosser & McDowell*, Chicago

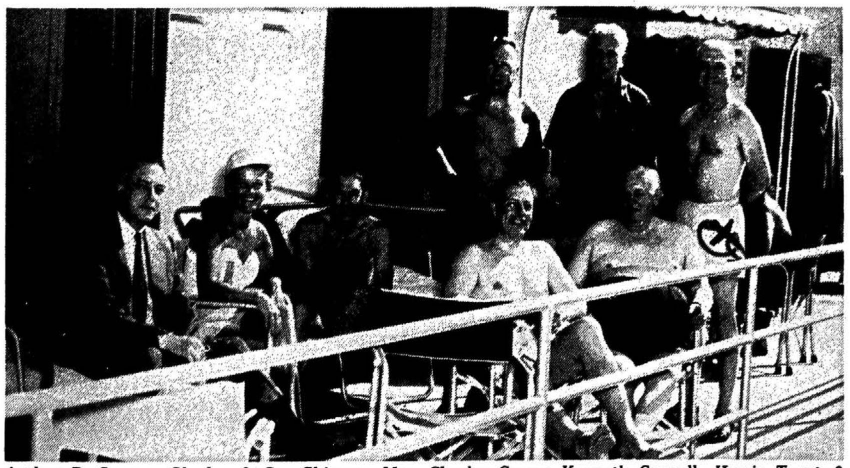
Mr. & Mrs. Ernest E. Stone, *Stone, Moore & Co.*, Denver; Mrs. Malcolm F. Roberts, Denver

James Ryan, *C. J. Devine & Co.*, New York City; Howard L. Taylor, *Taylor & Co.*, Beverly Hills, Calif.; William G. Carrington, Jr., *Ira Haupt & Co.*, New York City; Robert W. Borden, *R. H. Moulton & Co.*, San Francisco; Vernon E. Kimball, *J. Barth & Co.*, San Francisco

Miss Jean Lyons, *Lyons & Shafto*, Boston; Carroll H. Little, *C. H. Little & Co.*, Jackson, Tenn.

igitized for FRASER
ttp://fraser.stlouisfed.org/

Robert G. Rouse, *Federal Reserve Bank*, New York City; Sheldon R. Green, *Chase National Bank of the City of New York*, New York; William R. Rovensky, *Hornblower & Weeks*, New York City; Mrs. Sheldon R. Green; Mrs. Arthur D. Lane, New York City; Mr. & Mrs. J. Mills Thornton, Jr., *Thornton, Mohr & Co.*, Montgomery, Ala.; Mrs. Thorburn Rand, New York City



Arthur R. Sawers, *Chesley & Co.*, Chicago; Mrs. Charles Carey; Kenneth Crowell, *Harris Trust & Savings Bank*, Chicago; Edward C. George, *Harriman Ripley & Co., Inc.*, Chicago; Arthur C. Allyn, *& Company*, Chicago; (standing) Charles Carey, *Harris Trust & Savings Bank*, Chicago; David Skinner, *Harriman Ripley & Co., Inc.*, N. Y. C.; Edward J. Jennett, *First National Bank of Chicago*

John Raiss, *Burnham & Co.*, New York City; Bayard Dominick, II, *Dominick & Dominick*, New York City; Mrs. John Raiss; Albert E. Schwabacher, Jr., *Schwabacher & Co.*, San Francisco

Irving Koerner, *Allen & Company*, New York City; C. Merritt Coleman, *Allen & Company*, New York City; Francis M. Brooke, Jr., *Brooke & Co.*, Philadelphia; Arthur Horton, *Penington, Colket & Co.*, Philadelphia; Joseph J. Corby, *Allen & Company*, New York City

Edward H. Robinson, *Schwabacher & Co.*, New York City; Fred W. Hudson, *Ball, Burge & Kraus*, Cleveland; Albert Augustus, *Ball, Burge & Kraus*, Cleveland

Roy W. Doolittle, *Doolittle & Co.*, Buffalo; John C. Maxwell, *Tucker, Anthony & Co.*, New York City; Arthur H. Lamborn, *DeCoppet & Doremus*, New York City

Mrs. Robert E. Clark, New York City; Mrs. Leonard J. Paidar, Chicago; Andrew B. Knox, *Andrew B. Knox and Co.*, Ft. Lauderdale, Fla.; Henry M. Ufford, *Calvin Bullock*, Atlanta; Mrs. Joseph C. Houston, Jr., Chicago; Mrs. Willard T. Grimm, Chicago

Gerald P. Peters, *Peters, Writer & Christensen, Inc.*, Denver, Charles A. Parcells, Jr., *Charles A. Parcells & Co.*, Detroit; Carl Stolle, *G. A. Saxton & Co., Inc.*, New York City

Stanley N. Minor, *Pacific Northwest Company*, Seattle; Edward C. George, *Harriman Ripley & Co., Inc.*, Chicago; Harold J. Berry, *Harriman Ripley & Co., Inc.*, New York City; David Skinner, *Harriman Ripley & Co.*, New York City; Russell Welles, *The Hanover Bank*, New York City

Charles R. Perrigo, *Hornblower & Weeks*, Chicago; Mrs. and Mr. O. Paul Decker, *American National Bank*, Chicago; Clifton P. Walker, *Paul H. Davis & Co.*, Chicago; Charles R. Mosser, *Hornblower & Weeks*, New York City; Joseph E. Smith, *Union Securities Corporation*, New York City

gitized for FRASER
p://fraser.stlouisfed.org/

Continued from page 30

Foresees Federal Deficits, with Only Moderate Tax Cuts

there is every reason to believe that a 50% limitation would eventually increase rather than decrease revenues as was shown in the estimates made by the Tax Committee in the report submitted by Malon Courts.

(2) With respect to a reduction in the capital gains tax, a shortening of the holding period, and an increased deduction against other income for losses, it would seem that we might make some progress. Last year it will be recalled, Secretary Snyder, following the direction of President Truman, recommended an increase in the tax from 25% to 37½% and a lengthening of the holding period from 6 months to a year. Despite our protest and evidence based upon the information available that a shorter holding period and lower tax would increase revenues and free capital markets, Congress saw fit to raise the tax to 26%. At the time it was felt that this increase was not too unfavorable in view of the drastic raises in taxes generally. Since tax reductions seem to be in order, it is our opinion that we should make the following recommendations to Congress with respect to the Capital Gains Tax: A reduction in the tax rate to 10%; a shortening of the holding period to 3 months, and an increase to $5,000 in the deduction for losses against other income.

While there are no actual figures available to support our contention that these recommendations will increase revenues, the more favorable treatment accorded to capital gains in the 1942 tax bill resulted in a rather large increase in taxes collected versus the prior two years. Furthermore, the Tax Committee has recently consulted with a large number of trustees and investment advisers to try to find out to what extent the present tax rate of 26% on long-term capital gains has acted as a deterrent to making recommendations for changes in accounts under their supervision. The result of this inquiry leads us to believe that a reduction in the tax rate would greatly encourage making changes in portfolios. Of course this would result in the payment of taxes on long-term gains and in addition would help greatly to free capital markets. Nearly everyone in the investment banking business knows of many instances where investors have been reluctant to make sales or desirable exchanges of securities held by them because of the resultant loss of capital to them through the payment of a 26% tax. If this rate was reduced to 10% their objections would be largely overcome and the changes would be made and the tax paid.

It is our opinion, therefore, that a reduction in rate is even more important to members of the Investment Banking business than a shortening of the holding period. It is doubtful whether members who confine their activities strictly to the brokerage business will go along with this, and since it is essential to have complete harmony and cooperation among the various factors in our Association, we do not suggest that our program should stress too strongly the desirability of a change in rate over the shortening of the holding period. Both changes should be made to accomplish the maximum benefits.

(3) With respect to relief from present double taxation of corporate dividends, it seems hardly necessary to argue the injustice of taxing corporate earnings at an exceedingly high level and then in addition taxing them again when the small amount of earnings available to stockholders are paid to them in the form of dividends. The shareholders are in fact the actual owners of the corporations and are entitled to all the earnings. Consequently, taxes levied upon corporate earnings are levied upon the stockholders and any further tax upon them constitutes double taxation and is patently unfair and should be corrected. It seems impractical to hope for anything more than an adjustment which will alleviate the situation. We have advocated the allowance of a credit of 10% on dividends received which seems to us to be very modest in view of the fact that the present laws make an 85% credit allowance on dividends received by corporations. Certainly this difference in the treatment of corporations and individuals cannot be justified by any standards of fairness or impartiality.

(4) We have supported the provision which would permit unincorporated business to elect to be taxed upon the same basis as corporations because the present laws work a hardship upon certain companies which, for one reason or another, are unable to conduct their affairs under the corporate form. In our industry this would apply to members of the New York Stock Exchange who, because of the rules of the Exchange, must conduct their business as partnerships. Certainly there is no reason why the members of this group should not have the right to elect to be taxed upon the same basis as others in the same line of business who happen to be incorporated. A bill which provided for this was introduced to Congress in 1950 and again in 1951 by Representative Daniel A. Reed of New York. Since Mr. Reed will be the new Chairman of the House Ways and Means Committee there is a fairly good chance that this measure will be included in the tax bill.

(5) It also seems probable that self-employed persons will be accorded the same treatment with respect to retirement funds as officers and employees of corporations, because Congress has already recognized the principle involved by allowing this group to participate in social security benefits on the same basis as corporate employees. The House Ways and Means Committee gave consideration to the removal of this discrimination during its recent session. Why suitable legislation was not passed is a matter of conjecture, but it is believed that it was probably overlooked in the rush for adjournment or because of the lack of strong sponsorship. It is our purpose to take an active position on this matter when the new tax bill is considered.

IBA Members Should Support Program

Our program may seem to be ambitious and certainly it will fail unless the members of the IBA give it their wholehearted support. On the other hand, the measures which we advocate seem to be very reasonable and worthy of our efforts to have them included in the new tax law. A change in public sentiment is indicated by the results of the last election, and therefore we have every reason to hope that the time is propitious for having our program adopted.

In August we learned that Mr. Colin Stam, who is the adviser for the Joint Committees on Internal Revenue taxation in Washington, had made inquiries of interested groups about suggestions for changes in the forthcoming tax legislation. We felt that it would be desirable for the views of the IBA to be expressed to Mr. Stam and accordingly I have stated to him our position on the various phases of the tax bill which have constituted our program. We were informed by Malon Courts that he had written to Mr. Stam and I have learned that other groups in our business have also gone on record with him as being interested in the tax program and have made suggestions about various phases of the legislation which we are trying to get enacted into the law.

As far as we know there have been no conflicts between our suggestions and those made by others. However, some of the other programs were more emphatic about the capital gains tax than we were and they concentrated their efforts in this direction. In view of the fact that the questionnaire which Mr. Stam sent out was highly technical it was felt that an answer expressed in generalities might be inadequate and therefore it is our opinion that we should send a supplementary communication to Mr. Stam after this convention which would state in detail the views of this organization.

Finally, in closing this report, your Committee again wishes to express its thanks and appreciation to Murray Hanson for his invaluable advice and help in carrying out the work of the Committee.

Respectfully submitted,

THE FEDERAL TAXATION COMMITTEE

James M. Hutton, Jr., Chairman
W. E. Hutton & Co., Cincinnati

James F. Burns, Jr.
Harris, Upham & Co., New York City

Rush S. Dickson
R. S. Dickson & Co., Inc. Charlotte, N. C.

Thomas Graham
The Bankers Bond Co., Inc. Louisville

John C. Hagan, Jr.
Mason-Hagan, Inc., Richmond

Donald W. Hinton
Conrad, Bruce & Co., Seattle

James E. Hogle
J. A. Hogle & Co., Salt Lake City

Stewart R. Kirkpatrick
Kirkpatrick-Pettis Co., Omaha

John P. Labouisse
Howard, Weil, Labouisse, Friedrichs & Company, New Orleans

James C. Lancaster
Union Planters National Bank, Memphis

James H. Lemon
Johnston, Lemon & Co., Washington, D. C.

Harold M. Martin
Murphey Favre, Inc., Spokane

George A. Newton
G. H. Walker & Co., St. Louis

Ralph W. Simonds
Baker, Simonds & Co., Detroit

Carl N. Stutz
White-Phillips Company, Inc., Davenport

Mark Sullivan, Jr.
Auchincloss, Parker & Redpath, Washington, D. C.

Gus B. Walton
Walton & Company, Inc., Little Rock, Ark.

Charles B. White
Chas. B. White & Co., Houston

DOOLITTLE & CO.

Established 1919

MEMBERS NEW YORK STOCK EXCHANGE
MEMBERS NEW YORK CURB EXCHANGE (ASSOC.)

UNDERWRITERS — DISTRIBUTORS — DEALERS

Primary markets in all securities of Buffalo and Western New York

MANAGER TRADING DEPARTMENT
JOHN A. BRADT

LIBERTY BANK BUILDING • BUFFALO 2, N. Y.
Telephone Washington 4970 Bell Teletype BU 46
RIALTO BUILDING, LOCKPORT, N. Y.
70 NIAGARA ST., BUFFALO 2, N. Y.

Direct Private Wire to
TUCKER, ANTHONY & CO., NEW YORK CITY

"TOMORROW IS NOW IN SOUTHERN NEW JERSEY"

With the passage of the referendum for the Garden State Parkway, New Jersey will have the dream highway of the future within three short years. This parkway will extend from the New York State line to the southern tip of the State.

Atlantic City Electric Company welcomes this 180 mile long parkway into the area it serves. It means easy access for countless thousands of visitors to our resort territory and unquestionably will hasten the further development of our 3,000 square miles of opportunity.

ATLANTIC CITY SOUTHERN NEW JERSEY ELECTRIC SYSTEM ELECTRIC COMPANY

HELPING TO BUILD A *GREATER* SOUTHERN NEW JERSEY

INDUSTRY • AGRICULTURE • RESORTS

Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from page 26

Menace of Public Power To Private Investment

be its advocate and get back to its proper function of regulator and fair referee, the economic fraud of public power can be exposed more effectively and the trend stopped. Under such conditions we can envision in this generation private enterprise reacquiring at least some part of the socialized segment of the business.

Electric Utility Earnings

The tabulation below sets forth the earnings picture of Class A and Class B privately owned electric utilities for the first eight months period of 1952 compared to the same period in 1951.

The industry's volume of business and gross operating revenues continue to increase and the earnings result for the first eight months of 1952 shows a healthy improvement over the comparable 1951 period, with operating earnings before Federal income taxes up 17.1% and net income up 13.9%. This is in sharp contrast to our previous report which showed operating income for the calendar year 1951 up 12.2% over 1950 and net income actually down ½ of 1%.

The comparison of 1952 with 1951 requires taking into consideration two important tax changes. The 3½% excise tax was removed as of Nov. 1, 1951 and this is a large factor in the improved earnings picture. However, the aggregate of normal and surtaxes was increased in 1952 as against 1951 and represents an offset to the excise tax benefit. The industry received substantial excess profits tax relief in the 1951 tax legislation, but this in itself raises a caution signal about the future. There are many who believe that the excess profits tax will not be renewed after its expiration next summer, but it is quite possible that if it is not renewed the regular corporate tax rates may be increased by 2% or 3% to offset the loss of excess profits tax revenues. Such a change would be clearly damaging to the net income of the industry since there would be little or no offsetting benefits.

It should also be borne in mind that the industry must have increasing profits at least to match its increases in plant investment. It has been noted by many companies that their increment of increased income represents a wholly unsatisfactory rate of return on the new plant investment. With increased taxes and costs of both operation and capital expenditures, management and regulatory authorities must be alert to the basic requirement of maintaining earning power at a level sufficient to attract new capital and particularly common stock capital. Justifiable rate increases must not only be adequate for this purpose but must also be granted without undue delay. Many investors and security analysts are genuinely concerned with the record and attitudes of some of our regulatory authorities. This criticism is not national but seems to be wholly justified with respect to certain jurisdictions, and it is evidenced by the unwillingness of certain major utility investors to purchase securities of companies in such jurisdictions.

Electric Utility Financing

The accompanying table sets forth the volume, type and purpose of financing by the electric utility industry during the year 1951 and during the first 10 months of the year 1952 as compared to the comparable 1951 period.

Total financing of the industry has increased 20.9% in the first 10 months of this year over the same 1951 period, and the volume for these 10 months is already greater than the entire year 1951. Practically all of this year's financing has been for new money to finance the industry's huge construction program. Estimates of 1953 industry expenditures indicate that 1953 financing should be fully as great as 1952, but this in turn will be dependent to some extent upon market conditions.

During 1951 there was a sharp change in the level of the bond market. Moody's utility bond yield averages for A bonds hit a high of 3.32% from a low of 2.82% in 1951, a change of a full ½ of 1%, and the 1952 market has not varied much from the high of 1951—the 1952 range being 3.31% to 3.21%. More importantly, 31 actual new issues of A bonds were offered in the first 10 months of this year at an average yield of 3.36%, with the general level higher in the past several months than earlier in the year. Among AA and AAA electric utility bonds, 26 issues were offered at an average yield of 3.17%, but there has not been as much hardening of rates in recent months as in A bonds. The spread between A and AA bonds has widened during the year. Overall, bond money is costing more this year, and difficulties with new issues have become more frequent.

In preferred stock financing, 25 new issues were offered at an average yield of 4.60%, with individual issues varying quite widely from the average, but with no discernible trend in the level during the period. An interesting feature of this financing was that 16 of these issues were sold by negotiated public or private sale and 9 were sold by competitive bidding; but of these nine, six were required to be sold at bidding by regulatory authorities. This pattern indicates that the vast majority of utility managements, when given freedom of choice, have recognized that the negotiated underwriting method is the preferable way to sell preferred stock issues, and particularly when markets for such issues are something less than ideal.

While bond and preferred stock markets have continued at higher yield levels, the market for utility common stocks has extended the improvement that set in during the fall of 1951. This improvement is shown by the following averages of all electric operating company common stocks listed in The First Boston Corporation's utility stock booklet. On Nov. 7, 1952 these 93 stocks were selling at an average of 14.0 times earnings and yielded an average of 5.51%. On Dec. 10, 1951 these same averages were 12.8 times and 6.10%, respectively. This favorable market situation has made possible an increasing amount of successful common stock offerings, and utility companies have wisely taken advantage of it.

We urge caution upon bankers, utility managements and regulatory bodies in interpreting this action of the utility common stock market. The trend has been against the movement of money rates. We believe this has been due at least in part to an unusually strong demand situation arising from the buying of utility common stocks by pension funds, life insurance companies and, more recently, savings banks. Much of this buying has resulted from changes in state laws in the past two years, and much of it represents accumulating a desired position. At some point, which we can't predict, this demand will settle back to meeting only annual increments of new funds. At such time these stocks will again be priced by more normal supply and demand factors and the ability of utilities and bankers to sell such stocks at fair prices will depend upon the extent of recognition by companies and regulatory bodies of the need for earnings and dividends adequate to stimulate continued and new investment by investors.

Telephone Companies

In August, 1952 American Telephone and Telegraph Company successfully completed the largest single corporate security offering in the country's history by means of the offering to stockholders of $498,656,300 of 3½% Convertible Debentures due 1964. This financing continued the pattern established in recent years by this company in selling debentures convertible into stock at a price materially below the market price of the stock. This device has made possible, in effect, the sale of stock in very large quantities which undoubtedly could not have been sold at as favorable prices if the company had sold stock directly. It also makes possible the delaying of stock issuance with its higher dividend requirements pending the time the new money can be put to work to produce earnings. Affiliated companies in the Bell System have sold an aggregate of $95 million of debt securities through the end of November of 1952, and in addition have sold $167,505,700 of capital stock. However, most of this stock was sold to the parent company and such proceeds are therefore in large part reflected in the parent company's sale of the convertible debentures.

No reliable compilation of financing is available with respect to the independent telephone industry, namely, the companies outside of the Bell System. It is apparent from noting the number of debt and stock issues of independent companies that the financing of this industry has also been substantial. The independents represent about 18% of the total

Earnings of Privately Owned Electric Utilities

(000 omitted)

	First Eight Months 1951	1952	Change
Sales of energy (KWH)	206,420,000	217,161,000	+ 5.2%
Operating revenues	$3,433,381	$3,693,262	+ 7.6%
Operating income before Federal income taxes	1,089,351	1,276,159	+17.1
Federal income taxes*	387,926	492,094	+26.9
Gross income	732,225	815,563	+11.4
Net income	530,780	604,632	+13.9

*Includes excess profits tax. (*Source:* Federal Power Commission)

Electric Utility Financing

(000 omitted)

	Year 1951	Ten Months to October 31 1951	1952	Change
Total financing	$1,531,371	$1,282,260	$1,550,156	+20.9%
Form of financing				
Long-term debt	$1,003,675	$842,815	$980,336	+16.3
Preferred stock	182,082	129,088	170,422	+32.0
Common stock	345,614	310,357	399,398	+28.7
Total	$1,531,371	$1,282,260	$1,550,156	+20.9%
Purpose of financing				
New money	$1,495,450	$1,261,980	$1,535,427	+21.7%
Fefunding	30,078	14,438	9,128	—36.7
Divestments	5,843	5,842	5,601	— 4.1
Total	$1,531,371	$1,282,260	$1,550,156	+20.9%

(*Source:* Ebasco Services Incorporated)

Bonds of States and Municipalities

Municipal Bond Department

THE PHILADELPHIA NATIONAL BANK

1416 CHESTNUT STREET, PHILADELPHIA 1, PA.

Telephones: Philadelphia LOmbard 3-9620 New York CAnal 6-3590

Teletype: PH 356

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

UNDERWRITERS AND DEALERS

Industrial, Public Utility, Railroad and Real Estate Securities

ACTIVE TRADING POSITIONS MAINTAINED

Established 1865

BIOREN & CO.

MEMBERS
New York Stock Exchange
New York Curb Exchange
Philadelphia-Baltimore Stock Exchange

1508 Walnut Street, Philadelphia 2, Pa.

PEnnypacker 5-9400

New York Telephone: DIgby 4-5632 Teletype: PH 574

gitized for FRASER
p://fraser.stlouisfed.org/

telephones in service in this country and, therefore, constitute a very sizable industry in itself. The plant investment of the independent companies has grown from $500 million in 1941 to approximately $1,300 million at the end of 1951. The United States Independent Telephone Association predicts that this figure will exceed $2 billion ten years from now. With the Bell System anticipating property expenditures to continue at a very high level, it is apparent that the entire industry will continue to have extensive recourse to the capital markets for at least serveral years.

Respectfully submitted,

PUBLIC SERVICE SECURITIES COMMITTEE

Charles C. Glavin, Chairman
First Boston Corporation, New York City

H. Theodore Birr, Jr.
First California Company, Incorporated, San Francisco

Elwood D. Boynton
Hallgarten & Co., New York City

William M. Cahn
Henry Herrman & Co., New York City

Warren H. Crowell
Crowell, Weedon & Co., Los Angeles

Thomas S. Gates
Drexel & Co., Philadelphia

Gail Golliday
Stone & Webster Securities Corp., New York City

James B. Harper
Harper & Turner, Inc., Philadelphia

Willard A. Lynch
W. C. Langley & Co., New York City

Louis Meyer, Jr.
Stern, Frank, Meyer & Fox, Los Angeles

Ludlow F. North
Robert W. Baird & Co., Incorporated, Milwaukee

Lee H. Ostrander
William Blair & Company, Chicago

Nathan K. Parker
Kay Richards & Co., Pittsburgh

Joseph E. Refsnes
Refsnes, Ely, Beck & Co., Phoenix, Ariz.

Thomas J. Reis
Seasongood & Mayer, Cincinnati

Richard J. Stern
Stern Brothers & Co., Kansas City, Mo.

John W. Valentine
White, Weld & Co., Boston

Theodore H. Wegener
Wegener & Daly Corp., Boise, Idaho

Continuel from page 27

Finds Little Grist in New Aviation Financing

thing would be a complete review on a high governmental level of the rate policies of the airline industry, including not only passenger rates but express, cargo and mail as well. In the matter of mail rates, the year 1952 has seen a reduction in these by the CAB, which of course has had its effect on airline earnings. The primary function of mail rates is to act as a sort of governor on earnings, geared to allow the lines to earn a reasonable return on their invested capital. To reduce them in the face of a declining earnings trend such as was done earlier this year does not seem to be consistent with the concept under which the airlines receive mail pay.

The present program of the airlines for new equipment is about two-thirds completed and should be completed by the middle of 1954. By this time the full benefits of the modern equipment will be felt and the greater efficiency provided by the new equipment may well serve to bring about again an increase in net profits provided the traffic demand keeps pace with the increased productivity of the new equipment. This will of course depend on two things:

(1) the general level of business, regarding which one man's guess is as good as another's, and

(2) the ability of the airlines to please the travelling public with the services they offer in competition with other forms of transportation.

In 1951 for the first time scheduled air passenger miles exceeded the total passenger miles traveled in Pullman cars. The airline industry can be said to have come of age, but now that it is a full-fledged adult it must be ever vigilant against a deterioration in the quality of its service. By this is meant not only speed and safety in the air but all the collateral elements involved in the transportation of passengers.

The seriousness of the situation which the airlines would face should the demand for their product fall off was brought out most emphatically earlier this year in a speech made by Oswald Ryan, presently Acting Chairman of the Civil Aeronautics Board, in which he forecast an increase of 59% in the domestic airlines' seat-mile capacity by the end of 1953 as compared with June, 1951, requiring nearly $400,000,000 of increased annual revenues to sustain this increased capacity, or an increase of more than $1,000,000 a day.

We have seen that currently the airlines are able to finance their capital requiremtns largely out of depreciation but as already noted depreciation cannot be availed of unless there are cash earnings of sufficient magnitude. The depreciation reserve requirements of the airline industry in this phase of its tremendous capital expansion are mounting at an almost fantastic rate. One airline alone — not by any means the country's largest—will have raised its depreciation requirements during this year from an annual rate of $5,500,000 to $12,000,000, with a further large increase to come in 1953.

A review of the income tax situation indicates that termination or downward revision of the excess profits tax would not benefit the airlines' earnings picture as much as might be supposed. Because of special provisions in the Revenue Act of 1951 only three airlines were subject to excess profits tax last year.

Without in any way meaning to disparage the wonderful growth potential still ahead of this dynamic industry, can one, in the face of the above figures and the exposures to which the industry is vulnerable in the next few years, wonder at the somewhat tepid appraisal given to airline stocks by the market today?

There have, however, been two encouraging developments on the airline scene during the year. One has been the progress toward mergers. Three mergers have already been concluded, two more seem well under way, with others in the discussion stage.

The second has been a development of which it is believed we have seen only the beginnings. This is the interchange of equipment, whereby a plane can originate at a point on one line and be flown on a through trip over another line or lines. The CAB's policy appears to support interchange agreements where traffic warrants competition. It may well be that developments along these lines will to some extent take the place of mergers, for such interchange arrangements may to a limited extent be regarded as operating mergers stopping short of financial mergers.

CAB approval is required in the case of interchanges as well as for mergers. It is unfortunate that the procedures involved in obtaining the necessary approvals are so cumbersome as to cause the most burdensome delays. Attempts have been made by the CAB to streamline its procedure so as to minimize these delays and the demoralizing uncertainties and heavy expenses incident thereto, but so far such attempts have had little apparent result.

In the feeder line field 1952 has brought nothing of importance. The feeder lines from the nature of their business continue to be heavily subsidized. The philosophy of many proponents of government aid in this, the least profitable of airline operations, is that it is only a question of time before a technical development will give these short-haul carriers a real utility. This devolpment will we venture to prophesy, be the helicopter.

Under the impetus of the Defense Program, enormous progress has been made in helicopter engineering and production. The feats performed by the helicopter for the military forces and other services (police, forest, Coast Guard, etc.) are matters of common knowledge. The helicopter is now emerging as a factor in commercial transportation. Three of our largest cities have regular scheduled operations, confined so far to the mail but destined in the not distant future to carry passengers as well, within a limited and populous area. Helicopters capable of carrying eight or 10 persons are now flying and models capable of carrying 30 to 40 persons have been engineered and should be flying for the military within a year. In addition to the function of carrying mail and persons between airports and other points within metropolitan and suburban areas, the helicopter may eventually prove useful in carrying passengers not only on short-haul airlines, but on trunk-line flights where the distance between stops is relatively short. While it is impossible to predict at this time all the roles which the helicopter will play in comercial air transportation, it is clear that the helicopter presents major possibilities in this field, and that we are on the threshold of its development as an important factor in the airline industry. Indeed, the helicopter may well prove to be the long-sought successor to the DC 3.

Much attention has been given recently to the potential of the jet transport. British jets are being used on certain routes of the British airlines. In spite of all the publicity given to the subject, it appears that even the De Havilland MARK III COMET, the most advanced jet transport on the horizon, will not be economical to operate and it does not seem probable that a jet transport, suitable for operation by our domestic airlines, will be in service for a least six years. In addition to the fact that the present day jet is prohibitively expensive to operate, there are technical obstacles in the way of incorporating it into service on the highly congested routes of this country. In addition, the noise made by jets operating in any substantial numbers in and out of thickly inhabited communities would be so appalling as to be unendurable. As it is only a question of time before jets have developed to a point where they will be an important factor in commercial air transportation, it is not improbable that because of the noise nuisance the main commercial airports will eventually be removed to points way outside of metropolitan areas. As a result of this development one can see another important role to be played by the helicopter in carrying passengers from the center of cities to these relatively distant airports.

The subject of the turbo-prop

Continued on page 66

BUTCHER & SHERRERD
ESTABLISHED 1910

Underwriters, Distributors, Dealers in
CORPORATE AND MUNICIPAL SECURITIES

MEMBERS
New York Stock Exchange *Philadelphia-Baltimore Stock Exchange*
New York Curb Exchange (Associate)

1500 WALNUT STREET • PHILADELPHIA 2, PA.

Philadelphia Telephone PEnnypacker 5-2700 | Teletype PH-4 | New York Telephone WHitehall 4-4927

DREXEL & CO.

Underwriters and Distributors of Public Utility, Industrial, Railroad, Municipal Securities and Equipment Trust Certificates.

Members
New York Stock Exchange
New York Curb Exchange (Assoc.)
Philadelphia-Baltimore Stock Exchange

PHILADELPHIA 1
1500 Walnut St.

NEW YORK 5
14 Wall Street

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Continued from page 65

Finds Little Grist in New Aviation Financing

engine has received much attention and its proponents believe that such a power plant is in some respects superior to that of the turbo jet. Whether the future will see this type of engine developed to a point where its use in commercial transportation will precede or take place simultaneously with that of the turbo jet is still a moot question regarding which more will no doubt be known at this time next year.

In concluding this part of the report having to do with the air transportation industry, mention might be made of the air freight business. In spite of the optimistic hopes of its enthusiasts, the carriage of goods by air remains a relatively unimportant branch of air transportation. It has grown, of course, but it has not overcome its basic limitations arising from the fact that the plane has not yet been built which can carry goods through the air cheaply enough to compete with other forms of freight transportation. There are of course occasions where the desirability of speed more than outweighs the expense differential, and air express, while a small part of the overall service rendered by the airlines, is showing a steady growth. In this connection it is regrettable that no means have yet been found for providing a substitute for the Railway Express Agency as the over-the-ground pick-up and delivery instrumentality for air express. For the owners of this agency are the railroads who are in turn the airlines' chief competitors for express business.

Manufacturing

The size and tempo of aircraft production is such today that its impact is felt not only by airframe and aircraft engine manufacturers, but also by the automotive industry, which has been called upon to assist in the manufacture of airplanes and engines under licensing agreements, and by a host of sub-contractors. The complexities of the problems facing the industry require it to draw more and more upon the engineering skills and productive capacities of other industries, such, for example, as the electronics industry. This report cannot embrace the effect of the present aircraft production program on the many related industries but most confine itself to airframe and engine manufacturers.

Whereas the airlines experienced peak earnings in 1951 and a falling off of earnings in 1952, the experience in the manufacturing end of the industry has been the opposite. 1951 was a year of expansion requiring expensive tooling up in preparation for the increasingly heavy demands of the Defense Program. Sales for the industry as a whole increased about 35% over 1950 but higher taxes and higher costs sharply reduced 1951 earnings below those of 1950.

In 1952 the earnings have been on the ascendant and it is expected that the industry will show an average net income from 30% to 40% in excess of that for 1951. This, it will be noted, is considerably lower than the increase in the rate of sales of 85% which the industry is experiencing this year and indicates the extent to which profit margins after taxes have been decreasing. Not only is the industry subject to the impact of heavier taxation, but the greater part of its busines, being military, is also subject to the inroads of renegotiation and price redetermination, the result of which has been drastically to reduce net profit margins, in some cases to below 2% of sales after taxes.

It would be difficult indeed for manufacturers to come out with anything pleasing in the way of net earnings when forced to operate with such an extraordinarily low margin of profit were it not for the hugeness of the gross volume of business in relation to the net worth of the companies' assets. In this end of the aviation industry, as in the case of the airlines, we see the workings of a tremendous leverage.

Traditionally the investing public has been wary of the stocks of aircraft manufacturers because of the past mercurial nature of the business in the terms of volume of activity. Inasmuch as over nine-tenths of the business is military, the industry is regarded as being at the mercy of a high military level of activity and, having seen military orders in the past reduced almost overnight more than 90%, the investor in the stocks of aircraft manufacturing companies cannot be blamed for asking himself whether this unhappy state of affairs is apt to recur.

Fortunately for the industry an analysis would indicate that for many years to come the demands of our government will continue at a high level. The Defense Program in effect at the beginning of last year scheduled for the aircraft industry a rapid increase in production calculated to hit its peak during 1953 and decline rapidly thereafter to a rate of relatively moderate production. During the year a change in policy took place and it was decided to stretch out the period to a lower peak to be arrived at later and to be held longer. The result of this change was generally pleasing to the industry as it meant lessening the strains involved in the accelerated production and guaranteed a longer period of high volume activity. The importance of this cannot be over-emphasized in its bearing on the stability of the industry and the consequent effect on the investment status of the securities of its companies.

The present military program envisages a build-up of 53 additional wings for the Air Force and four additional Navy air carrier groups and the replacement of obsolescent military aircraft which are believed to constitute about 70% of our existing military fleet. Under the present schedules this program will not be achieved and our Air Forces will not be at full strength before 1956 at which time 143 wings and 15 carrier groups will have been formed. In addition, during this period the normal processses of attrition, perhaps as great as 25% a year, will be at work. Thus a period of very high manufacturing activity is to be anticipated for the next three years, except in the event of such an improvement in the climate of international affairs as to warrant a relaxing of our defense effort or a change in government policy which would minimize the role to be played by the air arms. Neither of these eventualities appears likely.

We see therefore that the prospects for increasingly high volume are good for at least three more years. Is this increasing volume to be accompanied by a continuation of the downward trend in profit margins? While time alone will give the answer to this question, it is submitted that when the net margin has reached a point between 1½% and 2% of sales, as is the case today, it cannot be expected to go any lower. It is believed that the industry has already absorbed the greater part of the cost impact attendant upon large scale expansion, and while further increases in wages may have to be faced, the industry's principal customer, the government, will have to bear the brunt of these under the escalator clauses in its contracts.

The market in aircraft stocks has a history of wide cyclical fluctuation. In 1950 they had a substantial rise caused primarily by the Korean War and its impact on rearmament plans. In 1951 their prices held well, in spite of the falling off in the net earnings of the companies represented. Since then they have shown a small increase, slightly greater than the Dow Jones industrial averages. But this increase has by no means fully reflected the better performance, income-wise, of the aircraft manufacturing companies in relation to American industry as a whole. Corporate net profits have in the aggregate shown a marked decline in 1952.

If our analysis of the future of the future of the industry during the next few years in terms of net earnings is correct, it would seem that one may look for a substantial further improvement in the market demand for aircraft stocks. Unlike the stocks of the airlines, these shares have traditionally sold at a low times-earnings ratio and have shown relatively high dividend yields. These factors, coupled with the stability which the future appears to hold for this industry, would indicate better times for these shares marketwise.

Another favorable factor is the tax situation. There was a considerable variation in the impact of excess profits taxes on aircraft companies in 1951. While a few

TABLE I

15 Domestic Trunk Lines
(Millions)

	Operating Revenues	Income % Revs.	Net Before Taxes	Net Income % Revs.	Net Income
1947	$353	---	def. $26	--	def. $20
1948	413	---	def. 2	--	def. 5
1949	460	6.1	28	2.8	13
1950	524	10.2	59	5.9	31
1951	659	15.7	103	6.6	44
1952 Est.*	750	9.3	70	4.4	33

*1952 estimated results based on projection of eight months data.
Source: C. A. B. reports.

TABLE II

Nine Leading Aircraft Manufacturing Companies Comprising Standard & Poor's Aircraft Manufacturing Index
(Millions)

	Sales	Income % Sales	Net Before Taxes	Net Income % Sales	Net Income
1947	$705	---	def. $99	---	def. $30
1948	1,020	2.9	30	0.8	8
1949	1,299	5.0	65	3.3	43
1950	1,513	8.1	123	4.5	69
1951	2,094	5.1	107	1.7	*36
1952 Est.†	3,800	5.3	200	2.0	76

*One company reported net loss of $23,000,000 in year ending 1951.
†1952 estimated results based on projection of nine months results.
Source: Standard and Poor's Industry Services—Aircraft—and company annual reports.

TABLE III

Standard & Poor's Price Indices of Stocks of Air Transport & Aircraft Manufacturing Groups 1947-1951 and 1952 to Date

	Five Air Transport Companies High Low	Close*	1947 Close=100	Nine Aircraft Manufacturing Cos. High Low	Close*	1947 Close=100
1947	324—217	219	100	113— 79	91	100
1948	263—181	202	92	132— 93	101	111
1949	240—193	226	103	119— 96	114	125
1950	339—230	339	154	180—116	180	198
1951	402—318	392	179	196—152	172	189
1952 to date†	392—305	325	148	190—162	190	209

*Close at or near Dec. 31 except for 1952; 1952 close at Nov. 19.
†Through November 19, 1952.
Source: Standard & Poor's Trade and Security Statistics and The Outlook.

UNDERWRITERS • DISTRIBUTORS • BROKERS

NEWBURGER & Company

Members:
New York Stock Exchange • New York Curb Exchange
Philadelphia-Baltimore Stock Exchange

Effective Distribution
In the Nation's Third Largest Trading Area

1342 Walnut Street, Philadelphia 7, Pa. • Kingsley 5-4500

New York City Harrisburg Lebanon Atlantic City Vineland

UNDERWRITERS, DEALERS and BROKERS

Pennsylvania Municipal Bonds
Public Utility—Railroad—Industrial
BONDS and STOCKS

Specializing in

Issues Free of the Pennsylvania
Personal Property Tax

YARNALL & CO.

Members of
New York Stock Exchange Philadelphia-Baltimore Stock Exchange
New York Curb Exchange (Assoc.)

1528 WALNUT ST., PHILADELPHIA 2, PA.

Distributors, Dealers, Underwriters
Corporate & Municipal Issues

DeHAVEN & TOWNSEND, CROUTER & BODINE

ESTABLISHED 1874

MEMBERS
NEW YORK STOCK EXCHANGE NEW YORK CURB EXCHANGE
PHILADELPHIA-BALTIMORE STOCK EXCHANGE

1500 CHESTNUT STREET PHILADELPHIA 2

NEW YORK WILKES-BARRE, PA. STAMFORD, CONN.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

were at or near the top tax brackets, others had sizable carry-over credits which sheltered them from excess profits taxes or minimized normal surtaxes. Others, because of heavy preliminary tooling expenses, showed earnings decreases that limited the tax load. In 1952, however, taxes have been accrued at the maximum rate of 70% by most companies. If the excess profits tax law should not be renewed, the aircraft makers would tend to benefit — particularly in view of the $14.1 billion backlog at June 30, of this year.

If one may expect a better market for the shares of aircraft manufacturing companies, may one also expects to see, within the next year, an important volume of public financing by this branch of the aviation industry?

We have seen in the introduction to this report that the volume of public financing for aircraft manufacturers has been negligible in spite of the industry's great expansion. How has this expansion been financed? It has been financed almost entirely by self-liquidating bank borrowings made possible by the use of Federal Reserve "V" loans secured by government contracts, with the military services serving as partial guarantors. This form of financing is so inexpensive to the manufacturer and so easy to obtain that the investment banker is hard put to it to try to persuade him to finance by long-term bond or debenture issues. And while it is not improbable, for the reasons above outlined, that the market climate will lend itself to equity financing, can these companies be expected to increase their share capital while the "V" loan is readily available as an instrumentality for the obtaining of their financial requirements? This is a question to which the investment banker will have to address himself during the coming year.

Another aspect of the situation tending to relieve the aircraft manufacturer of the necessity of raising additional permanent capital is the fact that much of the required plant expansion can be provided through the leasing of facilities constructed and paid for by the government.

This report would be incomplete without some mention of the brilliant accomplishments of the industry from a technical standpoint. In the case of no other industry, with the possible exception of the Atomic Energy Program, is so much of what is being done kept under wraps in the interest of national security. However, it is known that all previous records of speed, altitude, distance and load-carrying performances were shattered during the year 1951 and that many of these records are continuing to be broken.

The complexities of the modern aircraft are difficult for the layman to comprehend. To give just one example, it took 138,000 engineering man hours to design the B-17; the B-47 required 3,464,000. The cost of the bomb-sight in the B-36 is more than the cost of the complete B-17 bomber of World War II. The progress in the field of guided missiles alone staggers the imagination.

These prodigious feats have been and are being accomplished on behalf of and made possible by the military effort. But, as is always the case, the field of commercial aviation will be an eventual beneficiary of this progress.

Much publicity has been recently given to the development of jet transports by the British and the question is often asked why the British manufacturer is ahead of the American manufacturer in this field. It was natural for the British manufacturer to turn his attention to the possibilities of jet transports after the war for two reasons: first, during the war the British were in the lead in the development of the jet engine, and second, the British plane manufacturer realized that it would not be possible for him to compete successfully with America in the production of transports powered by the conventional reciprocating engine. We have stated earlier in this report that even the most advanced British jet transport model falls far short of meeting the requirements of our domestic airlines which, unlike international carriers, will not be forced by their competition into the premature use of new equipment regardless of its economic characteristics. The American aircraft industry has not been sitting by in idleness while others have been grappling with this problem. On the contrary, several of our large manufacturers have already engineered their versions of jet transports, and it is not unlikely that when our airline industry takes to the air with jets it will be with planes of American manufacture.

Respectfully submitted,

AVIATION SECURITIES COMMITTEE

Hugh Knowlton, Chairman
Kuhn, Loeb & Co., New York City

Henry W. Cohu
Cohu & Co., New York City

Roger Cortesi
Auchincloss, Parker & Redpath, New York City

Richard W. Courts
Courts & Co., Atlanta

Otis A. Glazebrook, Jr.
Hornblower & Weeks, New York City

Wiliam Barclay Harding
Smith, Barney & Co., New York City

Donald N. McDonnell
Blyth & Co., Inc., New York City

Continued from page 17

A Year of Careful Planning And Doing Ahead

and byways over which many of us just traveled are the last word in economical road building?—Or that the airplanes that flew some of us here, are the last word in air transportation?

These are a few of the everyday things of modern living. What are the possibilities for expanding peacetime production through such comparatively new developments as atomic energy—electronics — the miracle drugs — petro chemistry and a host of others?

Unlimited Ceilings

These are only a few of the countless challenges of **ceilings unlimited** that abound for the advancement of the American economy. But such an economy must be free. It must have the motivating force of high rewards for high accomplishment. It can not be class taxed or bureaucratically budgeted. That way lies the road to old Rome and to ruin.

Just as we may not pass quickly from a half war economy to a peace economy, so we may not pass quickly from all the inequities of government by men to a government by laws. We learn many things in the passage of time. Laws passed in haste and hate for revengeful purposes rather than for adjustment and advancement, serve to hurt rather than help our economy. We do not want to make the mistakes made by others, mad with power. So, this may be a year of careful planning as well as of doing. Many years ago we agreed with the SEC that there were some 80 changes needed in the two Federal Securities Acts, but as of today no comprehensive changes have occurred.

Perhaps the battle cry of the recent campaign might be repeated here—"It is time for a change." May all that is good in those two acts survive. The American investor is entitled to the truth and the whole truth and we in the investment business want him to have it. But let's at all times be free to inform him. Let's not so cover up facts with mountains of worlds and figures that full information is meaningless to Mr. Investor and understood only by the pondering pundit of finance. And so careful, thoughtful planning, not just for tomorrow, but for many tomorrows to come is a must for the coming year.

Our industry has been much maligned, but through the years of war and peace investment bankers have demonstrated their patriotism and devotion to their country, time and again, not just by words, but by deeds. Many were our indiscretions in the 'Twenties. It is perhaps of small comfort that at that time ours was a nation on a spree of indiscretion.

We Are a Small Group

There are only something over 3,000 dealers in the securities business in this country and the number of individuals devoting their time to this industry would perhaps total little over 60,000. Obviously so small a group can never, from the standpoint of numbers, be politically important. And so our indiscretions were and have been shouted from the housetops. Whereas the patriotic devotion of our people and their genius for helping solve many of the important problems of our economy—in peace and in war—have been hidden under a bushel.

Today we are supplying to the industrial economy some six to seven billion of dollars of capital, whereas the economy is in need of two or three times that amount of capital. We are sagacious enough to know that any time private capital can not or will not do a job that needs to be done, then government has a way of moving into such a vacuum.

We must **sell** a successful peacetime economy.

Let's say it again and say it more simply—

We must **sell prosperity.**

Our new film, "Opportunity-U. S. A.," is just one of the many ways of telling the public about the work that the investment banking industry does. Any of you who fail fully to exploit the opportunities for education made possible by this film, are simply turning business away from the front door.

We can only raise the tremendous amount of money required by industry and government if all potential investors are made financially literate through public education. Public education does not begin at the top, it begins at the bottom. It is the business of the Group Chairmen to see to it that we have education committees that fully inform and inspire the members, that each individual firm of the IBA may take complete and full advantage of all the development work that is done for the information of the public.

May I call your attention again to the fact that our nation has only 7% of the world's people, but produces 50% of the goods.

May I likewise remind you that an estimated 60,000 people in the investment banking industry represents less than one-half of one percent of our population. So, while our job is tremendous, the opportunity and rewards of service are beyond comprehension.

This is an ingenious industry, made up of men of great capabilities who can be trusted to meet the most challenging problems of our nation. Through patriotic devotion and never ceasing effort of such men, the job can and must be done.

It might be encouraging to remember that one man, the Apostle Paul, some nineteen centuries ago, almost single handed, sold a new religion to the then civilized world.

Sixty thousand devoted men and women should be able to sell economic salvation to the savers of this country.

Thus, in the best traditions of the investment banking industry —let's get on with the job.

Dealers and Brokers in

Public Utility • Railroad • Industrial SECURITIES

New Jersey and General Market Municipal Bonds
Electronic and Television Securities
Guaranteed and Leased Line Stocks
Equipment Trust Obligations
Bank and Insurance Stocks
Mutual Funds Shares

Charles A. Taggart & Co., Inc.
Members Philadelphia-Baltimore Stock Exchange
Investment Securities
1500 Walnut Street, Philadelphia 2, Pa.
Philadelphia Phone KIngsley 5-1716 | Teletype PH 677 | New York Phone WHitehall 4-7000

STROUD & COMPANY
Incorporated
PHILADELPHIA

Underwriters & Distributors

State and Municipal Bonds
Equipment Trust Certificates
Public Utility and Industrial Securities
Philadelphia Bank Stocks

NEW YORK • PITTSBURGH • ALLENTOWN • LANCASTER

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Continued from page 31

Treasuries Responding To Free Market

interest. The outcome was to sustain the principle of an independent Federal Reserve System. It is reassuring to note the the Republican Party platform of 1952 specifically supported this position.

In May of this year the Federal Open Market Committee of the Federal Reserve instituted a survey of open market practices and procedures. Mr. Robert H. Craft, who was then Chairman of the Governmental Securities Committee of this Association, was appointed "Technical Consultant" to the study committee and has served on a full-time basis for five months. Many of our members answered questionnaires and appeared in person before the Committee. This survey, which is still in progress, was a private one and no public report has as yet been made. From the viewpoint of those IBA representatives who appeared before the Committee, the study was entirely constructive in its approach. It is our opinion that much good may be anticipated as a result of its findings.

Looking into the year ahead it seems to us that the major problem in public debt management is one of refunding the now inordinately large short debt. Of $148 billion in marketable Treasury securities, $74 billion mature or are callable within one year. To this must be added those billions of non-marketable obligations—mostly Savings Bonds and Notes—which are actually or contingently due.

This situation rather obviously calls for the development of a long-range program aimed at obtaining a better balanced debt structure. Consistent with this program, an effort should be made to widen the ownership of the debt outside the banking system.

The year 1953 will offer opportunities to achieve these ends through the refunding of maturities, through cash offerings, and through optional exchanges in advance of the maturity of uncalled debt. Bold and imaginative treatment will be required for the solution of the problem.

This committee frequently has been called upon to consult with the Treasury in connection with its financing problems. We pledge our full support to the new Administration in its efforts to develop a sound debt management program. We place the services of the Governmental Securities Committee at the disposal of the Treasury.

Respectfully submitted,

THE GOVERNMENTAL SECURITIES COMMITTEE

Herbert N. Repp, Chairman
Discount Corporation of New York.

Robert B. Blyth
National City Bank of Cleveland.

Dwight W. Chapman
American Trust Company, San Francisco.

F. Newell Childs
C. F. Childs and Company Chicago.

Robert H. Craft
Guaranty Trust Company of New York.

Stewart A. Dunn
C. J. Devine & Co., New York.

Robert R. Gilbert, Jr.
First National Bank in Dallas.

W. Wayne Glover
California Bank, Los Angeles.

Sheldon R. Green
Chase National Bank of the City of New York.

Hardin H. Hawes
Harris Trust & Savings Bank, Chicago.

Russell A. Kent
Bank of America, N.T. & S.A., San Francisco.

George B. Kneass
Philadelphia National Bank, Philadelphia.

Francis M. Knight
Continental-Illinois National Bank & Trust Company, Chicago.

Winston L. Molander
Northwestern National Bank of Minneapolis.

Robert C. Morris
The Bankers Trust Company, New York City.

Emil J. Pattberg, Jr.
First Boston Corporation, New York.

Delmont K. Pfeffer
National City Bank of New York.

Malcolm S. Prosser
Seattle-First National Bank, Seattle.

L. Sumner Pruyne
The First National Bank of Boston.

F. Brian Reuter
Mellon National Bank & Trust Company, Pittsburgh.

Horace Schermerhorn
National Shawmut Bank of Boston.

William P. Sharpe
Mercantile Trust Company, St. Louis.

Rudolf Smutny
Salmon Bros. & Hutzler, New York City.

J. W. Speas
First National Bank, Atlanta.

Continued from page 22

In Defense of the RFC

flects the best thinking on the economic needs of the country. Notwithstanding this, these ugly facts, which have been minor side plays in the great work of the RFC, still distort a record and achievement which has been a key factor in preserving our system of free competitive enterprise.

When you think of RFC, what should it symbolize? It should symbolize the 63,000 loans aggregating $5.5 billion which the RFC has made to business enterprises to whom private financing was not available and most of whom would have disappeared without its aid. It should symbolize the preservation of small business — the backbone of the American economy—through the 57,000 loans in amounts less than $100,000. It should symbolize the partnership with private banking, otherwise unable to help, through participation in 26,000 loans aggregating $1.7 billion.

It should mean the 27,000 loans amounting to $4.8 billion to banks and other financial institutions at a time when our entire banking system was threatened and our capitalistic economy was on the brink of disaster. It should mean the 6,000 loans aggregating $1.5 billion to the municipalities and other public agencies for hospitals, bridges, water systems, drainage districts and other essential public services which could not be obtained from private sources. It should mean the 335 loans aggregating $1.25 billion to save the railroad transportation system. It should mean the 30,000 loans aggregating $86 million for the rehabilitation from the destruction which the forces of nature so often have brought to those to whom the availability of bank credit is nonexistent. It should mean that all of these things have been accomplished in such a way as to be self-sustaining, paying all costs and leaving a surplus of more than $620 million.

It should symbolize the defense of this Nation. It should mean the synthetic rubber industry, with operating plants built at a cost of $517 million, having a capacity of 950,000 tons of synthetic rubber per year, and producing in the past year synthetic rubber of a value of $352 million, which has freed us from dependence on natural rubber which grows today only in areas from which we can over night be cut off. It means the operation of the only tin smelter in the Western Hemisphere, producing 36,000 tons of tin per annum. It means the operation of 25,000 acres of abaca fibre production, which provides the hemp so essential to the maintenance of our Navy and other defense establishments. It means that all of this has been and is being accomplished without loss through operating agreements with private industry in the best American tradition.

Blazing New Trails for Private Industry

Above all, it should symbolize the pioneer blazing new trails for private industry to convert into broad avenues of development in the American economy. The RFC has in many instances shown the way in new developments which private industry could not and properly would not risk. To illustrate, 20 years ago the success and potential of the long distance toll road was entirely a matter of conjecture. It was contrary to the tradition of free roads and whatever little historical experience there was showed them to be economically non-feasible. Private financing quite properly refused to take the risk. RFC did take the risk. I need not tell you of the success of that project. Today a large number of long distance toll roads are being privately financed. However, I am sure that none would have been built if RFC had not taken that risk.

Again, in World War II, we were suddenly cut off from our only sources of supply of natural rubber. A substitute was needed immediately. Private industry could not establish a synthetic rubber industry of the magnitude required. There was no assurance that such an industry was economically feasible. Even at the close of World War II it had not yet been established on a sound competitive basis. Today the situation is such that we need no longer have any fear that synthetic rubber can be operated privately on a sound competitive basis without any risk to our national defense. For this reason we are now working on a plan to get the entire industry into private hands at the earliest possible time.

Time does not permit me to do much than to sketch briefly a few of the highlights in the history of the RFC. Yet I believe that even this brief sketch should make it clear that the RFC has not been and is not today a static organization, but has been and still is a living entity meeting the various problems of our national economy as they arise. In its short history of 20 years the Corporation has had many roles. Its first job was to save and endangered economy by bolstering our financial and industrial system at a time when it was threatened by disaster. As we came into the World War II period, it moved into the next phase of financing the tremendous production required to make us militarily and economically strong to meet the demands of ourselves and our allies. During the post-war years it served as a cushion against shock to American industry as it reconverted from an all-out war economy to a peacetime civilian economy. Today in the present full economy it is limiting in large measure its activities to financing where needed and the requirements of our defense mobilization against the tensions of present international situations. For tomorrow it stands ready with a capable, efficient organization, keenly aware of changes taking place in our economy, to meet the problems of our economy as they develop.

ESTABLISHED 1912

BROOKE & CO.

formerly Brooke, Stokes & Co.

Investment Bankers

Members Philadelphia-Baltimore Stock Exchange

N. E. Cor. 15th & Locust Sts.
Philadelphia 2, Pa.

300 N. Charles St.
Baltimore 1, Md.

Retail Distributors *Underwriters*

Trading Markets

Pennsylvania and General Market
Municipal Bonds
High Grade Corporate Bonds and Stocks

★ ★ ★

SCHMIDT, POOLE & CO.

(Members Philadelphia-Baltimore Stock Exchange)

123 SOUTH BROAD STREET
PHILADELPHIA (9), PA.

N. Y. Phone HAnover 2-4554
Teletype PH 538
Phila. Phone KIngsley 5-0650

WELLINGTON WF FUND
ESTABLISHED 1928
A BALANCED MUTUAL INVESTMENT FUND

prospectus from PHILADELPHIA 3, PA.

THOMAS & COMPANY
UNION TRUST BUILDING
PITTSBURGH 19, PA.

Municipal and Corporate Securities

Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from page 24

New State Legislation Affecting Securities

ticularly significant to note that a member of the Pennsylvania Securities Commission stated that the Pennsylvania Securities Act "has worked splendidly" and that he definitely endorses that type of Blue Sky law.

State Blue Sky Laws

The only amendment to a State Blue Sky law this year was in Michigan, where a minor amendment exempts securities issued by certain corporations organized and operated exclusively for educational purposes, maintaining grade or high schools and based upon Christian or religious instruction, and no part of the earnings of which inures to the benefit of any private stockholder or individual. This amendment is summarized in Appendix A.

In Illinois a joint legislative committee of the Central States Group of the IBA and District No. 8 of the NASD has been organized to continue work on amending the present Illinois Securities Act or obtaining the adoption of a complete new Illinois Securities Act. This committee plans to discuss such a program with the Securities Commissioner of Illinois as soon as it is known who the Securities Commissioner will be during the coming year.

The Committee is pleased to report the decision of the Illinois Supreme Court in the case of *Jaffe v. Cruttenden*. In this case the plaintiff (Jaffe) alleged that common stock which he had purchased from the defendant (Cruttenden) was a Class "D" security under the Illinois Securities Law and that the stock had not been registered as required under that law. The defendant answered that the stock was sold in accordance with subsection 5(7) of the Illinois Securities Law as a Class "B" security, the sale of which was exempted from the registration requirements of the law. The plaintiff then contended that subsection 5(7) was unconstitutional in specified respects and that defendant did not prove compliance with subsection 5(7). Subsection 5(7) of the Illiois Securities Law exempts (as securities in Class "B", exempted sales) the sale by registered dealers in the secondary market of certain securities about which specified information is available in a recognized manual of securities. The Illinois Supreme Court on May 22, 1952, in affirming the decision of the lower court in favor of the defendant, held that subsection 5(7) is constitutional and that the defendant proved compliance with the requirements of that paragraph. The Central States Group of the IBA contributed financially to the legal defense of this case because of the importance to all registered dealers in Illinois of upholding the constitutionality of subsection 5(7) which provides the basic exemption, from the securities registration requirements of the Illinois Securities Law, for trading in unlisted securities in the secondary market.

In Michigan members of the Legislation Committee of the Michigan Group met with the Michigan Corporation and Securities Commissioner and the Deputy Commissioner on March 24th and discussed with them the possibility of obtaining the enactment of a complete new Blue Sky law in Michigan. This project is entirely in the discussion stage and it is anticipated that further discussions will be held.

In Missouri the Bar Association has appointed a committee to revise the Missouri Blue Sky law. George Newton (G. H. Walker & Co., St. Louis), Chairman of the Legislation Committee of the Mississippi Valley Group, and Howard Fitch (Barret, Fitch, North & Co., Kansas City) and Frederick H. MacDonald (Burke & MacDonald, Kansas City), both representing the Southwestern Group of the IBA, are working with the Bar Association Committee.

In New Mexico we expect that a bill will be introduced in the legislature, similar to the bill introduced at the 1951 session of the legislature, to provide a complete new Blue Sky law for New Mexico, based in large part upon the IBA model law of the notification type.

In Tennessee we expect that a bill will be introduced in the legislature, similar to the bill introduced at the 1951 session of the legislature, to provide a complete new Blue Sky law for Tennessee, embodying the IBA model law of the notification type with a few minor changes.

In Texas a subcommittee of the Legislative Committee of the Texas Group has been appointed (a) to seek relief from certain administrative interpretations of provisions of the Texas Securities Act which were set forth in a letter from the Securities Commissioner of Texas to all general securities dealers in Texas and (b) to seek amendments to the Texas Securities Act. The members of this special subcommittee are:

H. H. Dewar (Dewar, Robertson & Pancoast, San Antonio), Chairman.

E. O. Cartwright (Merrill Lynch, Pierce, Fenner & Beane, Dallas), Vice-Chairman.

Harland Mayes (Rauscher, Pierce & Co., Inc., Dallas).

Robert E. Moroney (Moroney, Beissner & Co., Houston).

Charles C. Pierce (Rauscher, Pierce & Co., Inc., Dallas).

W. Allen Taylor (E. F. Hutton & Company, Dallas).

The subcommittee and its counsel discussed the points upon which administrative rulings were desired with the Secretary of State of Texas and the Securities Commissioner of Texas at a meeting in Austin on August 25. The Secretary of State subsequently ruled favorably on the principal points in question. The Secretary of State, in accord with the request of the subcommittee, also subsequently added the San Francisco Stock Exchange and the Los Angeles Stock Exchange to the exchanges approved under the Texas Securities Act, so that securities listed upon those exchanges are exempt from registration under the Texas Securities Act.

The subcommittee and its counsel, with the assistance of IBA counsel, then prepared briefs proposing eight amendments to the present Texas Securities Act. These proposed amendments were discussed with the Secretary of State of Texas and the Securities Commissioner of Texas at a meeting in Austin on October 27th. Although the Texas officials did not commit themselves at the meeting to support any of the proposed amendments, the subcommittee believes that the officials will support most of the proposed amendments. The proposed amendments would include provisions (1) to permit the registration of securities of seasoned companies **by notification** and (2) to clarify and simplify the exemption for sales of certain securities by registered dealers in the secondary market. The Texas officials indicated their willingness to cooperate with the special subcommittee in completely rewriting the present Texas Securities Act to embody such of the proposed amendments as are agreed to and to clarify certain ambiguous and inconsistent provisions of the present Act.

In Washington a committee has been appointed by the Governor to prepare a draft of a complete new Blue Sky law for Washington. Members of this committee include:

Fred Blanchett (Conrad Bruce & Company, Seattle).

Sherman Ellsworth (Wm. P. Harper & Son & Co., Seattle).

John J. Hasfurther (Blyth & Co., Inc., Spokane).

Waldo Hemphill (Waldo Hemphill Investments, Seattle).

Beardslee Merrill (Richards, Merrill & Peterson, Inc., Spokane).

Walter J. Nicholls (Walter J. Nicholls & Co., Spokane).

Earl F. Waterman (Earl F. Waterman & Co., Seattle).

Lyle Wilson (Pacific Northwest Company, Seattle).

Copies of the IBA model Blue Sky laws have been furnished to all of the committees mentioned above for their use in amending or revising State Blue Sky laws.

Blue Sky Law Exemption for Revenue Bonds

In the interim report of the Committee we reported that the Director of the Securities Division of the Virginia Corporation Commission had taken the tentative position, in connection with the $96,000,000 State of West Virginia Turnpike Revenue Bonds, that the exemption under the Virginia Blue Sky law for "Any security issued . . . by any state or political subdivision or agency thereof" extends only to general obligation bonds and does not exempt revenue bonds.

A committee of Virginia members of the IBA submitted to the Director of the Virginia Securities Division a legal memorandum prepared by the IBA staff to demonstrate that revenue bonds as well as general obligations issued by the specified issuers are exempt from the Virginia Blue Sky law, and the members of the committee met with the Director of the Virginia Securities Division on May 23rd to discuss this problem with him. The members of this special committee were:

Walter W. Craigie (F. W. Craigie & Co., Richmond).

F. Willson Craigie (F. W. Craigie & Co., Richmond).

Homer L. Ferguson, Jr. (Mason-Hagan, Inc., Richmond).

Garnett O. Lee, Jr. (Scott, Horner & Mason, Inc., Richmond).

Walter S. Robertson (Scott & Stringfellow, Richmond).

Edmund Strudwick, Jr. (Anderson & Strudwick, Richmond).

We are pleased to report that at this meeting the Director of the Virginia Securities Commission, who was completely cooperative in considering the problem with the committee of Virginia members, reversed his previous tentative position and he now accepts revenue bonds issued by a state or a political subdivision or agency thereof as exempt from the Virginia Blue Sky law. The result of this meeting illustrates how effectively many Blue Sky problems can be solved when they are taken up promptly and informally with state regulatory authorities.

Legal Investment Laws

The Local Civil Rules of the District Court of the District of Columbia for investments by fiduciaries in the District of Columbia have been amended to permit investment in certain Public Housing Agency Bonds.

There have been amendments this year to the legal investment laws of the following states:

Massachusetts: for savings banks.

New Jersey: for savings banks, fiduciaries and insurance companies.

New York: for savings banks, fiduciaries and insurance companies.

Pennsylvania: for banks or trust companies.

Rhode Island: for banks, savings banks and trust companies.

South Carolina: for trust funds.

Texas: for banks and trust companies.

Virginia: for savings banks.

Summaries of these amendments to legal investment laws are attached to this report as Appendix B.

Also, the laws of New Jersey relating to the administration of estates, including investments for fiduciaries, have been revised and the general insurance law of Virginia has been recodified and revised.

We think it important to call particularly to your attention the

Continued on page 70

ROBERT W. BAIRD & CO.

Members

New York Stock Exchange

Midwest Stock Exchange

New York Curb Exchange (Associate)

Wisconsin Securities

Bought — Sold

MILWAUKEE

Telephone: Br. 6-0525 Teletype: Milwaukee 291

QUAIL & CO.

Business Established 1922

Member Midwest Stock Exchange

Corporate and Municipal Securities

DAVENPORT BANK BLDG.

DAVENPORT, IOWA

Inquiries Invited in All

MILWAUKEE & WISCONSIN SECURITIES

Stocks	*Bonds*
Public Utility	Public Utility
Bank and Insurance	Industrial
Industrial	Municipal
Mutual Funds	Institutional

LOEWI & CO.

INVESTMENT SECURITIES

225 EAST MASON STREET • BROADWAY 6-8040

Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from page 69

New State Legislation Affecting Securities

fact, as reported in "IBA Washington Bulletin No. 2-52," that a new subsection (26) was added to Section 235 of the New York Legal Investment law for savings banks to authorize savings banks to invest in certain preferred stock, guaranteed stock and common stock.

The constitutionality of the New Jersey limited Prudent-Man investment law for fiduciaries (which permits fiduciaries to invest up to 40% of a trust estate under the Prudent-Man rule in investments other than legal investments, except in cases in which a trust instrument provides otherwise) was sustained in *Fidelity Union Trust Co. v. Price*, by the New Jersey Superior Court, Chancery Division, Essex County, on March 24, 1952, where the Court, emphasizing the fact that the trust instrument controls, held that the retrospective character of the New Jersey Prudent-Man Statute, alone, did not render it unconstitutional because it did not impair the obligation of contract or interfere with or alter any vested right or legal remedy that antecedently existed.

With respect to the right of Maryland mutual savings banks to invest deposits in equity stocks, the Maryland Attorney General in an opinion dated Aug. 6, 1952, concluded that (under the Maryland law which provides that deposits of savings institutions "shall be invested or loaned out on good security, in the discretion of the directors") the purchase of equity stocks would seem proper for directors of mutual savings associations, but that in view of the long accepted and followed practice to the contrary, it would be wise to have the legislature expressly authorize such investment before such purchase is authorized and approved by the state bank commissioner.

Abandoned Property Laws

The abandoned property law of New York was amended by inserting a new article (V-A) which requires every broker or dealer to pay to the state comptroller, on or before March 10 of each year, all property which on the preceding Dec. 31 was: (1) "Any amount received in this state after June 30, 1946 by a broker or dealer or nominee of such broker or dealer as the holder of record of a security remaining unpaid to the person entitled thereto for five years following the receipt thereof." and (2) "Any amount received in this state after June 30, 1946 due from a broker or dealer to a customer which has remained unpaid to the customer for five years after the date of the last entry, other than the receipt of dividends or interest in the account of such broker or dealer with such customer."

This amendment is a definite improvement over the bill which passed the New York Legislature last year and was vetoed by Governor Dewey. The new law applies only to amounts received **after June 30, 1946**, whereas the bill vetoed last year would have applied to dividends or other payments received **after June 1, 1935**. Also, the new law applies only to **"any amount received in this state"**, whereas the bill vetoed last year would apparently have applied to amounts received by firms which maintained only branch offices in New York (as well as to firms which have their principal offices in New York) regardless of whether the unclaimed amounts were received in New York.

Under the new law there still remains the possibility of liability to pay the same abandoned property to more than one state. We strongly urge that any similar proposals requiring the payment of abandoned property to a state include specific provisions that they shall not apply to any amount which has been paid or shall be required to be paid as escheated or abandoned property to any other state.

Tax Proposals

The New York City Financial Tax on Gross Receipts was increased, effective June 30, from two-fifths of 1% to four-fifths of 1%. The financial community vigorously opposed the adoption of this increase in the tax rate, but the opposition was unsuccessful. As a result of the increased tax rate, several investment funds moved their offices from New York City to New Jersey and a few investment funds have closed their New York City offices.

Preparation for 1953

Since most of the state legislatures will be in regular session in 1953, and since we anticipate that a considerable amount of legislation will be introduced in 1953 affecting the investment banking industry, we strongly urge all groups of the IBA to organize effective state legislation committees within each group, with representatives in each state. We urge that all members of the IBA be on the lookout for bills proposing amendments to or the enactment of state Blue Sky laws, legal investment laws, abandoned property laws, or taxes of any type which might conceivably affect securities or those engaged in the securities business.

In conclusion, the State Legislation Committee welcomes suggestions from all members and invites the opportunity to assist in any problem relating to state legislation.

Respectfully submitted,

STATE LEGISLATIVE COMMITTEE

Charles S. Vrtis, Chairman
Glore, Forgan & Co., Chicago

Richard A. Bigger
R. S. Dickson & Co., Inc., Charlotte, N. C.

Waller C. Brinker
J. K. Mullen Investment Co., Denver

Ernest O. Dorbritz
Moore, Leonard & Lynch, Pittsburgh

C. G. Fullerton
A. E. Ames & Co. Limited Toronto

Henry Hornblower, 2nd
Hornblower & Weeks, Boston

Herman B. Joseph
T. H. Jones & Company, Cleveland

Stanley R. Manske
The First National Bank of St. Paul

Wayne Martin
Milhous, Martin & Co., Atlanta

Orus J. Matthews
Kidder, Peabody & Co., Philadelphia

Stanley G. McKie
The Weil, Roth & Irving Co., Cincinnati

George J. McLiney
George K. Baum & Company, Kansas City, Mo.

G. Gordon Meeks
Meeks Reddoch & Company, Memphis, Tenn.

Donald A. Meyer
Foster & Marshall, Seattle

Earl F. Meyer
Blyth & Co., Inc., Chicago

William Moore
McDonald-Moore & Co., Detroit

Paul L. Mullaney
Mullaney, Wells & Company, Chicago

George A. Newton
G. H. Walker & Co., St. Louis

Ralph Owen
Equitable Securities Corporation, Nashville

Charles C. Pierce
Rauscher, Pierce & Co., Dallas

Albert Pratt
Paine, Webber, Jackson & Curtis, Boston

Arthur R. Robinson
Anderson & Strudwick, Richmond, Va.

Milton R. Underwood
Underwood, Neuhaus & Co., Houston

George W. Weedon
Crowell, Weedon & Co., Los Angeles

Continued from page 18

Foreign Investment Is Job for Private Capital

profitably in whatever part of the world the Union Jack was flying.

Challenge of the Suspended Crisis

It seems clear to me that the precise economic factors of the suspended crisis which America now faces offer a special challenge to us as investment bankers.

The suspended crisis that confronts America presents a two-fold problem: the necessity of restoring a stable economy among our allies in Western Europe, and the necessity for supplementing our own sources of raw materials.

Up to the present time we have turned the job over almost entirely to our national government. The Marshall Plan, aimed at saving the European economy, was financed out of public tax funds and administered by government officials. The "Point Four" program was, and is, a public rather than a private undertaking. In view of the American passion for private enterprise, this almost total reliance on government is truly amazing. It is doubtless true that government assumed economic functions without consulting responsible leaders in industry; but it is also true that the indifference or hostility of industry created a situation under which government could take over by default.

On this point "Business Week" recently published a special report, "Foreign Aid: What Comes Next?" Discussing the flow of risk capital into foreign countries, this report says:

"Right after the war it was assumed that private risk capital would flow out from the United States to develop the world's resources, much as private British capital went abroad in the nineteenth century. But there have been so many tempting blue-chip opportunities right here at home that private capital, by and large, has been unwilling to take even normal risks abroad. Then, too, the investment climate abroad isn't what it was 100, or even 50 years ago."

This situation resulted in a "power vacuum," and, inevitably, the American Government has moved in to fill the gap. This is not a happy solution.

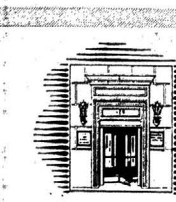
Our experience with government invasions of private financing has convinced us of the inadvisability of government investment in the domestic field. The inadvisability of government investment in the foreign field, however, is far less clearly seen. Too many people today still talk of what they think ought to be government's role in foreign investment. Too few talk of what ought to be the dominant role of private capital. And most of us have still not learned that loans or gifts by our government to foreign governments do not encourage the flow of private capital into the foreign countries concerned, but rather discourage such private investment.

If we can reach agreement that it is largely the job of private risk capital to establish a wholesome world economy, then our opportunity and responsibility as an industry to provide technical leadership become clear.

When foreign investment is regarded as a straight business ven-

DEALERS IN
Municipal Bonds
AND
Corporate Bonds and Stocks

RAFFENSPERGER, HUGHES & CO.
Incorporated
20 North Meridian Street Indianapolis 4, Indiana
Member Midwest Stock Exchange



INDIANAPOLIS BOND and SHARE CORPORATION
★
129 East Market Street Bldg.
Indianapolis, Indiana
Telephone—Market 4321
Teletype—IP 298
MEMBER MIDWEST STOCK EXCHANGE

INDIANA MUNICIPAL BONDS
Stocks and Bonds of Indiana Corporations
Participating Dealers and Distributors in
RAILROAD
PUBLIC UTILITY
INDUSTRIAL
MUNICIPAL and
REAL ESTATE BONDS

Figures ADD UP!

In our case, we're mighty proud of the way they add up. At the close of only a little over six years of operation, our operating revenues have increased 144% and the number of customers we are serving increased 42%. Dividend payments to shareholders have increased 40%.

At the close of 1951, Indiana Gas & Water Co., Inc. was serving 119,111 natural gas and water customers in 66 cities and towns in Indiana, located in areas which are widely diversified as to agriculture and industry. We will be happy to send a copy of our annual report upon request.

It's Better... It's GAS
INDIANA GAS & WATER CO., INC.

gitized for FRASER
http://fraser.stlouisfed.org/

ture, and not as some form of national idealism or charity, the process of channeling investment funds into the areas where they are needed will be given back to the men whose whole professional skill equips them to do that job best. As investment bankers we do not pretend that our professional judgment is infallible. We do know, however, that our very life as professional men depends on our being right more often than wrong. The government investor risks only the taxpayers' money and suffers no personal embarrassment if his judgment proves bad. On the other hand our inevitable mistakes are held to a minimum because they are self-correcting—because we feel, immediately and personally, the effects of these mistakes. Our greatest strength lies in that sober sense of responsibility that characterizes our whole profession: responsibility to those who entrust their funds to our skilled handling and, in a lesser sense, responsibility to those who seek financing.

How would this responsibility work itself out in the area of foreign investment of private risk capital? Consider the difficulties actually facing the potential American investor today when he views the foreign market. The investment climate abroad has changed in the last century. Undeveloped countries, however "backward," no longer have the welcome mat spread for foreign investors. They fear they will be robbed of their birthright of natural resources by a rapacious and powerful nation.

Iran is perhaps the outstanding example at the moment of a country which is discouraging private investment. Expropriation has created the worst possible climate for trust and confidence, for private capital will flow only when it has assurances of fair treatment—of freedom from vexatious laws, from discriminatory taxation, from the fear of nationalization, from possible breach of contract.

An outstanding example of this principle is our own great and good neighbor, Canada. When, some months ago, the Canadian Government took off all restrictions on the withdrawal of American capital, American funds began to flow into Canada in a tremendous rush. People place their money where they expect the least trouble in getting it out, and where they may expect to receive the fruits of their investment.

If and when our national government accepts the proposition that economic matters are best left to those who understand them best, and also accepts the corollary that its own job is to make it possible for American businessmen to operate freely wherever in the world the American flag is honorably received—then we shall see that kind of **cooperation** between government and industry that will most surely bring this country to a solution of the long-term economic world crisis.

Is such a solution of the suspended economic crisis feasible? It seems to me, yes. The "climate" of the present world seems favorable in at least four specific areas:

(1) The climate is becoming more favorable among our European allies. "Trade, not aid"—this expressive slogan, coined by England's Finance Minister, is said by recent travelers to reflect increasingly the common sentiment of France, Italy, and Germany as well.

(2) The climate is favorable in many of the so-called "undeveloped countries"—lands with natural resources who stand to profit enormously if private American capital is made available with the idea of developing these countries, not of despoiling them. Here there are several projects that point the way:

United States Steel's "Cerro Bolivar" project in Venezuela; the "Ungava" development in Labrador, financed by the M. A. Hanna Co. and five leaders in the steel industry; the "Kuwait" oil project on the Persian Gulf, a joint undertaking by Gulf Oil Co. and Britain's Anglo-Iranian.

These privately-financed ventures mean to our own economy a steady flow of high-grade iron ore and abundant petroleum. What the more than $500,000,000 initially invested will mean to the undeveloped areas involved will be fully seen only after some years. As a by-product, of course, there are new roads, new installations, new schools, new hospitals —a record of which American private enterprise may well be proud.

(3) The climate is favorable within American industry itself. During recent weeks we have been able to read the views of industrial leaders on a "Private Point Four" program. Despite some reservations, there have been many declarations similar to the one made by Mr. Paley:

"It is not just humanitarianism to talk about wanting other nations to match or better our growth. It is sound business and political sense."

(4) Lastly, and perhaps most importantly, the climate seems to be favorable in Washington. The incoming Administration, we are assured, is interested in deemphasizing the influence of government in those fields where government has no proper business and in receiving "new ideas" as to the solution of the problems which concern all Americans. It is here that industry might well be able to make its contribution toward directing the flow of private capital into Europe and the undeveloped countries.

Specifically, I find a most encouraging report regarding the attitude of our government. Recently our IBA Conference Committee, meeting in Washington, was received by officials of the State Department. On this occasion I shared with Mr. Harold Linder, then Acting Assistant for Economic Affairs, some of the thoughts on private investment abroad which I intended to incorporate in my remarks today. As a direct result of this conversation, I have received from Mr. Hamlin Robinson, Assistant Chief of the Investment and Economic Development Staff, a statement on the position his agency takes.

Mr. Robinson indicates the problem posed for the United States by the low standard of living and the undeveloped economies of certain parts of the free world, and why the government has felt it necessary to move into these areas. He remarks quite frankly, however, that:

" . . . (these) are . . . the fields in which governments have not, should not, and probably cannot function effectively. . . ."

While recognizing the fact that private investment alone cannot solve the problem, he asserts:

"Surely the ingenuity and resourcefulness of private enterprise in the West can be a major factor in raising living standards abroad, if only we can somehow bring those talents to bear upon this problem of development. It isn't a matter of charity; it can be good business, and at the same time an essential ingredient of world progress and security, which is in the interest of every American."

Because we have today touched on the proper function of government in these economic enterprises, you will be interested in Mr. Robinson's concrete suggestions as to how government can serve industry abroad. He lists, for example, Treaties with the foreign governments concerned; Guaranties against certain non-business risks; and more liberal Tax Treatment for income earned abroad. To me, at least, Mr. Robinson's responses give evidence that our government is making a real effort to understand the difficulties of foreign investment as they appear to businessmen. Furthermore, this impression is confirmed by an appeal made to our own industry to help government agencies decide which foreign investments may be profitable, and to give advice on preparing them for the capital market. "As investment bankers," he says ". . . you know first-hand what it takes to translate a good idea into a going concern."

There are, then, most encouraging signs that our country is on the threshold of a new diplomacy, a more realistic policy, a new approach to the problems of the free world.

This portends a greater emphasis on self-help and less on the international dole, greater reliance on the methods of free enterprise and private finance that underlie our success at home.

In this there is implicit for our own industry a challenging role, a call for our specialized technical knowledge and experience. Our talents should contribute significantly in this re-directed effort to aid undeveloped and underprivileged lands, and the effort to solidify the free world against the totalitarian threat, while at the same time preserving our welfare and enriching our life at home. I know that to a man this industry will measure up to the responsibility and the opportunity of the call.

Continued from page 32

In Attendance at IBA Convention

de BARY, MARQUETTE
F. S. Smithers & Co., New York

DECKER, O. PAUL*
American National Bank and Trust Company of Chicago, Chicago

DeGROFF, RALPH L.
Robert Garrett & Sons, Baltimore

DeGROOT, WILLARD G.*
Bateman, Eichler & Co., Los Angeles

DeGRUY, L. V.*
R. S. Hecht & Co., New Orleans

DeHAVEN, WALTER T.
DeHaven & Townsend, Crouter & Bodine, New York

DELANO, PRESTON
Comptroller of the Currency, Washington

DEMPSEY, L. WALTER*
B. J. Van Ingen & Co., Inc., New York

DeSTAEBLER, EUGENE L.
Sills, Fairman & Harris, Incorporated, New York

DEVLIN, PAUL
Blyth & Co., Inc., New York

DEWAR, HAL H.*
Dewar, Robertson & Pancoast, San Antonio

DEWITZ, HERBERT
J. A. Hogle & Co., Salt Lake City

DIECKMAN, ELMER F.
Glore, Forgan & Co., New York

DINEEN, JOSEPH T.*
F. Eberstadt & Co., Inc., New York

DIXON, JOSEPH W.*
American Securities Corporation, New York

DOERGE, CARL H.*
Wm. J. Mericka & Co., Inc., Cleveland

DOMINICK, II, BAYARD*
Dominick & Dominick, New York

DONNALLY, JESSE P.*
Peoples National Bank, Charlottesville

DOOLITTLE, ROY W.*
Doolittle & Co., Buffalo

DORBRITZ, ERNEST O.
Moore, Leonard & Lynch, Pittsburgh

DOUGHERTY, A. WEBSTER
A. Webster Dougherty & Co., Philadelphia

DOWNEY, NORMAN S.
Union Securities Corporation, New York

DROBNIS, GEORGE J.
Chicago

DuBOIS, ALLEN C.*
Wertheim & Co., New York

DUFFY, SYDNEY G.
Blyth & Co., Inc., New York

DUNBAR, JOHN B.*
Shearson, Hammill & Co., New York

DUNN, STEWART A.*
C. J. Devine & Co., Inc., New York

DUNNE, NEWMAN L.
Robert W. Baird & Co., Incorporated, Milwaukee

EATON, Jr., CHARLES F.
Eaton & Howard, Incorporated, Boston

EDWARDS, WILLIAM N.*
William N. Edwards & Co., Fort Worth

EGAN, JOHN F.
First California Company, Incorporated, San Francisco

ELKINS, Jr., GEORGE W.*
Elkins, Morris & Co., Philadelphia

ELLSWORTH, SHERMAN
Wm. P. Harper & Son & Co., Seattle

EMRICH, MILTON S.
Julien Collins & Company, Chicago

ENGLISH, ROBERT
Columbus Dispatch, Columbus

ERGOOD, Jr., RUSSELL M.*
Stroud & Company, Incorporated, Philadelphia

EVANS, CARNOT W.
Harris, Hall & Company (Incorporated), Chicago

EVANS, THOMAS W.
Continental Illinois National Bank and Trust Company of Chicago, Chicago

EWING, ROBERT W.*
A. E. Masten & Co., Wheeling

FABRICANT, SEYMOUR
Wm. E. Pollock & Co., Inc., New York

FAHEY, LESLIE J.*
Fahey, Clark & Co., Cleveland

FAIRCHILD, PAUL W.
The First Boston Corporation, Chicago

FARRAR, HOLDEN K.
Smith, Barney & Co., Chicago

FARRELL, F. D.
City National Bank & Trust Co., Kansas City

FAUSET, JOSEPH H.*
Fauset, Steele & Co., Pittsburgh

FAY, Jr., CHARLES W.
Hooker & Fay, San Francisco

FINNEY, Jr., HOWARD*
Bear, Stearns & Co., New York

FISHER, CHARLES N.
Singer, Deane & Scribner, Pittsburgh

FISHMAN, HENRY M.
Atwill and Company, Miami

FLEMING, CHARLES J.*
Hanrahan & Co., Worcester

FORBES, CHARLES
Miami Daily News, Miami

FORDON, RALPH
Fordon, Aldinger & Co., Detroit

*Denotes Mr. and Mrs.

Continued on page 72

MUNICIPAL BONDS
Since 1885
We have specialized in the underwriting and distribution of Illinois municipal bonds for 68 years, and offer you experienced, prompt service.
H. C. Speer & Sons Company
ESTABLISHED 1885
Field Building 135 So. La Salle St.
CHICAGO 3
Telephone — RAndolph 6-0820

H. M. BYLLESBY AND COMPANY
(Incorporated)
BYLLESBY INVESTMENT SECURITIES SINCE 1902 UNDERWRITERS DEALERS DISTRIBUTORS
Fiftieth Anniversary
Public Utility — Industrial — Railroad
Municipal Bonds
Members Midwest Stock Exchange
Philadelphia-Baltimore Stock Exchange
New York Curb Exchange (Assoc.)
135 South La Salle Street, Chicago 3
Telephone FInancial 6-4600 Teletypes CG 273 and 2860
New York — Philadelphia — Pittsburgh — Minneapolis

Underwriters and Distributors
Listed and Unlisted Stocks and Bonds — Municipal Bonds
General Distributors — Fidelity Fund, Inc.
Paul H. Davis & Co.
Established 1916
Members principal Stock Exchanges
10 South La Salle Street, Chicago
CG 405
PEORIA, ILL. ROCKFORD, ILL.

gitized for FRASER
tp://fraser.stlouisfed.org/

Continued from page 71

In Attendance at IBA Convention

TORREY, Jr., GEORGE C.*
Indianapolis Bond & Share Corporation, Indianapolis

FORSYTH, ALEXANDER
Calvin Bullock, Denver

FREDERICK, PAUL O.*
Paul Frederick & Company, New York

FRICK, Jr., BENJAMIN F.
Stix & Co., St. Louis

FRIDLEY, EARL G.*
Fridley & Hess, Houston

FRIEDRICHS, G. SHELBY
Howard, Weil, Labouisse, Friedrichs & Company, New Orleans

FRIEND, ARTHUR S.*
Folger, Nolan, Incorporated, Washington

FUGLESTAD, ARNE
White, Weld & Co., New York

FULKERSON, Jr., W. NEAL*
Bankers Trust Company, New York

FULTON, WALLACE H.
National Association of Securities Dealers, Washington

FUNSTON, G. KEITH
New York Stock Exchange, New York

GAERSTE, JOHN L.
Cooley & Company, Hartford

GALE, CHESTER O.
Trubee, Collins & Co., Buffalo

GALLAGER, HERBERT V. B.
Yarnall & Co., Philadelphia

GALLAGHER, FRANCIS P.
Kidder, Peabody & Co., New York

GARDNER, FRED W.*
Reinholdt & Gardner, St. Louis

GATCHELL, EARLE
Hayden, Stone & Co., New York

GEDDES, EUGENE M.
Clark, Dodge & Co., New York

GEORGE, EDWARD C.
Harriman Ripley & Co., Incorporated, Chicago

GERNON, FRANK E.
Carl M. Loeb, Rhoades & Co., New York

GEYER, GEORGE
Geyer & Co., Incorporated, New York

GIBBONS, Jr., GEORGE B.
Geo. B. Gibbons & Company, Inc., New York

GIBBS, LOUIS A.*
Laird, Bissell & Meeds., New York

GILBREATH, Jr., W. SYDNOR
First of Michigan Corporation, Detroit

GILLIES, GEORGE J.
A. C. Allyn and Company, Incorporated, New York

GILLINGHAM, WILLIAM McK.
Business Week, New York

GLAVIN, CHARLES C.*
The First Boston Corporation, New York

GLYNN, Jr., JOSEPH A.
Blewer, Heitner & Glynn, St. Louis

GOODWIN, Jr., ARTHUR E.*
Rowles, Winston & Co., Houston

GRAHAM, T. E.*
First National Bank, Fort Worth

GRAINGER, I. B.
Chemical Bank & Trust Company, New York

GRAY, EDWARD C.*
New York Stock Exchange, New York

GREEN, J. BRADLEY
Guaranty Trust Company, New York

GREEN, SHELDON R.*
Chase National Bank, New York

GREGORY, GEORGE M.*
Gregory & Son, New York

GREGORY, Jr., WILLIAM H.*
Bonner & Gregory, New York

GRIMM, WILLARD T.*
W. T. Grimm & Co., Chicago

GRUBBS, M. M.
Jenks, Kirkland & Grubbs, Pittsburgh

GRUNEBAUM, KURT H.*
New York Hanseatic Corporation, New York

HAGAN, JOHN C.*
Mason-Hagan, Inc., Richmond

HAGAN, III, JOHN C.*
Mason-Hagan, Inc., Richmond

HALL, EDWARD B.
Harris, Hall & Co. (Incorporated), Chicago

HALL, HERBERT S.
Morgan Stanley & Co., New York

HALLORAN, ROBERT K.*
Robert Winthrop & Co., New York

HALLOWELL, HENRY R.*
Hallowell, Sulzberger & Co., Philadelphia

HAMMOND, Jr., WILLIAM C.
White, Weld & Co., Boston

*Denotes Mr. and Mrs.

HAMMOND, WILLIAM H.
Braun, Bosworth & Co., Chicago

HAMPSON, PHILIP F.
Chicago Tribune, Chicago

HANRAHAN, PAUL B.*
Hanrahan & Co., Worcester

HANSEL, DOUGLAS R.*
Shields & Co., New York

HANSON, MURRAY
Investment Bankers Association, Washington

HAPP, WILLIAM A.*
Globe-Democrat, St. Louis

HARE, E. WALN*
National Securities & Research Corp., New York

HARRIS, DAVID J.
Sills, Fairman & Harris, Chicago

HARRIS, HENRY L.*
Goldman, Sachs & Co., New York

HARTER, ROBERT L.
Sutro & Co., San Francisco

HASSMAN, ELMER G.
A. G. Becker & Co., Chicago

HATCHER, LLOYD B.*
Trust Company of Georgia, Atlanta

HATCHER, MAURICE M.*
First National Bank, Dallas

HATCHER, ROBERT L.
Chase National Bank, New York

HATTIER, Jr., GILBERT*
White, Hattier & Sanford, New Orleans

HAUSER, ALFRED H.*
Chemical Bank & Trust Company, New York

HAWES, HARDIN H.
Harris Trust & Savings Bank, Chicago

HAYDEN, DONALD W.
Baumgarten, Downing & Co., Baltimore

HAYES, EDDE K.
Central Republic Company, Chicago

HEFFERNAN, PAUL*
New York Times, New York

HEID, Jr., HENRY P.
Robinson-Humphrey Company, Atlanta

HEIMERDINGER, JOHN G.
Walter, Woody & Heimerdinger, Cincinnati

HEIMERDINGER, JOHN M.
Walter, Woody & Heimerdinger, Cincinnati

HENDERSHOT, RALPH*
World-Telegram & Sun, New York

HENDERSON, THEODORE C.
T. C. Henderson & Co., Des Moines

HESS, ARLEIGH P.*
Woodcock, Hess & Co., Philadelphia

HESS, WILBUR E.
Fridley & Hess, Houston

HEWITT, CHARLES L.
Francis I. du Pont & Co., New York

HEWITT, MAX A.*
Jones, Kreeger & Hewitt, Washington

HICKMAN, J. WESLEY
Schneider, Bernet & Hickman, Dallas

HILDRETH, WILLIAM S.*
Peoples National Bank, Charlottesville

HILSON, JOHN S.*
Wertheim & Co., New York

HIPKINS, CLIFTON A.
Braun, Bosworth & Co., New York

HODGES, THOMAS E.*
Keystone Company, Boston

HOLLAN, JOHN V.
Barr Brothers & Co., New York

HOLMES, ELAINE
Investment Bankers Association, Washington

HOPKINS, JOHN E.
J. P. Morgan & Co., New York

HOPKINSON, Jr., EDWARD
Drexel & Co., Philadelphia

HORNER, EDWIN B.*
Scott, Horner & Mason, Lynchburg

HORNING, BERT H.
Stifel, Nicolaus & Co., Inc., St. Louis

HORNOR, DeWITT
National City Bank, New York

HORTON, ARTHUR
Penington, Colket & Co., Philadelphia

HORTON, LEONARD M.*
Aubrey G. Lanston & Co., New York

HOTCHKISS, EUGENE
Blunt Ellis & Simmons, Chicago

HOUSTON, Jr., JOSEPH C.*
Calvin Bullock, Chicago

HOWE, JAMES M.
Farwell, Chapman & Co., Chicago

HOWELL, WILLIAM F.
Hallgarten & Co., New York

HUDSON, FRED W.*
Ball, Burge & Kraus, Cleveland

HUGHES, ALBERT E.*
Lord, Abbett & Co., New York

HUGHES, W. SHANNON
Raffensperger, Hughes & Co., Indianapolis

HUGHES, WILLIAM S.*
Wagenseller & Durst, Los Angeles

HULME, MILTON G.*
Glover & MacGregor, Pittsburgh

HUNT, E. JANSEN*
White, Weld & Co., New York

HUNTER, HOWARD W.*
Equitable Securities of Canada, Toronto

HURLEY, WILLIAM L.
Baker, Simonds & Co., Detroit

HURRY, HARRY W.
Bingham, Walter & Hurry, Pasadena

HUTTLINGER, KURT J.
F. P. Ristine & Co., Philadelphia

HUTTON, Jr., JAMES M.
W. E. Hutton & Co., Cincinnati

IGLEHART, JOSEPH A. W.
W. E. Hutton & Co., New York

ILLOWAY, LAWRENCE B.
Aspden, Robinson & Co., Philadelphia

INGALLS, ROSCOE C.
Association of Stock Exchange Firms, New York

JAMIESON, JAMES P.
Glore, Forgan & Co., Chicago

JARDINE, Jr., J. EARLE*
William R. Staats & Co., Los Angeles

JENKS, MORTON*
Jenks, Kirkland & Grubbs, Philadelphia

JENNETT, EDWARD J.
First National Bank, Chicago

JOHANIGMAN, S. E.
The Milwaukee Company, Chicago

JOHNSON, JOSEPH T.*
The Milwaukee Company, Milwaukee

JOHNSON, ROBERT C.*
Kidder, Peabody & Co., New York

JOHNSON, THOMAS M.*
Johnson, Lane, Space & Co., Savannah

JOHNSON, Sr., WILBUR E.*
Johnson & Johnson, Pittsburgh

JOHNSTON, EDWARD S.*
Wood, Gundy & Co., New York

JOHNSTON, PAUL A.*
Barron's Weekly, New York

JONES, EDWARD D.
Edward D. Jones & Co., St. Louis

JONES, ELISHA RIGGS
E. R. Jones & Co., Baltimore

JONES, G. SEAVER*
Bankers Trust Company, New York

JONES, GRAHAM*
Cooley & Company, Hartford

JONES, Jr., THOMAS H.
T. H. Jones & Co., Cleveland

JORGENSON, O. JERRY*
Peters, Writer & Christensen, Denver

JOSEPH, HERMAN B.
T. H. Jones & Co., Cleveland

JUST, PAUL A.*
Television Shares Management Co., Chicago

KELLER, Jr., C. COURTNEY
Blair, Rollins & Co., Inc., New York

KEMBLE, WILLIAM T.*
Estabrook & Co., Boston

KENNEDY, FRANK T.*
C. J. Devine & Co., New York

KENOWER, JOHN L.*
Kenower, MacArthur & Co., Detroit

KERR, WILLIAM D.
Bacon, Whipple & Co., Chicago

KIMBALL, VERNON E.
J. Barth & Co., San Francisco

KING, JOSEPH H.
Union Securities Corporation, New York

KINGSMILL, J. A.
Investment Dealers' Assn. of Canada, Toronto

KNEASS, GEORGE B.*
Philadelphia National Bank, Philadelphia

KNIGHT, NEWELL S.
Mercantile Trust Company, St. Louis

KNOWLTON, HUGH
Kuhn, Loeb & Co., New York

KOCUREK, LOUIS J.
Rauscher, Pierce & Co., San Antonio

KOERNER, IRVING
Allen & Company, New York

KRUSE, JOHN A.*
Prescott, Shepard & Co., Cleveland

KRUSEN, H. STANLEY*
Shearson, Hammill & Co., New York

KUHNS, WILLIAM R.
Banking, New York

LAMBORN, ARTHUR H.*
De Coppet & Doremus, New York

LAMON, S. DAVID
Blyth & Co., Inc., Los Angeles

LANDSTREET, III, BEVERLY W.
Clark, Landstreet & Kirkpatrick, Nashville

LANE, ARTHUR D.*
Chase National Bank, New York

LARKIN, Jr., FREDERICK G.
Security-First National Bank, Los Angeles

LATSHAW, JOHN
Uhlmann & Latshaw, Kansas City

LAUD-BROWN, WELLS*
Bankers Trust Company, New York

LAVAN, PETER I. B.*
American Securities Corporation, New York

LAWSON, RICHARD*
Lawson, Levy & Williams, San Francisco

LEACH, ORIN T.*
Estabrook & Co., New York

LEDYARD, Q. R.
J. C. Bradford & Co., Nashville

LEE, JAMES J.
W. E. Hutton & Co., New York

LEE, ROBERT H.*
Drexel & Co., Philadelphia

LEMKAU, HUDSON B.
Morgan Stanley & Co., New York

LEVY, BENJAMIN J.*
Salomon Bros. & Hutzler, New York

LEWIS, MEAD A.
Dick & Merle-Smith, New York

LEWIS, MRS. REUBEN A.
Finance Magazine, Chicago

LEWIS, SALIM L.
Bear, Stearns & Co., New York

LIEBENFROST, CONRAD H.
Stern, Lauer & Co., New York

LILLIS, DONALD C.
Bear, Stearns & Co., New York

LIMBERT, LEE M.
Blyth & Co., New York

LINCOLN, MARY R.
Investment Bankers Association, Chicago

LINEN, JOHN S.
Chase National Bank, New York

LITTLE, ALDEN H.
Investment Bankers Association, Chicago

LITTLE, CARROLL H.
C. H. Little & Co., Jackson

LOEWI, J. VICTOR
Loewi & Co., Milwaukee

LOFTUS, EDGAR J.*
R. S. Dickson & Co., New York

LOMBARDO, JOSEPH P.*
Stubbs, Smith & Lombardo, Birmingham

LONG, HUGH W.*
Hugh W. Long & Co., Elizabeth

LOOMIS, CHARLES H.
First National Bank, St. Paul

LOOMIS, JOHN S.*
The Illinois Company, Chicago

LOW, V. THEODORE*
Bear, Stearns & Co., New York

LOWRY, DAVID A.*
Carlisle & Jacquelin, New York

LUCAS, Jr., MARK A.*
Lucas, Eisen & Waeckerle, Kansas City

LUCAS, WILLIAM E.
Baxter, Williams & Co., Cleveland

LUCKE, FRANK L.*
Laidlaw & Co., New York

LUDIN, JOSEPH*
Dillon, Read & Co., New York

LUNT, SAMUEL D.
Hamlin & Lunt, Buffalo

LYKLEMA, WALTER C.
A. C. Allyn & Co., Chicago

We are pleased to announce that

MR. WILLIAM C. KING

formerly Director of the Securities Division of the State Corporation Commission of Virginia

has become associated with us as our Representative in the Southeast with headquarters in

604 Mutual Building, Richmond
Tel. Richmond 3-8516

TELEVISION SHARES MANAGEMENT CO.
National Underwriter and Investment Advisor Television-Electronics Fund, Inc.
135 South La Salle Street, Chicago • 115 Broadway, New York

HUDSON FUND DISTRIBUTORS, INC.
National Underwriter — *Hudson Fund, Inc.*
115 Broadway, New York • 135 South La Salle Street, Chicago

We Assist Dealers to Negotiate:

Direct Placement Issues
Bonds, Notes, Mortgages or Preferred Stocks
Sale and Leaseback Transactions
Purchase or Sale of Businesses
Mergers

You can insure the successful completion of these opportunities by consulting us.

W. T. GRIMM & CO.
INSTITUTIONAL INVESTMENTS
SPECIALISTS IN THE NEGOTIATION OF
DIRECT PLACEMENT LOANS • SALE AND MERGER OF COMPANIES
231 So. LaSalle St., Chicago 4, Ill. FINANCIAL 6-5265
714 W. Olympic Blvd., Los Angeles 15, Calif. PROSPECT 3809

TELEVISION-ELECTRONICS FUND, INC.

Prospectus on request from your investment dealer or

TELEVISION SHARES MANAGEMENT CO.
135 S. La Salle St. Chicago 3, Ill.
115 Broadway New York 6, N. Y.

Hudson Fund
INC.

An Open-End Investment Company

Prospectus may be obtained from your authorized dealer or

HUDSON FUND DISTRIBUTORS Inc.
Principal Underwriter
115 Broadway New York 6, N. Y.
135 S. La Salle St. Chicago 3, Illinois

FIRST SECURITIES COMPANY OF CHICAGO

UNDERWRITING • DISTRIBUTION

MUNICIPAL BOND DEPARTMENT
TELETYPE CG 1751

UNLISTED TRADING DEPARTMENT
TELETYPE CG 1399

Member Midwest Stock Exchange
Direct Wire to Scherck, Richter Company, St. Louis, Mo.
Henry B. Warner & Co., Inc., Philadelphia, Pa.
134 SOUTH LA SALLE STREET, CHICAGO 3, ILL.
ANdover 3-1520
Branch Office—Champaign, Illinois

gitized for FRASER
p://fraser.stlouisfed.org/

LYNCH, Jr., CHARLES McK.*
Moore, Leonard & Lynch, Pittsburgh
LYNCH, WILLARD A.*
W. C. Langley & Co., New York
LYNE, LEWIS F.*
Mercantile National Bank, Dallas
LYNN, HENRY S.*
Sterne, Agee & Leach, Birmingham
LYONS, KEVIN T.
Lyons & Shafto, Boston
LYONS, SAM B.*
Finance Magazine, Chicago
MacARTHUR, ROBERT W.*
Paine, Webber, Jackson & Curtis, Boston
MacDONALD, GEORGE C.
McLeod, Young, Weir & Co., New York
MACKALL, WILLIAM W.*
Mackall & Coe, Washington
MACKEY, DONALD D.
Dominick & Dominick, New York
MAGNUS, JULIAN A.
Magnus & Co., Cincinnati
MAGOWAN, ROBERT A.
Merrill Lynch, Pierce, Fenner & Beane, New York
MANNING, STEVENS
Paine, Webber, Jackson & Curtis, Los Angeles
MARBURG, F. GRAINGER
Alex. Brown & Sons, Baltimore
MARCKWALD, ANDREW K.
Discount Corporation, New York
MARKS, LAURENCE M.
Laurence M. Marks & Co., New York
MARTIN, GEORGE L.*
International Bank, New York
MARTIN, WAYNE*
Milhous, Martin & Co., Atlanta
MARTIN, Jr., WILLIAM McC.*
Federal Reserve Board, Washington
MASSEY, ARNOLD B.*
Mills, Spence & Co., Toronto
MASTERS, WILLIAM G.*
Putnam Fund Distributors, Boston
MATHISON, GEORGE
Milwaukee Sentinel, Milwaukee
MATLOCK, WOODFORD*
Broad Street Sales Corporation, New York
MATTON, CHARLES F.
Wachovia Bank & Trust Co., Winston-Salem
MAXWELL, JOHN C.*
Tucker, Anthony & Co., New York
MAXWELL, JOHN M.*
Northern Trust Company, Chicago
MAY, J. DENNY
The Parker Corporation, Boston
MAYNARD, WALTER*
Shearson, Hammill & Co., New York
McCALL, ARTHUR C.*
Alester G. Furman & Co., Greenville
McCLEARY, GEORGE M.*
Florida Securities Company, St. Petersburg
McCORMICK, D. DEAN*
McCormick & Co., Chicago
McCORMICK, EDWARD T.
New York Curb Exchange, New York
McCURDY, WALLACE M.*
Thayer, Baker & Co., Philadelphia
McDONALD, HARRY A.
Reconstruction Finance Corp., Washington
McDONNELL, DONALD N.
Blyth & Co., Inc., New York
McELROY, DAVID B.*
J. P. Morgan & Co., New York
McENTIRE, RICHARD B.*
Securities & Exchange Commission, Washington
McFARLAND, DONALD E.
Kalman & Co., Minneapolis
McGEOCH, Jr., ARTHUR N.
The Milwaukee Company, Milwaukee
McGREW, EDWARD D.*
Northern Trust Company, Chicago
McKIE, STANLEY G.
The Weil, Roth & Irving Co., Cincinnati
McKINNEY, CLIFFORD P.*
G. H. Walker & Co., St. Louis
McLAREN, HARRIS B.*
McDonald & Co., Cleveland
MEAD, ROBERT G.
Stone & Webster Securities Corp., Chicago

*Denotes Mr. and Mrs.

UNDERWRITING • DISTRIBUTING • TRADING

LISTED & UNLISTED SECURITIES

Through our own retail and wholesale distribution we offer unusual facilities for the placement of blocks of Securities

Cruttenden & Co.

Members New York Stock Exchange & Midwest Stock Exchange
Associate Member New York Curb Exchange

209 S. La Salle Street Chicago 4, Illinois DEarborn 2-0500

Omaha Denver Lincoln

MEAD, W. CARROLL*
Mead, Miller & Co., Baltimore
MERRELL, ROLAND*
Lee Higginson Corporation, New York
METZNER, RUSSELL H.
Central National Bank, Cleveland
MEYER, Jr., MAURICE*
Hirsch & Co., New York
MEYER, RICHARD
Dow, Jones, Inc., New York
MILLER, BURTON A.
National City Bank, Cleveland
MILLER, LEWIS
First National Bank, Chicago
MILLS, ANDREW S.*
Newhard, Cook & Co., St. Louis
MINOR, STANLEY N.
Pacific Northwest Company, Seattle
MITCHELL, ROBIE L.*
Mitchell & Pershing, New York
MOFFITT, WALTER V.
Kidder, Peabody & Co., New York
MOLANDER, WINSTON L.
Northwestern National Bank, Minneapolis
MONRO, WALTER J.
Schoellkopf, Hutton & Pomeroy, Buffalo
MOONEY, Jr., URBAN D.
Bear, Stearns & Co., New York
MOORE, RODERICK D.*
Branch, Cabell & Co., Richmond
MOREY, RICHARD*
A. G. Edwards & Sons, St. Louis
MORGAN, C. GERARD*
John C. Legg & Co., Baltimore
MORGAN, EMERSON B.
Morgan & Co., Los Angeles
MORGAN, LAURENCE W.*
The Parker Corporation, Chicago
MORGAN, WALTER L.*
The Wellington Company, Philadelphia
MORRIS, CHARLES K.
F. S. Yantis & Co., Chicago
MORRIS, JACK C.*
Norris & Hirshberg, Atlanta
MORRIS, JOSEPH L.
Robinson-Humphrey Company, Atlanta
MORSE, Jr., CHARLES L.
Hemphill, Noyes & Co., New York
MORSE, ERIC S.*
W. C. Pitfield & Co., New York
MORSE, FRANK H.*
Lehman Brothers, New York
MORSE, WALTER*
Lehman Brothers, New York
MORTON, WILLIAM H.*
W. H. Morton & Co., New York
MOSSER, CHARLES R.
Hornblower & Weeks, New York
MUDGE, LOUIS G.
International Bank, New York
MUIR, EDWARD D.*
Russ & Co., San Antonio
MULLANEY, PAUL L.
Mullaney, Wells & Co., Chicago
MULLINS, FREDERIC P.
A. E. Masten & Co., Pittsburgh
MURRAY, Jr., WILLIAM N.
The Illinois Company, Chicago
NELSON, ARTHUR*
Burnham & Co., New York
NEUHAUS, PHILIP R.
Underwood, Neuhaus & Co., Houston
NEUMARK, ARTHUR J.
H. Hentz & Co., New York
NEWBORG, LEONARD D.
Hallgarten & Co., New York
NEWBURGER, Jr., FRANK L.*
Newburger & Co., Philadelphia
NEWCOMB, MacDONALD G.
Federal Land & Intermediate Credit Banks, New York
NEWHARD, CHAPIN S.*
Newhard, Cook & Co., St. Louis
NICHOLSON, DANIEL F.
Chicago
NIX, ALLEN J.*
Riter & Co., New York
NOEL, RICHARD C.*
Van Alstyne, Noel & Co., New York
NOLAN, JAMES PARKER
Folger, Nolan, Incorporated, Washington
NORTH, LUDLOW F.*
Robert W. Baird & Co., Milwaukee

NOYES, BLANCKE
Hempshill, Noyes & Co., New York
O'DAY, DANIEL
Northern Trust Company, New York
OSGOOD, ROBERT L.*
Vance, Sanders & Co., Boston
OSTRANDER, LEE H.
William Blair & Co., Chicago
OTIS, C. BARRON*
The Bond Buyer, New York
OVERTON, JOSEPH A.
T. H. Jones & Co., Cleveland
OWEN, IRA D.*
Allison-Williams Company, Minneapolis
PACE, CLARK R.*
Business Week, New York
PAIDAR, LEONARD J.*
Goodbody & Co., Chicago
PARCELLS, Jr., CHARLES A.*
Charles A. Parcells & Co., Detroit
PARKER, AMORY
The Parker Corporation, Boston
PARKER, NATHAN K.*
Kay, Richards & Co., Pittsburgh
PARKER, WILLIAM A.
The Parker Corporation, Boston
PATTBERG, Jr., EMIL J.*
First Boston Corporation, New York
PATTERSON, WILLIAM A.
United Air Lines, Chicago
PAYNE, CARR
Cumberland Securities Corp., Nashville
PERKO, JOHN F.*
J. F. Perko & Co., Cleveland
PERRIGO, CHARLES R.
Hornblower & Weeks, Chicago
PERRY, FAIRFIELD S.*
Gordon Graves & Co., New York
PERSHING, F. W.*
Pershing & Co., New York
PETERS, GERALD P.
Peters, Writer & Christensen, Denver
PETERSON, E. NORMAN
Equitable Securities Corp., New York
PETTIT, KARL D.*
Knickerbocker Shares, New York
PEVEAR, WILLIAM W.
Irving Trust Company, New York
PFEFFER, DELMONT K.*
National City Bank, New York
PHILLIPS, GUY M.
Caldwell Phillips Co., St. Paul
PHILLIPS, RALPH E.
Dean Witter & Co., Los Angeles
PHILLIPS, SPENCER
Emanuel, Deetjen & Co., New York
PIERCE, CHARLES C.*
Rauscher, Pierce & Co., Dallas
PIETROWICZ, STEPHEN R.*
Chicago Tribune, Chicago
PIPER, Jr., HARRY C.*
Piper, Jaffray & Hopwood, Minneapolis
PLATT, RICHARD
Vance, Sanders & Co., Chicago
PODESTA, ROBERT A.*
Cruttenden & Co., Chicago
POOLE, MONROE V.*
Geo. B. Gibbons & Co., New York
POPPER, ELVIN K.
I. M. Simon & Co., St. Louis
POTTER, A. C.*
Bacon, Whipple & Co., New York
POWERS, ROBERT A.
Smith, Barney & Co., New York
PRANKARD, 2nd, HARRY I.*
Lord, Abbett & Co., New York
PRATT, ALBERT
Paine, Webber, Jackson & Curtis, Boston
PRUDDEN, HORTON R.
Stetson & Co., New York
PUTNAM, ALBERT D.
Putnam & Co., Hartford
PUTNAM, Jr., GEORGE
Putnam Fund Distributors, Boston
PUTNAM, HENRY W.
Association of Stock Exchange Firms, New York
QUAIL, JOHN J.
Quail & Co., Davenport
QUIGG, JAMES F.
Paine, Webber, Jackson & Curtis, Chicago
QUIST, LEO L.
Harold E. Wood & Co., St. Paul
RAISS, JOHN*
Burnham & Co., New York
RAND, RICHARD N.*
Rand & Co., New York
RAND, THORBURN*
Rand & Co., New York
RANKIN, HARLEY L.*
Goldman, Sachs & Co., Philadelphia
RASH, DILLMAN A.*
J. J. B. Hilliard & Son, Louisville
RATCLIFFE, MYRON F.*
Bache & Co., Chicago
RAUCH, ALFRED*
Kidder, Peabody & Co., Philadelphia
RAUSCHER, JOHN H.*
Rauscher, Pierce & Co., Dallas
RAY, NORMAN C.*
Kay, Richards & Co., Pittsburgh
RAYMOND, ANDREW J.
Dominion Securities Corporation, New York
REDMAN, W. GUY*
A. G. Edwards & Sons, St. Louis
REED, STUART R.
Paine, Webber, Jackson & Curtis, New York
REFSNES, JOSEPH E.
Refsnes, Ely, Beck & Co., Phoenix
REILLY, F. VINCENT
Commercial & Financial Chronicle, New York
REIS, Jr., GORDON*
Seasongood & Mayer, Cincinnati
REISSNER, FRANK L.
Indianapolis Bond & Share Corporation, Indianapolis

RENCHARD, WILLIAM S.*
Chemical Bank & Trust Company, New York
REUTER, F. BRIAN*
Mellon National Bank, Pittsburgh
REX, WILLIAM M.*
Clark, Dodge & Co., New York
RHOADES, PHILIP J.*
First National Bank & Trust Co., Oklahoma City
RICHARDS, CHARLES A.
Field, Richards & Co., Cincinnati
RIENZI, WILLIAM
New York Herald Tribune, New York
RITER, 3rd, HENRY G.*
Riter & Co., New York
ROBERTS, MALCOLM F.*
Sidlo, Simons, Roberts & Co., Denver
ROBERTSON, WALTER S.
Scott & Stringfellow, Richmond
ROBINSON, ARTHUR R.*
Anderson & Strudwick, Richmond
ROBINSON, EDWARD H.
Schwabacher & Co., New York
ROCKEFELLER, Jr., AVERY
Dominick & Dominick, New York
RODDY, JAMES E.
Scharff & Jones, New Orleans
RODMAN, T. CLIFFORD
Rodman & Linn, Chicago
ROGERS, DONALD I.*
New York Herald Tribune, New York
ROLL, JOHN B.
J. B. Roll & Co., New York
ROSE, MIDDLETON
Laird, Bissell & Meeds, New York
ROSS, ALFRED J.*
Dick & Merle-Smith, New York
ROUSE, ROBERT G.
Federal Reserve Bank, New York
ROVENSKY, WILLIAM R.
Hornblower & Weeks, New York
ROWE, ROBERT G.*
Stroud & Company, Incorporated, Philadelphia
ROWEN, PAUL R.*
Securities & Exchange Commission, Washington
RUSSELL, PARIS S.
Glore, Forgan & Co., New York
RYAN, BURT T.
Ryan, Sutherland & Co., Toledo
RYAN, JAMES
C. J. Devine & Co., New York
RYONS, JOSEPH L.*
Lester, Ryons & Co., Los Angeles
SAGE, II, ANDERW G. C.
Lehman Brothers, New York
SAMPLE, CLARENC7 E.*
Mercantile National Bank, Dallas
SANDBERG, MAURICE H.*
A. E. Weltner & Co., New York
SANDERS, Jr., JESSE A.*
Sanders & Newsom, Dallas
SAVARD, J. ERNEST
Savard, Hodgson & Co., Montreal
SCHAPIRO, MORRIS A.*
M. A. Schapiro & Co., New York

SCHAUST, GEORGE J.
First National Bank, Minneapolis
SCHLESINGER, ROBERT H.
Reynolds & Co., New York
SCHLUTER, HAROLD J.
First National Bank of Chicago, New York
SCHMIDT, REGINALD M.
Blyth & Co., Inc., New York
SCHMIDT, WALTER A.
Schmidt, Poole & Co., Philadelphia
SCHREDER, HAROLD X.
Distributors Group, New York
SCHWABACHER, Jr., ALBERT E.*
Schwabacher & Co., San Francisco
SCHWERENS, MURRAY R.
World-Telegram & Sun, New York
SCOTT, JAMES H.
Scott & Stringfellow, Richmond
SCOTT, WILSON A.
McKelvy & Co., Pittsburgh
SEIDLER, Jr., ALEX.
National State Bank, Newark
SELLERS, PAUL A.
The Illinois Company, Chicago
SELTSAM, DONALD A.*
Seltsam, Hanni & Co., Topeka
SENER, JOSEPH W.*
John C. Legg & Co., Baltimore
SEVING, FREDERICK T.*
Butcher & Sherrerd, Philadelphia
SHANKS, CARROL M.
Prudential Insurance Company, Newark
SHANKS, WILLIAM S.
The Bond Buyer, New York
SHEEDY, HERMAN J.
McDonald & Co., Cleveland
SHEFFEY, JOHN M.
National Association Investment Companies, New York
SHEPARD, ROBERT O.*
Prescott, Shepard & Co., Cleveland
SHERBURNE, HAROLD H.
Bacon, Whipple & Co., New York
SHERRILL, H. VIRGIL*
Shields & Co., New York
SHIELDS, CORNELIUS*
Shields & Co., New York
SHIELS, LAWRENCE W.*
Camp & Co., Portland
SHREVE, WICKLIFFE*
Hayden, Stone & Co., New York
SIEFERT, RUSSELL E.*
Stern Brothers & Co., Kansas City
SIMMONS, RICHARD W.
Blunt Ellis & Simmons, Chicago
SIMONSON, Jr., HENRY J.*
National Securities & Research Corp., New York
SKINNER, DAVID L.
Harriman Ripley & Co., New York
SMITH, DUDLEY C.*
Investment Bankers Association, Chicago

Continued on page 74

Bacon, Whipple & Co.
Investment Securities
Chicago New York

Members
New York Stock Exchange
Midwest Stock Exchange
New York Curb Exchange (Associate)

Partners
William T. Bacon
Ernest F. Hartshorne
Harold H. Sherburne
Jay N. Whipple
Robert B. Krell
Harold A. Bray
Leslie Wagner
William D. Kerr
Francis R. Schanck, Jr.
Joseph E. Rich

CORPORATE AND MUNICIPAL BONDS
•
PREFERRED AND COMMON STOCKS
•
COMMERCIAL PAPER
•
A. G. Becker & Co.
INCORPORATED
Established 1893
Chicago New York San Francisco
And Other Cities

Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from page 73

In Attendance at IBA Convention

SMITH, HOWARD C.*
De Coppet & Doremus, New York

SMITH, J. RAYMOND
Weeden & Co., New York

SMITH, JOSEPH E.
Union Securities Corporation, New York

SMITH, NORMAN*
Merrill Lynch, Pierce, Fenner & Beane, New York

SMUCKER, OTTO
Chicago Sun-Times, Chicago

SMUTNY, RUDOLF*
Salomon Bros. & Hutzler, New York

SNYDER, HARRY B.
Yarnall & Co., Philadelphia

SPACE, JULIAN A.*
Johnson, Lane, Space & Co., Savannah

SPEAS, JAMES W.*
First National Bank, Atlanta

STALKER, ALFRED J.*
Kidder, Peabody & Co., New York

STAPLES, JACK R.
Fulton, Reid & Co., Cleveland

STARRING, MASON B.
A. C. Allyn & Co., New York

STEARNS, GEORGE R.
The Economist, Chicago

STEARNS, PHILIP M.*
Estabrook & Co., Boston

STEPHENSON, EDWIN A.
Chase National Bank of the City of New York, Chicago

STEVENSON, G. C.*
Bacon, Stevenson & Co., New York

STEVENSON, 3rd, ROBERT
Investment Bankers Association, Chicago

STITZER, RAYMOND D.
Equitable Securities Corporation, New York

STOCKWELL, HERMANN G.
Gairdner & Co., Toronto

STOLLE, CARL
G. A. Saxton & Co., New York

STONE, ERNEST E.*
Stone, Moore & Co., Denver

STONE, JACOB C.
Asiel & Co., New York

STRAUS, FREDERICK W.*
Straus, Blosser & McDowell, Chicago

STUBBS, JOHN O.
Whiting, Weeks & Stubbs, Boston

SULLIVAN, JAMES J.
Blair, Rollins & Co., New York

SULLIVAN, Jr., MARK*
Auchincloss, Parker & Redpath, Washington

SWANEY, JOHN*
Keystone Company, Boston

TAUSSIG, GARFIELD J.
Taussig, Day & Co., St. Louis

TAYLOR, C. NEWBOLD
W. H. Newbold's Son & Co., Philadelphia

TAYLOR, EATON
Dean Witter & Co., San Francisco

TAYLOR, HOWARD L.
Taylor & Co., Beverly Hills

TEGELER, JEROME F.*
Dempsey-Tegeler & Co., St. Louis

TERRELL, ALLEN M.
Girard Trust Corn Exchange Bank, Philadelphia

THACKARA, CHARLES V.*
Byrne & Phelps, New York

THAYER, ROBERT L.
Lehman Brothers, New York

THEIS, HARRY*
Albert Theis & Sons, St. Louis

THOMAS, JOSEPH A.*
Lehman Brothers, New York

THORNTON, Jr., J. MILLS
Thornton, Mohr & Co., Montgomery

TINDALL, JULIAN W.*
J. W. Tindall & Co., Atlanta

TOMASIC, ANTHONY E.*
Thomas & Co., Pittsburgh

TORO, ROBERTO de J.
Government Development Bank, Puerto Rico

TORREY, ARTHUR S.*
W. C. Pitfield & Co., Montreal

TOWBIN, BELMONT*
C. E. Unterberg & Co., New York

TOWNSEND, WILLIAM H. P.*
E. W. Clark & Co., Philadelphia

TREUHOLD, EUGENE*
L. F. Rothschild & Co., New York

TRIGGER, RAYMOND*
Investment Dealers' Digest, New York

TROST, MILTON S.*
Stein Bros. & Boyce, Louisville

TRUBEE, Jr., FRANK C.
Trubee, Collins & Co., Buffalo

TSCHUDY, ARNOLD*
Bank of America, N. T. & S. A., New York

TSOLAINOS, K. P.*
Baker, Weeks & Harden, New York

TURBEN, CLAUDE F.
Merrill, Turben & Co., Cleveland

TURNER, ARTHUR C.*
New York Hanseatic Corporation, New York

UFFORD, HENRY M.
Calvin Bullock, Atlanta

ULLERY, L. E.*
Chase National Bank, New York

UNDERHILL, ARTHUR J. C.
Athur Wiesenberger & Co., New York

VALENTINE, KIMBALL*
Vance, Sanders & Co., Boston

VAN CAMP, OWEN V.
First Security Company, Chicago

VAN HOUTEN, RICHARD C.*
Heller, Bruce & Co., San Francisco

VANDERPOOL, ROBERT P.*
Chicago Sun-Times, Chicago

VAN SLYCK, MIKE
Journal of Commerce, New York

VARNEDOE, SAMUEL L.*
Varnedoe, Chisholm & Co., Savannah

VIVO, SALVADOR
Government Development Bank, Puerto Rico

von GLAHN, THEODORE A.*
Salomon Bros. & Hutzler, New York

VOYSEL, FRANK E.*
Kidder, Peabody & Co., Chicago

VRTIS, CHARLES S.*
Glore, Forgan & Co., Chicago

WADSWORTH, ARTHUR L.*
Dillon, Read & Co., New York

WALBERT, RICHARD B.
Lehman Brothers, Chicago

WALDMAN, GEORGE R.
Mercantile Trust Company, New York

WALKER, CLIFTON P.
Paul H. Davis & Co., Chicago

WALLACE, DARNALL*
Bache & Co., New York

WALTERS, H. L.*
Fidelity-Philadelphia Trust Company, Philadelphia

WANDERS, GEORGE*
The Bond Buyer, New York

WARD, JAMES C.
Third National Bank, Nashville

WARREN, ROBERT H.*
Geyer & Co., Incorporated, New York

WATERFIELD, CHARLES W.*
First American National Bank, Nashville

WASHBURNE, HEMPSTEAD
Harris, Hall & Co., Chicago

WASSERMAN, JOHN*
Asiel & Co., New York

WATLING, PALMER
Watling, Lerchen & Co., Detroit

WEBB, EDWARD G.
Scott, Horner & Mason, Lynchburg

WEBSTER, BYRON G.*
Merrill Lynch, Pierce, Fenner & Beane, Chicago

WEED, Jr., WALTER H.
Union Securities Corporation, New York

WEEDON, SIDNEY L.*
Hugh W. Long & Co., Elizabeth

WEHRHEIM, ROBERT V.*
Philadelphia National Bank, Philadelphia

WELDON, D. B.
Midland Securities Corp., London

WELLES, RUSSELL
The Hanover Bank, New York

WENDT, GEORGE B.
First National Bank, Chicago

WERLY, CHARLES M.*
Putnam Fund Distributors, Boston

WERNER, CHARLES S.*
Wertheim & Co., New York

WEST, GERALD B.
Stone & Webster Securities Corp., New York

WETZEL, W. ENOS
W. E. Wetzel & Co., Trenton

WHIPPLE, JAY N.*
Bacon, Whipple & Co., Chicago

WHITBECK, BRAINERD H.*
First Boston Corporation, New York

WHITCOMB, STEPHEN
Eaton & Howard, Boston

WHITE, CHARLES B.*
Chas. B. White & Co., Houston

WHITE, KELTON E.*
G. H. Walker & Co., St. Louis

WHITESIDE, THOMAS
Chace, Whiteside, West & Winslow, Boston

WHITNEY, Jr., LEWIS J.
Dempsey-Tegeler & Co., Los Angeles

WIESENBERGER, ARTHUR*
Arthur Wiesenberger & Co., New York

WILBUR, LeROY A.
Stein Bros. & Boyce, Baltimore

WILHIDE, CLAUDE W.*
Baker, Watts & Co., Baltimore

WILLIAMS, BENJAMIN D.
W. E. Hutton & Co., New York

WILLIAMS, EMIL C.
A. M. Kidder & Co., New York

WILLIAMSON, JOHN D.*
Dittmar & Co., San Antonio

WILSON, H. WARREN*
Union Securities Corporation, New York

WILSON, WALTER W.
Morgan Stanley & Co., New York

WINSOR, III, JAMES D.*
Biddle, Whelen & Co., Philadelphia

WINTERS, EDWARD G.
Bacon, Whipple & Co., New York

WISE, JOSEPH B.
Weeden & Co., New York

WOLFF, JAMES W.
Zuckerman, Smith & Co., New York

WOOD, C. M.
Savard, Hodgson & Co., Montreal

WOOD, DAVID M.*
Wood, King & Dawson, New York

WOODARD, LAWRENCE B.
Woodard-Elwood & Co., Minneapolis

WOODS, RICHARD A.
Merrill Lynch, Pierce, Fenner & Beane, New York

WORK, ROBERT M.
Salomon Bros. & Hutzler, Chicago

WRONG, H. HUME*
Canadian Ambassador to the U. S., Washington

WULPERN, EDWARD B.*
R. S. Dickson & Co., Charlotte

YOUMANS, PAUL E.
Bosworth, Sullivan & Co., Denver

*Denotes Mr. and Mrs.

MINNESOTA NORTH DAKOTA
MONTANA SOUTH DAKOTA

MUNICIPAL AND STATE BONDS

TWIN CITY STOCKS

ALLISON-WILLIAMS COMPANY
MINNEAPOLIS, MINNESOTA
Phone: ATlantic 3475 TWX MP 163

INVESTMENT DEPARTMENT
FIRST NATIONAL BANK
OF MINNEAPOLIS

Specialists in state and municipal bonds of Minnesota, North Dakota and South Dakota, and U. S. Government bonds

★

TELETYPE — MP 178

KALMAN & COMPANY, INC.
MEMBERS MIDWEST STOCK EXCHANGE

UNDERWRITERS & DISTRIBUTORS
CORPORATE & MUNICIPAL SECURITIES

McKNIGHT BUILDING
MINNEAPOLIS 1, MINN.
TELETYPE—
MP 120

ENDICOTT BLDG.
ST. PAUL 1, MINN.
TELETYPES—
ST P 93 (Corporate Dept.)
ST P 117 (Municipal Dept.)

Continued from page 25

High Taxes Depleting Corporate Working Capital

tion in relation to increased output and sales was only 2.8¢ for each dollar of sales compared with 4.5¢ in 1939. Also the pretax profit in 1951 was equal to 61% of net plant value versus only 18% in 1939.

Nor may this higher replacement cost become an acute problem in the immediately foreseeable future. Plant construction has been and is still running at such a high level that by the middle of next year the overall physical capacity of our manufacturing industry will be more than twice what it was in 1939. Barring unexpected armament or other demands, financing for further plant expansion or replacement is unlikely to continue much longer at the present abnormal level excepting in a few instances —and excepting the public utility industry which, as already mentioned, is entirely excluded from the comparisons I have made. Any marked falling off in demand for manufactured products will prompt the investor to look with a critical eye on the financing of additional plant capacity. The burden of proof that such additions or replacements are necessary or will be profitable, will be strictly up to the corporation.

Turning now from the subject of taxes and plants and facilities to current assets and the cash position of our manufacturing corporations, we find a rather different picture.

The current ratio since 1939 has fallen from 4.4 to 2.3. It is true that cash equivalent — in which term are included Government bonds even though set aside for future tax payment—has risen almost 250% since 1939 and, at first glance, does not seem to be inadequate. However, compared with the prewar period, cash is down in relation to sales and also down in relation to current liabilities. A disturbing change in the cash position is discovered if, both for 1939 and 1951, the amount of tax liability is deducted from holdings of cash and government bonds. We then find that the remaining net amount of cash and equivalent, which is free from what may be called a tax lien, is actually — and not only relatively—less than it was in 1939; and further, that it is now only 2.5% of annual sales compared with a corresponding percentage of 14.2% in 1939. On this relative basis "free" cash, in relation to inventories, is less than one-third of what it was in 1939; and in relation to equity it is only between one-third and one-half of what it was in 1939.

While the cash flowing into our industrial corporations' treasury via annual depreciation and accelerated depreciation is now almost three times what it was prewar, yet even this increase in the cash flow has obviously been inadequate to maintain a cash position anywhere near as strong as that maintained in 1939.

Any further increase in sales, resulting from newly constructed plants getting into operation over the next few months, together with the effect of the Mills Bill, will accentuate the cash problem for those companies which have concentrated their attention on plant financing without corresponding attention on their cash position.

Sometime later in 1953 or 1954 upon the step-by-step and industry-by-industry completion of our rearmament program as now laid out, problems of transition from our present economy to a different and not yet clearly foreseeable state of affairs will arise. I do not have in mind primarily a possible decline in the unit price level of manufactured goods, which is materially affected by the cost of labor, with the latter in turn, not a very flexible cost component on the down-side. What I have in mind in speaking of our prevailing economy are such things as the present abnormal velocity of business, with sales volume in relation to net plant value being 2½ times what it was in 1939; pretax profits (which are inevitably pushed up by high taxes and must include a heavy tax burden) running at a rate equal to about 61% of net plant value; tax rates running up to 70% of pretax profits and corporate tax liability equal to some 80% of the cash and government bonds in the corporations' treasury. No corporation can afford to overlook the leverage, or leverage

PIPER, JAFFRAY & HOPWOOD
ESTABLISHED 1895

UNDERWRITERS & DISTRIBUTORS
CORPORATE & MUNICIPAL SECURITIES

MEMBERS
NEW YORK STOCK EXCHANGE
NEW YORK CURB (ASSOCIATE)
MIDWEST STOCK EXCHANGE

MINNEAPOLIS ST. PAUL
GREAT FALLS - BILLINGS

gitized for FRASER
p://fraser.stlouisfed.org/

in reverse, inherent in some of these high percentages.

Whatever a period of transition may bring next year or the year after, working capital and cash resources will play an unusually important role. Those foresighted corporations which are placing themselves in a strong liquid position will not only do the right thing by themselves, their employees and the investing public, but they will also render a significant service toward the protection and soundness of our private enterprise system.

Respectfully submitted,

INDUSTRIAL SECURITIES COMMITTEE

Eaton Taylor, Chairman
Dean Witter & Co., San Francisco

Henry J. Blackford
A. M. Law & Company, Spartanburg, S. C.

H. Lawrence Bogert, Jr.
Eastman, Dillon & Co., New York City

Harold H. Cook
Spencer Trask & Co., New York City

Joshua A. Davis
Reynolds & Co., New York City.

Edward C. George
Harriman Ripley & Co., Incorporated, Chicago

Edward Glassmeyer
Blyth & Co., Inc., New York City

E. Jansen Hunt
White, Weld & Co. New York City

Samuel N. Kirkland
Jenks, Kirkland & Grubbs, Philadelphia

Robert W. MacArthur
Paine, Webber, Jackson & Curtis, Boston

Harry A. McDonald, Jr.
McDonald-Moore & Co., Detroit

Chapin S. Newhard
Newhard, Cook & Co., St. Louis.

Donald E. Nichols
Ames, Emerich & Co., Inc., Chicago

Henry Parish, 2nd
Carl M. Loeb, Rhoades & Co., New York City

Frank B. Reid
Fulton, Reid & Co., Cleveland

Donald Royce
William R. Staats & Co., Los Angeles

Jesse A. Sanders, Jr.
Sanders & Newsom, Dallas

Eugene Treuhold
L. F. Rothschild & Co. New York City

Murray Ward
Hill Richards & Co., Los Angeles

Robert M. Work
Salomon Bros. & Hutzler Chicago

Continued from first page

Shall We Have Global Parity Prices?

goods is easing up, the underdeveloped countries are finding it increasingly difficult to pay for them," he added.

Senator Angel Maria Cusano of Uruguay said his country also needed "the security of just prices, without maneuvers of disquieting fluctuations, in the markets of the world."

Gonzalo J. Facio of Costa Rica, disturbed by efforts to control the price of coffee in the United States, said that what was needed was not price ceilings to defend the consumer in rich countries but price floors to protect the producer in the poorer countries.

Earlier in the debate Dr. Cesar A. Bunge of Argentina proposed that the industrialized countries take action to maintain the world prices of primary commodities.

Dr. Bunge referred to the wool situation. "When the price of wool was run up by producers because of United States rearmament, the United States shifted to wool substitutes and the price cracked," Dr. Bunge said. He added that he did not wish to appear to be standing in the way of technological advance, but he thought the United States should take into account the interests of less developed countries before making such a shift.

The significance of these complaints is, in the first place, the request that we subsidize Europe, Asia, Africa and Latin America by way of supporting—stabilizing, as they like to call it—the prices of their crude materials.

More important is a second implication: that all those countries expect further declining world market prices unless we step in in a big way. The New York "Times," from which the above report is taken, hastened to add: ". . . it is understood that the United States is willing to negotiate agreements on particular commodities but bars any effort to introduce the parity principle on a world scale as unworkable and unrealistic."

The Pattern of Prices

The sharp setback of commodity prices that began in February, 1951, seemed to have spent its force by last fall. With armaments getting in gear, a resurgence of demand could be, and has been, widely expected, especially also by public authorities whose economic and financial policies were misguided accordingly. Indeed, no major "breaks" of the international price level have occurred since; but instead of recovering, prices kept slipping, notwithstanding short-lived interruptions of the downward trend. The Dow-Jones index of "sensitive" spot prices that skyrocketed by about 56%, from 144 to 225, in the first eight months after hell broke loose in Korea, fell precipitously to less than 183 by Sept. 19, 1951. Then, it rose about 5% to the end of last year, but soon started skidding again. Lately, it lingers around 175, a modest 30 points or so above where it stood before Korea—when staple prices were already boosted by devaluations, stockpiling policies, and other artifices.

Unless something entirely unpredictable occurs, the post-Korean commodity boom should soon be wiped out. This is remarkable for more than one reason. Visible inventories have not been substantially liquidated in this country; their reduction in Europe must be largely offset by accumulations in the countries of origin. The decline this year, as against the previous, in consumer demand was one reason for falling crude material prices without, however, greatly affecting the physical volume that has been absorbed (excepting fibers). And, of course, these 20 months of deteriorating prices coincided with the most voluminous arms build-up in peacetime history, a process that should have sufficed to check the unrelenting downward trend of staples. Their break in 1951 could be explained as a reaction to the preceding excesses of speculation, but not their softness throughout the current year. This continued weakness is indicative of profound changes in the fundamental supply-demand relationships.

From shortages to surpluses — is the global picture. It applies actually or potentially to all commodities with the irrelevant exception of a few metals, nickel being the most important one in quantitative terms.[1] If some prices hold steady, it is due to special reasons. Steel, aluminum and petroleum are not in over-supply as yet; but their markets may be glutted by next spring or before. Sugar is supported on the open market by Cuba keeping its surpluses under lock. Tin profits temporarily by the nationalization of the Bolivian mines. Their output, about 20% of the world production, is expected to dry up; yet there is no fear of tin shortage, given the excess capacity of other producers. Major farm crop prices are bolstered by devious controls and subsidies. If hides have recovered lately to a moderate extent, that is so because they had plunged out of proportion to the general trend. The recent advance of lead by 0.50c in New York is of doubtful duration if only because of the ample zinc supply on hand and in view of the weakness of the newly opened free lead market in London; Chile's attempt to rig the copper market (with U. S. support) is bound to fail since the strike in the Northern Rhodesian mines ended.

What stands out are the facts: that industrial *consumers refrain from* "speculative" purchases, buying in a hand-to-mouth fashion; that professional speculators are conspicuous by their reluctance to commit themselves; and the *producers,* instead of holding back, are *anxious to unload. Buyers' markets* predominate, and more of the same is expected in nearly every "uncontrolled" area of farm, plantation and mining production.

Stockpiling

One reason is the slowing down, if not the virtual cessation, of official stockpiling. (American refusal in February, 1951, to keep buying tin and natural rubber at fantastic prices sparked the commodity slump.) The irony of the situation is that the reluctance of the governments to add to their reserves of materials helps to create surpluses; the ampleness of supplies in turn dampens the interest in stockpiling.

In Europe, purchases for stockpiling have been almost stopped and are not supposed to be restarted in the face of the dollar-shortage. Actually, the British have sold some foodstuffs from their war-reserves. On this side, the mid-year Stockpile Report announced that through June 30, 1952, $2.566 billion, one-half of the appropriation, had been spent. Of the rest, over $1 billion is committed already, leaving little consolation to the outer world by the promise of the Munitions Board that it will accelerate its "selective" purchases, meaning the 29 products still on the critical list, while on 27 others little money will be spent from here on, and the remaining 48 "programs" are to undergo a renewed scrutiny. (But $1 billion worth of

Continued on page 76

[1] As it appears presently, even nickel may soon be in the over-supplied category.

CALDWELL PHILLIPS CO.
FIRST NATIONAL BANK BUILDING
SAINT PAUL 1, MINN.
Bell System Teletype ST P 139

Underwriters and Distributors
of Corporate and Municipal Securities
•
Mutual Funds Shares
•
SHAUGHNESSY & COMPANY, INC.
First National Bank Building
ST. PAUL 1, MINNESOTA

HAROLD E. WOOD & COMPANY
Investment Securities
FIRST NATIONAL BANK BUILDING
SAINT PAUL, MINNESOTA

SMITH, POLIAN & COMPANY
Members Midwest Stock Exchange
Underwriters and Distributors
★
A retail organization specializing in utility stocks.
424 Omaha National Bank Building
OMAHA 2, NEBRASKA
Teletype — OM 180 Telephone — JA 5065


INVESTMENT DEPARTMENT
THE FIRST NATIONAL BANK OF SAINT PAUL
U. S. GOVERNMENT, STATE AND MUNICIPAL BONDS
TELETYPES
ST P 159 MUNICIPAL DEPARTMENT
ST P 132 TRADING DEPARTMENT

Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from page 75

Shall We Have Global Parity Prices?

complicated machine tools are to be budgeted next year.) As the markets relax, so do the stockpiling agencies—which are most anxious to buy when prices are high. And the subsiding fear of war affects the authorities: the Italians, who first invested 82.5 billion lire in stockpiles (45% in wheat), lately have begun to liquidate some of them.

The route of official inventories outside the stockpiles is even more conspicuous, as in the case of U. S. tin holdings, to say nothing of the "chickens" hatched by British bulk-buying.

The Demand Side

A second factor is the "recession" in consumer demand. Mild as it may be, the fact is that the postwar pent-up demand has been pretty much satisfied along major lines of durables, and a fresh inflationary outburst does not seem to be in the cards. Short of that, the best the markets can anticipate is a sort of stability of sales volumes, possibly bolstered by the accelerated growth of population. The worst would be an appreciable 20% to 30% decline, next year and thereafter, in automobile sales, dwelling construction, etc. In any case, there is little prospect on the immediate consumer goods horizon that would promise an outlet for a greatly increased output of crude materials. But the problem is just that: what will happen in view of the huge expansion of productive capacities?

Nor will the problem be eased by the military demand. Government spending for war preparations is not likely to be reduced more than fractionally, but it is still less likely to rise appreciably —even if the Korean adventure should be stepped up (and the Republicans are anxious not to step too hard). Arms aid to Chiang and to Japan may come largely out of the same $6.9 billion total as this year, cutting the aid to Europe.

Whether or not the *armament program* is approaching its peak —it is not likely to reach it next year—this much is certain: it has been and is being *stretched.* The raw material markets register this fact with dismay.

Overgrown Capacities

The hard core of the problem is, however, on the supply side: the tremendous expansion of productive capacities. It began with monopolistic international cartels and futile buffer stocks of the 1930's. Wartime and postwar inflations created such a mighty impetus toward expansion that by 1949-50 commodity prices were visibly heading toward a showdown. Instead, the Korean boom set in and brought the dilation process to an unprecedented climax.

The story of the outgoing Administration's "management" of the world's commodity economy, with the resultant impending crisis, would fill three volumes—the size of the much-advertised Paley Report, which stated verbatim:

"The report of the President's Materials Policy Commission . . . has as its central task an examination of the adequacy of materials to meet the needs of the free world in the years ahead. In area after area we encounter *soaring demands, shrinking resources,* the consequent pressure toward *rising* real *costs,* the risk of wartime *shortages,* the strong possibility of an arrest or decline in the standard of living we cherish and hope to share." (Italics ours.)

When the Report appeared last May, signed by four "big" business leaders, the floor under raw material prices had been sinking for over a year. Yet, it argued that we are heading for scarcities and high prices and that large-scale stockpiling is the answer. Which goes to show what happens to business leaders when they get themselves involved with the bureaucrats who, of course, carry a couple of chips on their shoulders. They ask for more regulations and restrictions, for international arrangements about commodities to fashion new cloaks for foreign aid, above all: for the postponement of the day of reckoning that must follow the reckless expansion—by bringing about more expansion. The Report justified this policy by fantastic figures about future raw material consumption and by dire forecasts about the threatening exhaustion of our resources. Its thesis is summed up in this sentence:

"The nature of the problem can perhaps be successfully oversimplified by saying that the consumption of almost all materials is expanding at compound rates and is thus pressing harder and harder against *resources* which, whatever else they may be doing, *are not similarly expanding.*"

This primitive rehash of the discredited Malthusian theory is illustrated by the Report's worries about the alleged exhaustion of our oil resources, while the Petroleum Institute has just come out with the statement that for every barrel of petroleum they take out of the ground, two barrels are being developed.

Mineral oils and natural gas are characteristic of what is going on. The glut of their markets hinges more on the establishment of pipelines than on anything else, and the pipelines are coming in fast. Under American leadership, aid, inducement and actural pressure, a world-wide exploration, opening up, mechanization and extension along virtually all basic commodity lines have taken place. Technological progress may be slower in rural and mining production than in manufacturing; at any rate, exploration and development take time. But we are *beginning to reap the fruits* of the policies that received their final momentum two years ago. The result is a far more rapid rise in the output of major commodities than in the effective (paying) demand for them. Nothing short of a major increase in armament expenditures can provide employment for the 20-million-ton additional steel capacity which this country will have reached by the end of 1953, plus the proportionately growing European capacity, with both Britain and Germany reaching new heights of basic steel production, and large-scale modern mills coming into operation at such remote places as Volta Redonda in Brazil and Huachipato in Chile. Farm mechanization and the growing use of fertilizers do their share—in that respect as in many others our own Marshall plans and Point Four programs having provided the lubricant. That synthetics are cutting deep into the markets of such significant materials as fibers, hides, detergents, natural rubber, etc., and promise more of the same, needs no elaboration.

Presently, some commodities show signs of fresh buoyancy, as most of them did at this time last year. But if cotton and wool have lately gained price-wise, it is because of the seasonal upsurge of demand for their end-products. Crop variations are another factor. But there is no indication that the moderate upturn would be more than seasonal — that the American public is ready for another buying spree. In fact, so far, the recovery is less extensive and less intensive than its counterpart was in the same season a year ago. In spite of his unparalleled liquid holdings, and in the face of virtually unrestrained credit facilities, the average American family is not bent on indiscriminate "consumption." Very wisely, it prefers to strengthen its savings. The rest of the Western world either acts in the same manner, or is forced by poverty and governmental restrictions to keep down its living standards. It would take another Marshall Plan to change the picture—at the price of foregoing all Republican economy-promises (which, if kept even fractionally, must add to the "deflationary" pressure).

Since 1885

Dealers *Distributors*

and Underwriters

Prescott, Wright, Snider Co.

INVESTMENT BANKERS

916 Baltimore Ave. Kansas City

MUNICIPAL and CORPORATION BONDS

PREFERRED and COMMON STOCKS

MUTUAL INVESTMENT FUNDS

UNDERWRITERS and DISTRIBUTORS

Corporation and Municipal Securities

Stern Brothers & Co.

MEMBERS MIDWEST STOCK EXCHANGE

1009 BALTIMORE AVE., KANSAS CITY 6, MO.

Teletype KC 273-4 Grand 6460

OMAHA, NEB.—CHICAGO, ILL.

Direct Private Wire to Chicago Office

Retail Distributors of Corporate Securities

UHLMANN & LATSHAW

Members

NEW YORK STOCK EXCHANGE

NEW YORK CURB ASSOCIATE

MIDWEST STOCK EXCHANGE

111 West 10th Street **Kansas City 6, Missouri**

Direct private wires to correspondents in principal cities and to our branch office:

14 Wall St., New York

UNDERWRITERS **DISTRIBUTORS** **DEALERS**

Established 1887

A. G. EDWARDS & SONS

—MEMBERS—

New York Stock Exchange *New York Curb Exchange*

Midwest Stock Exchange *Chicago Board of Trade*

Municipal and Corporate Securities

Specializing in

Missouri and Illinois Issues

COMPLETE TRADING FACILITIES

Direct Private Wire to

Carl M. Loeb, Rhoades & Co., New York

409 NO. EIGHTH ST., ST. LOUIS 1, MO.

Telephone Central 4744 Bell Teletype—SL 475

Clayton, Mo. Houston, Texas New York, N. Y. Springfield, Ill.

MUNICIPALS

Missouri Kansas

Southwestern and General Market

CORPORATES

Position markets maintained in all active securities local to the Kansas City & Southwestern markets.

Private Wires To:

NEW YORK — CHICAGO — ST. LOUIS

Daniel F. Rice & Company System

ESTABLISHED 1923

GEORGE K. BAUM & COMPANY

1016 Baltimore Avenue, Kansas City 6, Mo.

Municipal Department **Trading Department**

Bell Teletype — KC 385 Bell Teletype — KC 472-3

Phone—Harrison 2090 Phone—Harrison 6432-4

gitized for FRASER
http://fraser.stlouisfed.org/

Continued from first page

The Investment Bankers Association of America Holds 41st Annual Convention

full text, also most of the Committee Reports are given in this issue of the "Chronicle," starting on page 17.)

Boles Calls for Sounder Federal Debt Structure

After the adjournment of the Convention, Ewing T. Boles, newly elected IBA President, on Dec. 7 issued the following statement relating to Government fiscal policy and debt refunding:

"I would like to reiterate and emphasize some of the more salient points made in the Governmental Securities Committee report. (Full text on page 31.—Ed.)

"At this Convention a year ago the Investment Bankers Association adopted a resolution strongly supporting the maintenance of an independent Federal Reserve System, free of influence from the Executive branch of government and free to pursue its statutory responsibilities in the field of money and credit. It is encouraging to note that the 1952 Republican platform included a plank which also supported the independence of the Federal Reserve System.

"The Association commends the Federal Reserve System for the objective manner in which it has carried out its responsibilities during the past 20 months. The restoration of orthodox credit policies has been significantly successful in arresting monetization of the debt and further dangerous expansion of credit.

"It must be recognized, however, that monetary policy alone cannot be wholly effective in dealing with the problems of inflation that arise from other than monetary causes. Debt management and fiscal policies are also major weapons in attacking the inflation menace. If properly coordinated with a sound Federal Reserve policy, debt management and fiscal policy can contribute greatly to the economic health of the country.

"It consistently has been the view of the Governmental Securities Committee of this Association that the debt management policies of the postwar period have failed to take into account the need for obtaining a properly balanced debt structure. The results of this policy are all too obvious. At the end of this year $57 billion, or 39% of the marketable debt will have a maturity of less than one year, $38 billion, or 25% more will mature within five years—a total of almost 65% of the marketable debt maturing within five years. In addition to these actual maturities, approximately $65 billion of non-marketable debt is payable on demand. The imbalance in the debt is further pointed up by the fact that there will be no marketable bonds outstanding at the end of this year with an ultimate maturity in excess of 20 years.

"The Investment Bankers Association, through its Governmental Securities Committee, repeatedly has recommended to the Treasury that steps be initiated looking toward the funding of a proper proportion of the floating debt. Such a preponderant overweighting of the debt in short maturities has distinct disadvantages. First, it involves the necessity of almost continuous rolling over with the attendant cost and usual attrition; second, during a period of dangerous international tensions, it seriously impairs Treasury flexibility which easily could be aggravated by the increasingly large amounts of actual maturities of Series E, F and G bonds; and, finally, the need for the Treasury to enter the market frequently for refundings has materially restricted the Federal Reserve System in discharging its responsibilities in the area of credit control.

"So long as we face at least some danger of further inflation and the need for deficit financing, it would seem prudent to place as much of the debt as possible outside the banking system. The present unwieldy floating and redeemable debt unquestionably represents a problem, but I believe that progress can and will be made during the coming year toward achieving a sounder debt structure. The Investment Bankers Association believes that any new cash requirements of the Treasury should be raised to the fullest extent possible outside the banking system, and preferably through the sale of longer term, fully marketable issues.

"The Investment Bankers Association is anxious to cooperate with the Treasury in the development of a long range management program calculated to best serve the needs of the Treasury, the investor and the entire economy. It is desirous of making available to the Treasury its facilities to aid in the distribution and placement of securities designed for these purposes, particularly in the area of distributing securities to private investors."

* * *

Membership and Finance Reports

The Membership Committee reported to the Convention that as of Nov. 30, 1952, the Association had 767 members, classified as follows:

Class A	67
Class B	67
Class C	123
Class D	254
Class E	256
Total	767

In addition there were 1,026

Continued on page 78

IBA PAST PRESIDENTS

1951 - 52

Joseph T. Johnson

1950 - 51

Laurence M. Marks

1949 - 50

Albert T. Armitage

ST. LOUIS MARKETS
Our Trading Department Is Active In All Local Listed And Unlisted Securities And Invites Your Inquiries.
"If there is a Market we can find it"
We Specialize In Orders For Banks And Dealers
EDWARD D. JONES & CO.
ESTABLISHED 1871
MEMBERS
New York Stock Exchange — Midwest Stock Exchange
Chicago Board of Trade — New York Curb Exchange (Assoc.)
300 North 4th St. Central 7600 — Saint Louis 2, Mo. Bell Teletype SL 593
Direct Private Wire Connections with Josephthal & Co., New York and James E. Bennett & Co., Chicago

UNDERWRITERS and DISTRIBUTORS of INSTITUTIONAL and CORPORATION BONDS and STOCKS
* * *
O. H. WIBBING & Co.
MEMBERS MIDWEST STOCK EXCHANGE
408 Olive Street, St. Louis 2, Mo.
Long Distance 71 — Teletype SL 158

NEWHARD, COOK & Co.
Underwriters and Distributors

Listed and Unlisted Securities
Municipal Bonds
Members
New York Stock Exchange
New York Curb (Associate)
Midwest Stock Exchange
FOURTH AND OLIVE — SAINT LOUIS
61 Wall St. New York, N. Y. — 1st Nat'l Bank Bldg. Alton, Illinois

BROKERS and DEALERS
Business Established 1874
I. M. SIMON & Co.
MEMBERS
New York Stock Exchange
Midwest Stock Exchange
Chicago Board of Trade
New York Curb (Associate)
Central 3350 — ST. LOUIS 2, MO. — SL 288
St. Louis' Oldest Stock Exchange House

MERCANTILE TRUST COMPANY
ST. LOUIS
BOND DEPARTMENT
New York Correspondent — 14 Wall Street

SIXTY-TWO YEARS OF INVESTMENT BANKING
Stifel, Nicolaus & Company
INCORPORATED
ST. LOUIS • CHICAGO

igitized for FRASER
tp://fraser.stlouisfed.org/

Continued from page 77

The IBA of America Holds 41st Annual Convention

registered branch offices of members. These totals compare with 755 members and 957 registered branch offices on Nov. 30, 1951.

Report on Finances

Charles R. Perrigo, of Hornblower & Weeks, Chicago, Chairman of IBA Finance Committee, presented the balance sheet of the Association as of Oct. 31, along with the income and expense statement covering the first 10 months of 1952, along with an exhibit showing the details on purchases and sales of securities during this period. The Committee's estimates for the full year based on the figures for the first 10 months indicate income of $232,-218 and expenses of $214,545, thus providing an operating profit of $17,673. From the figures, income for the first 10 months totaled $217,443 and expenses (exclusive of convention expenses to be covered by convention receipts after Oct. 31) were $182,905, leaving an operating profit of $34,533. However, the Committee noted, expenses for the remainder of the year will exceed income by a considerable amount, thus reducing the operating profit to the estimated $17,673 indicated above.

Charles R. Perrigo

Education Committee Report

The IBA Education Committee, which has been merged with the Public Education Committee, delivered its Annual Report to the Convention on Dec. 4. In the report, the Committee, whose chairman is Norman Smith of Merrill Lynch, Pierce, Fenner & Beane, New York City, stated that 1952 "has been a busy year" in various categories of investment education, and the major project, the film, "Opportunity, U. S. A.," is meeting with a high degree of success, though it has not yet attained its maximum possible distribution.

Norman P. Smith

The Committee reported that it has cooperated with other organizations in a variety of projects in the public interest: American Heritage Foundation Register-and-Vote Campaign; Production for Freedom sponsored by the Electric Utility Industry with the support of the United States Chamber of Commerce; National Thrift Week sponsored by the National Thrift Committee, Inc.; and Invest-in-America Week sponsored by the Invest in America Committee. These organizations in turn reciprocate.

Concerning the proposed Graduate School of Investment Banking, patterned after the Rutgers Graduate School of Banking maintained by the American Bankers Association, the Committee recommended that "we complete arrangements with the Wharton School for a program leading to a certificate of achievement offered jointly by the IBA and the Wharton School. The registrant under this program would attend the Seminar for one week each Spring for three years—the first session to be held during the week beginning March 29, 1953. Classroom work would be supplemented by required reading and by the solution of selected problems in the interim periods. The annual registration fee for the program, including meals and hotel housing would be only slightly higher than the $165 fee for the 1952 refresher course. . . . This Graduate School, the Committee noted, would provide an integrated course of study for the prospective investment banking executive. It would prove of lasting benefit to the individual and to his firm."

Next Convention

At the conclusion of the regular sessions of the Convention, the Association's board of governors voted to return to the Hollywood Beach Hotel for the 42nd annual convention in 1953. The dates set are Nov. 29 to Dec. 4.

GROUP GOVERNORS

The following have been elected by their respective Groups to serve as governors of the Association for three-year terms beginning at the close of the 1952 Convention:

California
William S. Hughes, Wegenseller & Durst, Inc., Los Angeles.

Canadian
Arthur S. Torrey, W. C. Pitfield & Company, Limited, Montreal.

Central States
Robert G. Mead, Stone & Webster Securities Corporation, Chicago.
Charles S. Vrtis, Glore, Forgan & Co., Chicago.

Mississippi Valley
Garfield J. Taussig, Taussig, Day & Company, Inc., St. Louis.

New England
Forrester A. Clark, H. C. Wainwright & Co., Boston.

New York
Walter F. Blaine, Goldman, Sachs & Co., New York.
Hugh Bullock, Calvin Bullock, New York.

Pacific Northwest
Henry J Zilka, Conrad, Bruce & Co., Portland.

Rocky Mountain
Paul E. Youmans, Bosworth, Sullivan & Company, Inc., Denver.

Western Pennsylvania
Nathan K. Parker, Kay, Richards & Company, Pittsburgh.

NATIONAL COMMITTEE CHAIRMEN

The following National Committee Chairmen were named for the year 1952-53:

Aviation Securities: Hugh Knowlton, Kuhn, Loeb & Co., New York.

Conference: Laurence M. Marks, Laurence M. Marks & Co., New York.

Education: Norman Smith, Merrill Lynch, Pierce, Fenner & Beane, New York.

Federal Legislation: William K. Barclay, Jr., Stein Bros. & Boyce, Philadelphia.

Federal Taxation: James M. Hutton, Jr., W. E. Hutton & Co., Cincinnati.

Finance: Charles R. Perrigo, Hornblower & Weeks, Chicago.

Governmental Securities: Robert H. Craft, Guaranty Trust Company of New York, New York.

Group Chairmen's: Andrew M. Baird, A. G. Becker & Co., Incorporated, Chicago.

Industrial Securities: Claude F. Turben, Merrill, Turben & Co., Cleveland.

Investment Companies: Robert L. Osgood, Vance, Sanders & Company, Boston.

Membership: Robert L. Harter, Sutro & Co., San Francisco.

Municipal Securities: A. Webster Dougherty, A. Webster Dougherty & Co., Philadelphia.

Oil and Natural Gas Securities: Francis Kernan, White, Weld & Co., New York.

Public Service Securities: Warren H. Crowell, Crowell, Weedon & Co., Los Angeles.

Railroad Securities: Charles L. Bergmann, R. W. Pressprich & Co., New York.

Research and Statistics: W. Yost Fulton, Fulton, Reid & Co., Cleveland.

State Legislation: Paul L. Mullaney, Mullaney, Wells & Company, Chicago.

Stock Exchange Relations: James F. Burns, Jr., Harris, Upham & Co., New York.

GROUP CHAIRMEN

The following have been elected by their respective groups to serve as Group Chairmen for the year 1952-53:

California
Eaton Taylor, Dean Witter & Co., San Francisco.

Canadian
Arthur O. Torrey, W. C. Pitfield Co., Ltd., Montreal.

Central States
Lee H. Ostrander, William Blair & Company, Chicago.

Eastern Pennsylvania
Robert G. Rowe, Stroud & Company, Incorporated, Philadelphia.

Michigan
Alonzo C. Allen, Blyth & Co., Inc., Detroit.

Minnesota
Wilbur W. Wittenberg, Blyth & Co., Inc., Minneapolis.

Mississippi Valley
W. Guy Redman, A. G. Edwards & Sons, St. Louis.

New England
Albert Pratt, Paine, Webber, Jackson & Curtis, Boston.

New York
William M. Rex, Clark, Dodge & Co., New York.

Northern Ohio
John Hay, Merrill, Turben & Co., Cleveland.

Ohio Valley
Thomas J. Reis, Seasongood & Mayer, Cincinnati.

Pacific Northwest
Albert O. Foster, Foster & Marshall, Seattle.

Rocky Mountain
Alexander. W. Forsyth, Calvin Bullock, Denver.

Southeastern
John C. Hagan, Jr., Mason-Hagan, Inc., Richmond.

Southern
H. Wilson Arnold, Arnold & Crane, New Orleans.

Southwestern
Harry Beecroft, Beecroft, Cole & Company, Topeka.

Texas
John D. Williamson, Dittmar & Company, San Antonio.

Western Pennsylvania
Charles N. Fisher, Singer, Deane & Scribner.

Underwriters and Dealers
MUNICIPAL and CORPORATION SECURITIES

THE FIRST CLEVELAND CORPORATION
MEMBER MIDWEST STOCK EXCHANGE
NATIONAL CITY E. 6th BLDG.
CLEVELAND 14
Telephone PRospect 1-1571
Teletype Bell System CV 443 & 444

HAYDEN, MILLER & CO.
Established 1903
Members Midwest Stock Exchange
INVESTMENT SECURITIES
Union Commerce Building
CLEVELAND, OHIO

T. H. JONES & COMPANY
INVESTMENT SECURITIES
1170 Union Commerce Building
Cleveland 14, Ohio

BAXTER, WILLIAMS & CO.
Originators, Underwriters, Distributors of
CORPORATE AND MUNICIPAL SECURITIES
CLEVELAND
Columbus Detroit
MEMBER MIDWEST STOCK EXCHANGE

gitized for FRASER
p://fraser.stlouisfed.org/

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market is going through the usual year-end operations, which means that owners of these securities are moving from one obligation into another in order to obtain certain benefits. This has resulted in somewhat enlarged volume and activity although it has not brought about a broad and wide trading market. Switches are following the usual pattern, from longs to shorts and vice-versa, although there now seems to be a more definite tendency to switch from shorts to longs. This has been instrumental in improving the tone of the higher coupon obligations.

The short-term market is still on the defensive, because it is bearing the full brunt of the tight money policy of the powers that be. The uncertain position of the near-term obligations is in contrast with the steadiness that has been evident in the medium and longer term securities.

Reports indicate an improving demand for the bank 2½s of 1967-72, with buying from private sources giving some fillip to the longest restricted issues.

Year-End Changes Still Market Factor

Treasury obligations are still staying in much the same trading range they have been in recently, even though there have been occasional spurts or declines in prices which have taken quotations just outside of this area. Year-end adjustments, switches and tax operations are the main forces operating in the government market and these forces will most likely continue to rule the market pretty much, until the year 1952 is about to pass on into history.

Volume in the government market has expanded slightly, although this does not mean that it can yet be classified as other than a relatively thin market. There have been, however, more buyers and sellers around, which has helped the making of tax switches, and this has tended to hold prices within the recently prevailing trading area. These tax exchanges cover the whole range of the government list, because there are some that are going from the longs into the shorts, while others will be doing just the opposie, moving from the shorts into the longs. According to reports there have been quite a number of switches from the restricted bonds into the longest bank obligation because the 2½s due 9/15/67-72 are looked upon by many as an attractive issue at currently prevailing levels. The recently eligible 2½s of 1963-67 and the 2¼s due 12/15/59-62 have also been fairly well taken at times, with advices indicating that the New York City banks have been a bit more vigorous in their purchases of these obligations.

Partial Exempts Have Attraction

The longer maturities of the partially exempts have come in for greater attention recently, with the 2¾s due 12/15/60-65 being the favored issue. The 2¾s due 6/15/58-63 have also been taken out of the market, although the demand for this obligation has not been as strong as for the aforementioned bond. Commercial banks are reportedly the principal buyers of the tax sheltered obligations.

The lower coupon obligations, such as the 1½s due 1955, the 1¾s also due in 1955, and the 1½s of 1956, have been acting well and some hold the opinion these securities should do better when the tax selling tapers off. Nonetheless, the 2⅜s due 1958 still appears to be the leading issue and there is considerable activitiy in this bond, with the commercial banks, according to reports, building positions in limited amounts at present levels.

Economic Conditions to Dominate 1953 Market

Although there is considerable talk about what will be done by the new Administration in handling the debt problem in 1953, there appears to be a growing opinion now that no really important changes will take place in policy unless economic conditions undergo substantial change. The measures that are adopted will most likely depend upon the economic climate, with the pressure expected to be kept on the money markets as long as the demand for funds is strong. There is apparently some disagreement as to what economic conditions will be next year because some are looking for a decline in business activity, which should have a favorable influence upon the money markets. On the other hand, there are those who do not see any change in the economic picture, with business expected to carry on at as high a level of activity as in 1952. This would seem to indicate a money market with action not dissimilar to what has been going on in the last several months.

Treasury Bills Steady Due to Support

Short-term rates continue under pressure and if it were not for help by Federal here and there, Treasury bills would most likely be going to higher yields. Although there has been some switching into this obligation for tax operations, it has not been sufficient to make much of an impression yet upon the yield on Treasury bills.

The restricted bonds have had a little more interest in them recently from private pension funds, with the last two maturities being the favored obligations.

There has been some switching among the World Bank bonds, mainly for tax purposes, with the shorter and medium term issues being used largely for replacement purposes.

Boston Inv. Club Elects New Officers

BOSTON, Mass.—At the annual election of the Boston Investment Club held at the University Club on Dec. 10, the following officers were elected:

President: Albert P. Everts, Jr., Paine, Webber, Jackson & Curtis.

Vice-President: David B. Ingram, Tucker, Anthony & Co.

Treasurer: J. Russell Potter, Arthur W. Wood & Co.

Secretary: Alfred A. Wagner, Coffin & Burr.

Publicity Chairman: John M. Bleakie, W. E. Hutton & Co.

IBA PAST PRESIDENTS

1948-49

Hal H. Dewar

1947-48

Julien H. Collins

1946-47

E. Hopkinson, Jr.

Customers Brokers Hold Yule Dinner

Officials of the New York Stock and Curb Exchanges were honored guests at the annual Christmas Dinner of the Association of Customers Brokers held Dec. 11.

Among the invited guests were: Richard M. Crooks, Chairman, New York Stock Exchange; Edward A. Gray, Vice-President, New York Stock Exchange; John J. Mann, Chairman, New York Curb Exchange; Edward T. McCormick, President, New York Curb Exchange; Walter Maynard, President, Association Stock Exchange Firms; Roscoe C. Ingalls, President-Elect, Association Stock Exchange Firms, and Henry W. Putman, Executive Vice-President, Association Stock Exchange Firms. Also Presidents of the various sections of the Association Stock Exchange Firms.

FULTON, REID & Co.

Originators, Underwriters, Distributors of

CORPORATE AND MUNICIPAL SECURITIES

1186 Union Commerce Bldg. CLEVELAND 14, OHIO

Telephone CHerry 1-1920 Teletype CV 83

Member Midwest Stock Exchange

Field, Richards & Co.

ESTABLISHED 1908

Underwriters and Distributors Of Municipal & Corporate Securities

1556 Union Commerce Bldg. CLEVELAND 14, OHIO Telephone PRospect 1-2770 Teletype—CV 174

1207 Union Central Bldg. CINCINNATI 2, OHIO Telephone Main 3776 Teletype—CI 197 & CI 150

Investment Securities

MERRILL, TURBEN & CO.

UNION COMMERCE BUILDING

CLEVELAND, OHIO

MEMBERS MIDWEST STOCK EXCHANGE

Underwriters and Dealers in Municipal and Corporate Securities

OLDERMAN, ASBECK & CO.

Union Commerce Bldg.

Cleveland 14, Ohio

Member: Midwest Stock Exchange

PARSONS & CO., INC.

N. B. C. BLDG.,

CLEVELAND 14, OHIO

TOwer 1-6550 CV 652

SPECIAL SITUATIONS

* * *

Bingham-Herbrand Corporation

Ferry Cap & Set Screw Company

Forest City Industries, Inc.

Air-Way Electric Appliance Corporation

gitized for FRASER
tp://fraser.stlouisfed.org/

Loud Exec. V.-P. of F. Eberstadt & Co.

Ferdinand Eberstadt, Chairman of the Board and President of F. Eberstadt & Co. Inc., 39 Broadway, New York City, has announced the election of Nelson Loud as Executive Vice-President. Mr. Loud, who joined the firm in 1935, has been a Vice-President and a Director since 1945. His activities have been principally concerned with the firm's underwriting activities for the public and private placements of securities. He has also handled the negotiation of mergers and sales of companies.

Mr. Loud is also a Vice-President of Chemical Fund, Inc., and a Director of The Diversey Corporation, Chicago, Illinois; Porocel Corporation, Philadelphia, Pennsylvania and Webster-Chicago Corporation, Chicago, Illinois.

May, Borg Admits

May, Borg & Co., 61 Broadway, New York City, members of the New York Curb Exchange, have admitted Robert Schwarz to partnership.

State and Municipal Bonds

BRAUN, BOSWORTH & CO.
Incorporated
Municipal Bonds
Toledo - New York - Detroit - Chicago - Cleveland - Cincinnati

DEALERS and DISTRIBUTORS
OF
MUNICIPAL BONDS
BOND DEPARTMENT
Provident Savings Bank & Trust Company
CINCINNATI 2, OHIO PHONE CHERRY 6111

Seasongood & Mayer
INVESTMENT SECURITIES
★
Established 1887
★
CINCINNATI 2, OHIO Ingalls Bldg.

Walter, Woody & Heimerdinger
MUNICIPAL BONDS
403 DIXIE TERMINAL
CINCINNATI 2

Railroad Securities

New York Central

Obviously there were quite a few in the financial community who were disappointed over the dividend action of the New York Central directors last week. Only $0.50 a share was declared, payable in January. This was identical with the action taken a year ago. There had been some hopes, and rumors, that perhaps double this amount might be distributed in line with the improvement in operations and earnings in the past few months. What had not been taken into account was that the company still has a long way to go in its improvement program and that this program will continue to necessitate large cash outlays. Thus, even though a token payment to stockholders might be justified, conservatism is essential.

In line with the widening of interest throughout the speculative section of the rail list, and spurred by the recent earnings improvement and dividend hopes, Central stock had been quite buoyant. On good volume it had pushed forward earlier in the week into new high ground for the year. On announcement of the dividend action considerable selling appeared. The stock gave ground fairly easily and, percentagewise, quite substantially. The decline, however, was short lived and before the close the stock was again on the way up. Obviously speculative rails have caught the imagination of the trading community. If, as is expected, general business holds to high levels in coming months this interest should continue to expand.

New York Central's history since the end of World War II has not been inspiring. The best earnings for any year of that period was the $2.84 a share reported in 1950. On the average for the years 1946-1951 share earnings amounted to only $1.28. With its substantial unprofitable passenger business, large amount of short haul and l.c.l. freight traffic, and the heavy burden of terminal operations, the company was unable to get its costs under control. Also it was periodically plagued by strikes on its own lines and in industries vital from a traffic standpoint. Its transportation ratio during this postwar period has ranged between the abnormally high figures of 44%-46%. The pre-tax profit margin ranged from a deficit in 1946 and 2.6% in 1947 to a high of only 6.9% in 1950.

In its initial stages the dieselization program appeared of little avail. Probably this was due at least in large measure to an unfavorable yard situation which severely limited the length of trains. The maximum savings from dieselization can not be realized unless the train lengths can be increased substantially, thus reducing the ratio of train miles to ton-miles. Ton-miles develop the revenues while train miles determine the expenses. Therefore extensive property improvements were called for on top of the motive power program.

Some improvement in the operating performance began to appear in 1952, although the road was still to suffer considerably from labor disturbances. Even with the improvement the transportation ratio consistently ran well above 40% month by month through August. In the two subsequent months the company has, for the first time in a long while, been able to reduce the ratio nominally below the above 40% level. While this feat has received considerable publicity in the press it is still far too high for comfort under the boom conditions we have been experiencing. For the full 10 months this ratio was 43.9%. While this was 2.1 points lower than a year earlier it was still at least five points above the indicated industry average.

For the 10 months through October earnings on the common stock amounted to $2.16 compared with only $0.60 reported in the like 1951 interim. Comparisons in the final two months will reflect, as they did in October, the absence this year of retroactive mail pay increases. Even at that, it is estimated that full year's results will top $3.00 a share by a comfortable margin. This will mark the best results since the boom war years when even the passenger business was being profitable. However, even such earnings do not, in the opinion of many analysts, support much enthusiasm for the stock in relation to stocks of other speculative eastern railroads.

San Francisco Street Club Elects Officers

SAN FRANCISCO, Calif.—The Street Club of San Francisco has announced the election of the following officers and directors of the Club for the year 1953:

President: Edwin C. Callan, Brush, Slocumb & Co.

Vice-President: William M. Witter, Dean Witter & Co.

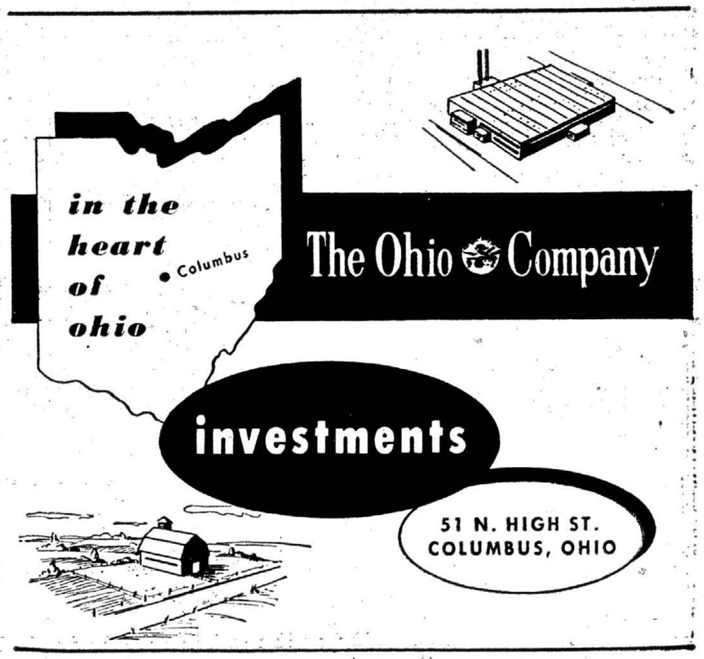
Secretary: Robert Mann, Davis, Skaggs & Co.

Treasurer: Robert Goshen, Dean Witter & Co.

Directors: Grosvenor Farwell, Jr., Blyth & Co., Inc.; Kenneth C. Koch, Walston, Hoffman & Goodwin; and John MacKenzie, North American Securities Company.

JOHN B. JOYCE & COMPANY
Member Midwest Stock Exchange
INVESTMENT SECURITIES
HUNTINGTON BANK BUILDING COLUMBUS 15, OHIO
MAin 4523 ★ Long Distance 33

SWENEY CARTWRIGHT & CO.
INVESTMENT SECURITIES
Huntington Bank Building
Columbus, Ohio



gitized for FRASER
p://fraser.stlouisfed.org/

Continued from page 21

Progress and Problems Of Aviation Industry

vance new ideas for our social and economic progress.

What About the Future

Now we must look forward to the future. What are the critical decisions and problems confronting the industry? If I were an investment banker or commercial banker, I would be particularly interested in about four rather important segments that management in air transportation must consider. I would be interested in watching the handling of those situations by management as a possible fork in the road and a determination by you as to whether we take the right or wrong course. As Mr. Knowlton of the IBA Aviation Committee has informed you this morning, the industry is in excellent shape this year.

Number one among our problems is the question of labor. I favor labor unions, I favor high pay, I favor all those fine things that help workers to live better, to work better, to become better citizens. However, many of us are now confronted with the question of whether we are going to have forced on us the feather-bedding practices of the rail unions. Our company had a strike last year, not on the issue of pay but on the question of mileage limitation. With the advancement of equipment, labor is unnecessarily concerned that there will be technological unemployment, which is something I have never been able to find but which always seems to be labor's spook in the closet.

I think I can appreciate the attitude of the railroad men. I don't know when they made their agreement, but they did it a long time ago when labor unions insisted that 250 miles was eight hour's work. Those railroad presidents may have been sitting there with a train that operated at 20 miles an hour and as far as they were concerned that was an obvious commitment; they couldn't visualize trains that might travel at 75 miles an hour. It didn't mean anything to them at the time but today I think we see the railroad business dwarfed. Present managements could do a much better job if they hadn't been saddled with so many feather-bedding rules and regulations which make it almost impossible to take advantage of technological progress.

It would have been very easy for us last year to have said that 30,000 miles or 50,000 miles was a month's work, but with atomic energy coming and with the speed of aircraft, that might become two days' work. We don't know. So I think the attitude we take in resisting feather-bedding—which, in my opinion, is just as detrimental to the individual worker as to the company—is going to have a very important part in real and continued development in the air transportation field.

Decisions on Equipment

The next problem involves decisions on equipment. There is no question but that we are in the jet or turbo prop age. There is no further debate as to relative merits of the conventional gasoline combustion engine and the jet principle. Those things are all settled. The British have made a real contribution to the development of a commercial jet transport plane but we in this country cannot follow the British. For one thing, we have private enterprise with responsibility to our investors. When United Air Lines buys an airplane, it must satisfy itself that, along with technological progress and advancement, the end economic result will be better than with the equipment presently in use or that the cost per ton-mile will be lower. There is no advantage in buying a new machine unless it does its job better and produces a better economic result. We have a responsibility to stockholders. The British airline industry is government owned; it has no such responsibility. Under no circumstances could we justify purchase of the British "Comet." We would go bankrupt operating it. It will not produce an economic end result. There you see the advantage of government ownership in one respect, in that the British are leading toward the establishment of greater prestige. They feel it is a good investment for their country to do so, after coming out of the war in a rather depressed position with no particular leadership in aviation. Thus, they are buying prestige with the Comet.

The airlines are working on all sorts of airplanes through their respective research organizations—and they are working together. We now are working on a jet plane that will travel at about 530 to 550 miles an hour. It will climb 10,000 feet a minute. It will cruise at 40,000 feet. Those figures are spectacular, but there is more to it than just performance figures. We think that particular airplane, if we can use it properly, will produce a profitable result. But we have to figure out some very practical questions that are unanswered today. Our conclusions at the moment indicate that the airplane I have just described will be efficient and a money-maker, provided it flies at least 1,500 miles without a stop. Domestically, only 13% of all our passengers last year flew 1,500 miles or more. Now, these airplanes are going to cost $4,000,000 apiece. The question is: can we invest $4,000,000 in "X" number of airplanes to satisfy 13% of our demand? I don't know. Those are things we have to study. If the airplane won't work economically under 1,500 miles, we must take a new engineering approach to make it applicable to distances under 1,500 miles.

There are some physiological problems involved which I feel we should talk over very frankly with the public. I don't believe in scaring anyone but I always have operated on the principle that if you tell the people the truth and they understand it, it doesn't scare them early as much as if they find out you knew about it and didn't tell them. At 40,000 feet, there must be a great deal of pressure in an airplane's cabin. Jet engines are inclined at times to have failures and they throw their wheels, so to speak, against the fuselage. If you puncture a jet plane, or any plane, at 40,000 feet and lose the pressure, you have a very serious problem. There is a great deal of technical study, physiological research that must be done. For that reason your domestic airlines industry just can't walk into the jet field as pictured in various magazine articles. There is more to it than just reading the magazines.

Rising Cost of Airplanes

The cost of the airplane of the future is going to be such that the airline that buys the wrong one will go bankrupt. So will the manufacturer who builds the wrong airplane. It is my understanding that if an aircraft manufacturer today wanted to speculate and build two prototypes of the jet transport I have been telling you about, he would have to invest $120,000,000 in engineering, research, construction costs, and tooling for his production line in preparation for ultimate manufacture. He would have $120,000,000 invested in that project. I think you will find that one or two companies now thinking of this are only worth about $80,000,000 or $90,000,000. That might indicate to you that we must be right on our next move.

The Coach Business

The next critical point as far as I am concerned is the air coach business. There developed during the war the practice of utilizing every inch of space in an airplane. It is, of course, necessary and proper that, in time of war, we use everything to the maximum, but the crowding of people in airplanes during peacetime is an altogether different proposition. Thus we find that when certain types of operations were started by the nonscheduled air lines, they applied a new economic theory—to put in more seats, crowd up the space, crowd up the aisles, carry more people and sell the trips for less. It sounds very simple but that is what has been bothering me.

We were reluctant and hesitant about going into the coach business. Why? Because we weren't satisfied we were doing the right thing. We think the public is extremely dependent upon airline management to do the right thing, so that you may enter our air-

Continued on page 82

IBA PAST PRESIDENTS

1945-46

Charles S. Garland

1943-44-45

John Clifford Folger

1942-43

Jay N. Whipple

Jaffe, Lewis & Co. Formed in Cleveland

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, O. — George E. Jaffe and Milton B. Lewis have formed Jaffe, Lewis & Company, members of the Midwest Stock Exchange, with offices in the Union Commerce Building Arcade. Mr. Jaffe was formerly a partner in Jaffe, Siegler & Co., with which Mr. Lewis was also associated.

Bernard S. Haffner and Louis R. Fields, both formerly with Jaffe, Siegler & Co., Mr. Fields as Lorain, O. representative, will be connected with the new firm.

Edward Siegler Forms Own Investment Firm

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, O.—Edw. N. Siegler & Co. has been formed with offices in the Union Commerce Building Arcade to engage in a securities business. Partners are Edward N. Siegler, formerly a partner in Jaffe, Siegler & Co., and Lawrence N. Siegler.

Active Markets Maintained in

MUNICIPAL BONDS
CORPORATE SECURITIES

Specialists in

Michigan Bonds and Stocks

FIRST OF MICHIGAN CORPORATION

Member Detroit & Midwest Stock Exchanges

BUHL BUILDING, DETROIT, MICHIGAN

NEW YORK • CHICAGO • CLEVELAND

Battle Creek • Bay City • Grand Rapids • Port Huron

John L. Kenower Reginald MacArthur T. Norris Hitchman Julius Pochelon

Underwriters, Distributors and Dealers in Municipal and Corporation Securities

Specializing in Michigan Municipals and Revenue Bonds

Kenower, MacArthur & Co.

MEMBERS MIDWEST STOCK EXCHANGE
DETROIT STOCK EXCHANGE

Detroit
Ford Building, Detroit 26, Michigan
Telephone WOodward 2-3262
Teletype DE 475

Saginaw
Bearinger Building, Saginaw, Michigan
Telephone 2-3311

WATLING, LERCHEN & CO.

Investment Securities

Members:
New York Stock Exchange — New York Curb (Associate)
Detroit Stock Exchange — Midwest Stock Exchange

DETROIT 26, MICH.

Ann Arbor — Jackson

McDONALD-MOORE & Co.

MEMBERS DETROIT STOCK EXCHANGE
MEMBERS MID-WEST STOCK EXCHANGE

Underwriters and Distributors
Municipal and Corporate Bonds
Listed and Unlisted Stocks

Penobscot Building
DETROIT 26, MICHIGAN

GRAND RAPIDS — LANSING — FLINT

igitized for FRASER
ttp://fraser.stlouisfed.org/

Continued from page 81

Progress and Problems Of Aviation Industry

planes with perfect confidence. You are at our mercy. We should recognize that responsibility.

We were forced into the coach business by threat. Nevertheless, we wanted to satisfy ourselves as to whether we were doing the right thing by the public. We have spent hundreds of thousands of dollars in research; research which has just been completed and examined. We have come to the conclusion that what we were doing was wrong. We still are in the coach business and we intend to remain in it, but we are not trying to squeeze every last nickle out of the airplane. Policies governing the operation of aircraft for safety cannot be formulated by statisticians or economists. I have great respect for statisticians and economists; in fact, I use them a great deal, but I have respect for them in their place. When it comes to safety, I want to discuss the question and policy with engineers and the men who fly the airplanes.

We have reduced the maximum load on our coach planes from 66 passengers to 54. I might say that it was not a popular thing to do. The governmental agencies did not like it. I had the opportunity of presenting our case to them yesterday and will finish up this afternoon. All I can say is that my conscience is more clear after the decision than it was before. Some people have made the statement that our decision has been destructive to the industry. I think it would be destructive if we had too much public debate about it, but any contribution to safety—the well-being of the public—cannot, in my opinion, be destructive in the long run. Those who think I have been destructive can wait; some time they may find that what we have done has been constructive. This air coach business has been a critical thing. My conscience is clear. We are in it on a basis that I believe justifies public confidence in what we are doing.

The next thing in which we all should be interested is a determination of future development. Important in this consideration is the conduct of the Civil Aeronautics Board. You gentlemen may underwrite an issue, you may advise with us, become our bankers, and try to anticipate the future of the company. You have to guess just as we do, but you also have to evaluate from time to time the effect of this regulatory agency which can make or break and move in one direction or the other.

If I were in your position, I would be greatly concerned about the stability of the Civil Aeronautics Board. It has not been too stable. I am not critical of the Board itself. We in the airline business are just as responsible for the instability of the Board as are its members. Why? Because we learned that if you put enough pressure on them from all sources once in a while they succumb to that pressure. Whenever the Board is asked to make a decision, every airline immediately turns its public relations department loose on Congressmen, Senators, businessmen and chambers of commerce to bring pressure on the Board to do it the way the airline wants it done. At times, the Board succumbs to such pressure, but not always.

We cannot operate a regulatory agency responsible for making decisions on the economic significance of the facts submitted and then, on the other hand, put pressure on that agency to do something for us regardless of what the facts indicate. That is a great danger — and as an investment banker, I would like to see greater stability and I would look with suspicion upon some of the things that go on. We have decisions today that are unlike any decisions of yesterday or tomorrow.

Future Possibilities

Now about future possibilities. I couldn't help but be impressed this morning when Mr. Knowlton mentioned that the large proportion of capital investment of the airlines is in the air—and that is true. This represents a dangerous trend and one that must be corrected. We have spent all our time and effort in the scientific and technical development of the airplane. The reason that we sell air transportation today for about the same price we did in 1940 is because the airplane has become the contributor to reducing ton-mile cost, but all of you who fly know that the ground operation is a comedy. If you don't think so, you have no sense of humor. Take the way baggage is handled. A simple little airplane comes in, and automotive equipment, men, carts charge at it as though the Queen Mary had just arrived—and, after all, it only weighs about 100,000 pounds. For every gate position that an airline has at a large terminal, there is $70,000 invested in individual step ladders, automobiles, air conditioners and what not. Some of you may ask why we don't pool these things and use them jointly. The trouble is that you don't go out to the airport at the proper time of day. In Chicago if you arrive at ten o'clock you might see Chicago & Southern Airlines and Delta using their equipment and all of ours standing by. You wonder why we don't interchange. But you come to the Chicago airport from four o'clock until nine at night and you will find every piece of available equipment being used by the individual airline.

The opportunities to further reduce costs on the ground are tremendous. Let me cite just one example of our progress in that direction. We have built an overhaul and repair base in San Francisco at a cost of $7,700,000—a plant which some people in financial circles referred to during the first six months of its operation as "United Air Lines' folly."

I will tell you how much of a folly it has been. It has reduced our man-hours on the overhaul of engines, aircraft and instruments by 22½%. We will pay for that overhaul and repair base in six years, which I don't think is a bad investment.

We now have to turn to the airports and mechanize our facilities so the airplane can be moved into a dock and your baggage can be sent right into the baggage room instead of being transferred and involved in three or four triple plays. To those of you who have lost your bags in flights here and there, I want to say we are quite proud of the fact that this year we have, due to quality control, limited our loss to one bag in every 1,000. Instead of investing $70,000 in a lot of step ladders again, we are going to invest our money in building docks into which the airplane can be moved so that everything can be handled efficiently and smoothly.

In the last five years our payroll, through wage increases alone, has gone up between $20,000,000 and $25,000,000. We have off-set all this by increased efficiency. There still is much more to be saved by continuing our efforts toward greater efficiency in ground operations. It is a virgin field and a great challenge. That is where we hope to give you better results.

The Question of Regulatory and Transportation Coordination

In closing, I would like to say just one more thing. We can't continue, in my opinion, to look at air transportation as one thing and rail transportation as something else. Transportation in itself is what interests us as citizens; the overall quality of transportation in all its forms. At this time I am not recommending a single regulatory agency but I do think it is time to re-examine the regulatory bodies and see if we can't come out with an intelligent, unselfish study on co-ordination in the reguation of different forms of transportation so that we can overcome overlapping and conflicting interests and controls.

For instance, the Civil Aeronautics Board as a regulatory agency is extremely interested in the progress of air transportation. Sometimes the Board is inclined to foster a phase of air transportation which it has no business to undertake or which cannot be justified economically. We thus are forced into a field where another form of transportation might do the job more effectively. For example, we have short haul and long haul business. The airplane has no place in short haul business; surface transportation does. I think we should re-examine recommendations made many years ago by Mr. Eastman, then Chairman of the Interstate Commerce Commission, calling for a co-ordinated plan of regulation of all forms of transportation, in which each form of transportation would be represented in an agency within an agency, with the ICC functioning as a so-called moderator, co-ordinator and court of appeals. It is unfortunate for transportation, in my opinion, that a new Eastman hasn't come to the front as an authority on this subject, but I think we all have grown up. We can't continue to be selfishly interested only in our own problem; for the good of the country we have to look at all transportation.

Dwinnell, Harkness & Hill Formed in Boston

BOSTON, Mass. — Dwinnell, Harkness & Hill, Incorporated, has been formed with offices at 70 State Street to act as dealers in securities, specializing in tax-exempt bonds. Officers are R. B. Harkness, President; Draper Hill, Vice-President, and Marshall Dwinnell, Treasurer. Mr. Harkness was formerly co-manager of the municipal department of Estabrook & Co. Mr. Dwinnell was with the First National Bank of Boston, and Mr. Hill was associated with John Nuveen & Co.

JONES, KREEGER & HEWITT

MEMBERS

NEW YORK STOCK EXCHANGE NEW YORK CURB EXCHANGE (ASSOCIATE)

WASHINGTON STOCK EXCHANGE

CAFRITZ BUILDING, 1625 EYE STREET, N. W.

WASHINGTON 6, D. C.

DIstrict 7-5700 Teletype—WA 67

Firm Markets in all

WASHINGTON SECURITIES

LOCAL BANK STOCKS

DIRECT WIRE TO

HAYDEN, STONE & CO.

MEMBERS NEW YORK STOCK EXCHANGE

Firm Markets In

WASHINGTON SECURITIES

Direct Private Wire to

Carl M. Loeb, Rhoades & Co.,

our New York Correspondent

ESTABLISHED 1920

JOHNSTON, LEMON & Co.

MEMBERS

WASHINGTON STOCK EXCHANGE

PHILADELPHIA-BALTIMORE STOCK EXCHANGE

UNDERWRITERS - DISTRIBUTORS - DEALERS

Southern Building, Washington 5, D. C.

Telephone: Sterling 3130 Bell Teletype: WA 95 & WA 28

Branch Office: Alexandria, Va.

THE BANKERS BOND CO.

INCORPORATED

1st FLOOR KENTUCKY HOME LIFE BLDG.

LOUISVILLE 2, KENTUCKY

INVESTMENT DEPT.	INVESTMENT DEPT.
THOMAS GRAHAM, Manager	WOOD HANNAH, Asst. Mgr.
H. W. BOHNERT	CHARLES C. KING
WILLARD F. McNAIR	P. M. CONWAY
E. C. LEWIS	WILLIAM P. GRAGG
J. M. FETTER	R. H. JOHNSTON, JR.
	ROBERT E. PURYEAR

In Louisville Since 1872

Eighty Years of Investment Service

J. J. B. HILLIARD & SON

ESTABLISHED 1872

Member New York and Midwest Stock Exchanges

Associate Member New York Curb Exchange

Tax-Exempt Bonds—Investment Grade Common Stocks

419 W. JEFFERSON ST., LOUISVILLE 2, KY.

Masonic Temple Owensboro, Ky.

Digitized for FRASER
http://fraser.stlouisfed.org/

Heavy Public and Private Debts Calls for Cautious Credit Policy

Henry H. Heimann, Executive Vice-President of National Association of Credit Men, points out corporate debt, now aggregating $160 billion, has doubled in six years, and individual debt now exceeds $125 billion.

In an editorial article by Henry H. Heimann, in the "Monthly Business Review" of the National Association of Credit Men, business men are warned to take a cautious policy in extending credits, in view of the tremendous increases in both public and private debts in the last six years. As a basis for this warning, Mr. Heimann, who is Executive Vice-President of the Association, points out that the debt of corporations, now at around $160 billion, has doubled in the past six years and that individual debt, now exceeds $125 billion, which is twice as much as it was six years ago. He also points to the total of borrowings of member banks from the Federal Reserve System which he indicates is at a new 30-year high.


Henry H. Heimann

"It is well to remember that these easy dollar debts probably will have to be paid in dollars of higher purchasing power," Mr. Heimann says in making his point about the serious nature of the debt situation. "It is, therefore, a good policy for all, both business men and individuals, to weigh carefully the advisability of not incurring any further debt, but also to program for the amortization of their present obligations. Debt service charges will continue to be costly, interest rates will firm unless political action again prevents the operation of the law of supply and demand, which now seems unlikely.

"The next important factor to watch is the cost of government, both national and local. Unless we can reduce the cost of government we not only will get further in debt, but we will build for real trouble in the near future. It is no longer a question of whether we can cut the budget, but rather it is a question of whether we can afford not to reduce it. It has been demonstrated that our people once aroused will take the trouble to express themselves.

"We need a lower total of government expenditures so that we can balance our budget and thus bolster the purchasing power of our currency which has been depreciated through our constantly increasing deficit financing. As the value of our dollars increase, our people will have the ability to absorb much of the increased production of civilian goods which our present enlarged capacity will make possible.

"If the cost of government can be reduced and certain tax reductions put through, the psychological effect of such a move easily could engender enough confidence and stimulate new business incentive so that in the end the government would actually receive more revenue than under the present taxing."

Dates of IBA Meetings Scheduled for 1953

The 1953 Convention of the Investment Bankers Association of America will be held in the Hollywood Beach Hotel, Hollywood Beach, Florida, November 29 to December 4.

The Association's Winter meeting will be held February 13 and 14, 1953, in the Edgewater Beach Hotel, Chicago. The Spring meeting will be held May 13-16 in the Greenbrier Hotel, White Sulphur Springs, West Virginia.

Canadian Securities

By WILLIAM J. McKAY

Further evidence of increasing world-wide investment interest in Canada is the recent announcement that two leading international banking firms have joined in forming a new company in Toronto, called the L.N.T. North American Holdings, Ltd., which will invest in industrial and financial enterprises principally in Canada. The two firms in question are Kuhn, Loeb & Co. of New York and S. G. Warburg & Co., Ltd., London bankers.

The offices of Kuhn, Loeb & Co. in New York announced that arrangements for close cooperation in general financial matters have been completed by the two affiliated banking houses, under the supervision of Siegmund G. Warburg. Mr. Warburg, a former leading German banker, but now a naturalized citizen of Great Britain, will have full power to act on behalf of Kuhn, Loeb & Co. and will remain as Chairman of the London firm bearing his name.

Mr. Warburg has extensive business interests in the United States and Canada. He is Chairman of Brandeis, Goldschmidt & Co., Inc., New York metal merchants, a subsidiary of the London concern of the same name, which is controlled by S. G. Warburg & Co., Ltd. He is also a director of Toronto and London Investment Company, Ltd., Toronto, an investment company in which the Warburg organization has had a substantial participation.

Mr. Warburg is thoroughly familiar with all phases of U. S. and Canadian business and finance, having participated in the operations conducted by Kuhn, Loeb & Co., and the International Acceptance Bank, which was merged into the Bank of the Manhattan Company. In 1938 his family was forced by the Nazi government to dispose of its interest in the firm. Soon after Mr. Warburg, with others, formed the New Trading Company, Ltd., London, whose activities until the end of the last war were confined to a small number of industrial finance transactions. After World War II, when the company's name was changed to S. G. Warburg & Co., Ltd., it became active in placing and issuing credit to business in Great Britain, as well as in developing its interest and connections in various parts of the world, particularly in North America.

* * *

The entrance of strong international banking interests in the Canadian field is an indication of world-wide confidence in Canada's economic future, and is an added contribution to the buoyancy of Canadian progress, despite some recent reaction of Canadian securities prices. In his recent annual address to stockholders, James Stewart, President of the Canadian Bank of Commerce, attributed this buoyancy in large part to the relatively heavy volume of new capital investment, which, he said, was the most sustained in the nation's history. However, this prominent Canadian bank President, cautioned that business in Canada had no easy road ahead, since he told shareholders "we are entering a period of increasing risk in business," adding there is no need for pessimism, "provided the utmost efficiency is exercised in the conduct of our affairs."

Canada's gross national production figure of close to $23,000,000,000, Mr. Stewart said, was more than 7% higher than last year because of greater productivity, some price increases and bumper crops.

The chronic international balance of payments problem, Mr. Stewart held, could best be eased by a strong and widely accepted sterling currency. Early clarification of the British position in this respect, he added, "would be in the best interest all around."

* * *

Another note of warning that, despite the "strong underlying trend" toward a bigger Canadian economy and the fact that the near term prospect for investment in Canada looked more favorable than in the United States, some setback in business "may come one of these days," was uttered by another bank President, **H. C.** Enman, President of the Bank of Nova Scotia. Mr. Enman sees Canada "seriously threatened by restriction in overseas markets," and added that "we cannot assume that readjustments in one sector of the business structure will always be offset by expanding influences from other directions."

MEAD, MILLER & CO.

Members New York Stock Exchange
New York Curb Exchange (Associate)
Philadelphia-Baltimore Stock Exchange

★

Active Markets in Local Issues

★

111 E. Redwood St., Baltimore 2, Md.

Telephone: Baltimore — *Lexington* 0210 *New York* — *WHitchall* 3-4000
Bell Teletype — BA 270

C. T. WILLIAMS & CO.
INCORPORATED

INVESTMENT BANKERS

United States Government and Municipal Bonds
Railroad, Public Utility and Industrial Issues

FIDELITY BUILDING BALTIMORE 1, MD.
Telephone Plaza 2484 — Bell Teletype — BA 499
Private Telephones to New York and Philadelphia
Branch Office — National Bank Bldg., Easton, Md.
Bell Teletype—ESTN MD 264

BAKER, WATTS & CO.
ESTABLISHED 1900

Members New York Stock Exchange
Members Philadelphia-Baltimore Stock Exchange
Associate Members New York Curb Exchange

Government and Federal Land Bank Bonds
Maryland County and Municipal Bonds
Listed and Unlisted Stocks and Bonds
Active Trading Markets in
Local Securities

CALVERT & REDWOOD STREETS
BALTIMORE 3, MD.

Representatives: Clarksburg, W. Va.; Salisbury, Md.
Telephones: New York—CAnal 6-7162 Baltimore—Mulberry 2600
Bell System Teletype—BA 395

INSURANCE STOCKS

PUBLIC UTILITY — MUNICIPAL — INDUSTRIAL SECURITIES

John C. Legg & Company
ESTABLISHED 1899
MEMBERS OF NEW YORK STOCK EXCHANGE
NEW YORK CURB EXCHANGE (ASSOC.)
PHILADELPHIA-BALTIMORE STOCK EXCHANGE

BALTIMORE NEW YORK

WE INVITE YOUR INQUIRIES IN BALTIMORE AND MARYLAND SECURITIES

STEIN BROS. & BOYCE
A Baltimore Institution since 1853
6 South Calvert Street, Baltimore 2, Maryland
Telephone: SAratoga 8400 Teletype: BA 393

OTHER OFFICES
LOUISVILLE, KY. - - - - Wabash 5331 PHILADELPHIA, PA. - Pennypacker 5-5175
NEW YORK, N. Y. - - - - Rector 2-3327 CUMBERLAND, MD. - Cumberland 1540

MEMBERS OF NEW YORK STOCK EXCHANGE
and other leading exchanges.

Digitized for FRASER
http://fraser.stlouisfed.org/

IBA PAST PRESIDENTS

1941-42

John S. Fleek

1939-40-41

Emmett F. Connely

1938-39

Jean C. Witter

Bayard Dominick II Dir.

Bayard Dominick, II, a general partner in the firm of Dominick & Dominick, has been elected a director of National Shares Corp.

Joins Hill Richards

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Gordon M. Curtis is now affiliated with Hill Richards & Co., 621 South Spring Street.

Underwriters Distributors Dealers

SOUTHERN TEXTILE SECURITIES and PROPERTIES

South Carolina Municipals
General Corporate Securities

Established 1892

A. M. LAW & COMPANY

Member Midwest Stock Exchange

SPARTANBURG, S. C.

Long Distance 51 Bell Teletype ZP 67

ALABAMA

State—County—City
Bonds — Warrants

Local Corporate Securities

STERNE, AGEE & LEACH

MEMBER MIDWEST STOCK EXCHANGE

BIRMINGHAM 3, ALA.

Teletype BH 97 Long Distance 9983

Branch—Montgomery 2, Alabama

SOUTHERN

MUNICIPAL BONDS

STUBBS, SMITH & LOMBARDO, INC.

BIRMINGHAM

Telephone: 7-3175 Teletype: BH 287

Blyth Group Offers Cons. Eng. Corp. Stk.

A nationwide syndicate of investment bankers headed by Blyth & Co. Inc. on Dec. 16 made public offering of 225,000 shares of common stock (par 50 cents) of Consolidated Engineering Corp. of Pasadena, California at $15 per share.

Proceeds from the sale of the common stock will be applied by the company against the purchase price of a vacuum equipment business to be acquired from a division of Eastman Kodak Co., for which the company expects to pay between $2,500,000 and $3,000,000.

The business to be purchased is part of the operation of Distillation Products Industries which was incorporated in 1938 under the joint ownership of Kodak and General Mills, Inc., to exploit a process known as molecular distillation. In 1948 General Mills sold its interest in D. P. I. to Kodak, and on Dec. 21, 1949, the corporation was dissolved and the business continued as a division of Kodak.

Consolidated Engineering Corp., with its two principal plants located in Pasadena, Calif., is engaged primarily in the design, development, manufacture, and sale or lease of specialized analytical instruments for scientific and industrial uses. The company's products include dynamic recording instruments, mass spectrometers, leak detectors, electrical computors and other specialized technical instruments which are used by a diverse list of industries, including petroleum and chemical companies and manufacturers of automotive, railroad equipment, engines, pumps and other types of machines and structure. Its products are also used in the atomic energy field and by universities and private research organizations.

Cash dividends have been paid on the common stock each year beginning in 1947, but the greater portion of the company's earnings has been used for research, engineering and development, and for the general expansion of the business.

NASD Dist. No. 8 Elects New Officers

CHICAGO, Ill. — The annual election in District No. 8 of the National Association of Securities Dealers, Inc., comprised of the States of Illinois, Indiana, Iowa, Michigan, Nebraska and Wisconsin, has resulted in four new members on the District Committee and one new member of the Board of Governors.

W. Thurman Riley, Vice-President, Riley & Company, Milwaukee, Wisconsin; John D. McHugh, Vice-President, James J. McNulty & Company, Chicago, Illinois; Arthur S. Grossman, partner, Straus, Blosser & McDowell, Chicago, Illinois; and Alfred R. Kramer, President, Kramer-Gardner Company, Burlington, Iowa, have been elected to succeed Vern S. Bell, Bell & Farrell, Inc., Madison, Wisconsin, Joseph E. Dempsey, Dempsey & Company, Chicago, Illinois; Reuben Thorson, Paine, Webber Jackson & Curtis, Chicago, Illinois, and Harry G. Williams, Quail & Co., Davenport, Iowa, retiring members of the District Committee.

George F. Noyes, Vice-President, The Illinois Company, Chicago, Illinois, has been elected to the Board of Governors to succeed Clarence A. Bickel, Milwaukee, Wis.

The newly elected District Committee and Board of Governors members will assume office on Jan. 16, 1953.

IBA PAST PRESIDENTS

1937-38

F. E. Frothingham

1936-37

Edward B. Hall

1935-36

Orrin G. Wood

To Be Branch Partner

RICHMOND, Va.—On Jan. 1, John Kerr Branch Rennolds will become a partner in Branch & Company, 1103 East Main Street, members of the New York and Richmond Stock Exchanges.

Alex. Brown to Admit

BALTIMORE, Md.—F. Barton Harvey, Jr. will be admitted to partnership in Alex. Brown & Sons, 135 East Baltimore Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, Jan. 1.

Underwriters Distributors Dealers

VIRGINIA MUNICIPAL BONDS

Public Utility, Industrial & Railroad Securities

Active Market in Local Securities

MEMBER
MIDWEST STOCK EXCHANGE
PHILADELPHIA-BALTIMORE STOCK EXCHANGE

C. F. CASSELL & CO., Inc.

114 Third Street, N. E., Charlottesville, Va.

Phones 2-8157-8-9 Bell Teletype—CHARVL 95

THE

PEOPLES NATIONAL BANK

OF CHARLOTTESVILLE

CHARLOTTESVILLE, VA.

Dealers in Municipal Bonds

Specializing in

Virginia, North Carolina, and West Virginia Municipals

CAPITAL STRUCTURE at close of business November 30, 1952, $3,877,000.91

1932 1952

Call Lynchburg

TELEPHONE 8-2821

TELETYPES:

CORPORATE LY62 & 63

MUNICIPAL LY62

Offices:

LYNCHBURG, VA.
RICHMOND, VA.
NORFOLK, VA.
DANVILLE, VA.
ROANOKE, VA.
BLUEFIELD, W. VA.

VIRGINIA

N. CAR. W. VA.

CORPORATE STOCKS & BONDS

MUNICIPAL BONDS

UNLISTED SECURITIES

SCOTT, HORNER & MASON, Inc.

LYNCHBURG, VIRGINIA

UNDERWRITERS and DISTRIBUTORS

Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from page 3

The Institutional Market for Equities

league, although they are enjoying a spectacular percentage gain.

These six types of institutions are gathering approximately $13 billion in new savings. By contrast, individuals will save through net direct security and mortgage purchases some $2 billion. In other words, almost 90% of individual liquid savings of the American people are now invested through institutions, rather than directly in securities and mortgages.

The Impact on Securities Market

What are the consequences of this great revolution in the investing habits of the American people? For one thing, the demand for bonds is artificially enlarged because these institutions invest the bulk of their funds in credit instruments and not in equities.

Secondly, the demand for equities is artificially contracted. As savings go into institutions that buy only or mainly bonds and mortgages, less savings are left for the purchase of stocks. This is all the more true because individual investors in the middle and upper income brackets who provided the chief market for stocks have a smaller proportion of the nation's savings and are attracted into tax exempts because the return after taxes is often not sufficiently attractive on taxable securities, except for capital gains.

Distortions resulting from the institutionalization of savings have been exaggerated by the fact that many corporations have disliked long-term borrowing on any large scale, in view of adverse depression experiences where borrowing was heavy. Industries that were burned in the depression like the railroads have virtually abandoned new financing with long-term bonds; they limit themselves to equipment trust certificates with serial maturities up to 15 years. Only corporations that were not burned by excessive debt in the past, like Union Carbide or IBM, are now willing to finance relatively freely with long-term bonds.

The result of the institutionalization of savings and reluctance of many corporations to finance with bonds has been a change in yield relationships. We have figures showing the relationship between bond yields and stock yields for many years back. Between 1919 and 1935, yields on bonds were almost consistently higher than yields on stocks. In those 17 years, the average yield of representative corporate bonds was higher than the average yield on all listed stocks in every year but two.

Take 1929. The average yield of all listed stocks on the New York Stock Exchange for 1929 was 3.5%. "Moody's Corporate Bond Yield Index," which includes triple A, double A, A, and BAA ratings, averaged 5.2% in that year.

You say that 1929 was unusual. But bond yields averaged higher than stock yields in 15 out of 17 years.

Since 1936, the yield on stocks has held far above the yield on bonds. The yield of listed stocks in 1950 was more than double the yield on bonds. And after the rise in bond yields over the last two years or so, and the decline in stock yields, the average at the present time is 3.2% for "Moody's Corporate Bond Index," and the average yield of listed common stocks is something over 5.5%.

Before 1936, stock yields averaged lower than bond yields because of the big demand for stocks from individuals investors, who provided the chief market for both. They liked stocks because they counted on reinvested earnings and growth to provide larger returns and appreciation in the future. Since 1936, institutional buyers have depressed bond yields and the limited individual demand for stocks has caused equity yields to rise. This is the more striking because corporations formerly paid out around 70% of their earnings as dividends, and today they are paying out only about 50%. Retained earnings are relatively larger now than they were in the past, yet they are reflected far less in stock prices than in the past because of the contraction in the market for equities.

This distortion of yield relations caused by the institutionalization of savings could be corrected in three ways.

First, it could be corrected if institutions would buy equities in volume, so that they would place a part of the huge volume of savings they receive in equities and part in bonds, instead of concentrating their purchases on bonds and mortgages almost exclusively, which is the case today.

Yield distortions could be corrected, in the second place, if corporations would finance with bond issues more freely; and if building is sustained at a very high level. Then the supply of bonds and mortgages could catch up with the institutional demand, and bond yields would rise because institutions would not depress yields by their active bidding. An expansion of debt financing sufficient to keep pace fully with the institutionalization of savings would narrow the differential between stocks and bond yields.

A third correction would be the revival of an adequate market for stocks among individual investors. The Consumer Finance Survey sponsored by the Federal Reserve System, whose findings are to be found in the "Federal Reserve Bulletin," shows that despite all the selling effort that has been put forward the rank and file of American families do not own equities. Only some 8% of families own stocks. Among lower-income families, the large majority prefer to put their savings in savings banks, savings and loan associations and savings bonds. The chief reason they give for not buying equities is that they don't know about them. Investment bankers have sought to tell them, but we have yet to develop a "nation of stockholders" in this country.

Role of Mutual Funds

Maybe the mutual fund will be a solution. But mutual funds have to do a lot better than attracting $600 million of savings per annum if they are to correct the distortion in the flow of savings caused by the fact that $13 billion of savings go to institutions that invest mainly in bonds and mortgages.

The simplest solution of the problem of shifting a part of the flow of savings from debt to equity securities is the investment of institutional funds in equities. Let us take up each type of financial institution and see the extent to which they can or will enter the equity market.

Life insurance companies receive something over $4½ billion of the nation's savings each year. They are the chief channel for savings in the country today. In a recession, life insurance companies account for even a larger share of the nation's savings than in prosperity, since insurance is so deeply ingrained in the habits of the average American family that many a family considers the payment of its life insurance premiums as second in priority only to the payment of income tax, if that. The savings that are collected by life insurance companies are the most stable, as well as the largest, segment of the total.

Stock Investments By Insurance Companies

The laws of 38 states allowed life insurance companies to buy common stocks before 1951. Yet equities constituted a negligible part of life insurance company portfolios until 1951, the reason being one peculiar to the life insurance field. Most larger companies want to do business in New York, but to do so it must be in substantial compliance with the law of New York State. So long as New York did not allow its life insurance companies to buy common equities, larger companies incorporated in other states refrained from doing so in the main.

Last year New York, for the first time since 1906, allowed life insurance companies to buy common stocks. They could buy preferred stocks, under certain restrictions, for a number of years, a right of which they took only limited advantage. Life insurance companies in New York can now invest up to 3% of assets, or one-third of surplus, whichever is less, in common stocks. And life insurance companies incorporated in other states that want to do busi-

Continued on page 86

IBA PAST PRESIDENTS

1934	1931-32	1930-31
		
George W. Bovenizer	Allan M. Pope	Henry T. Ferriss

Wood, Walker Admits

Wood, Walker & Co., 63 Wall Street, New York City, members of the New York Stock Exchange, will admit John R. Atterbury and David A Murray to partnership on Jan. 1. Mr. Atterbury is industrial analyst for the firm.

H. J. Lamm Co to Admit

On Dec. 23, H. J. Lamm & Co., 29 Broadway, New York City, members of the New York Stock Exchange, will admit George E. Mendum to partnership. Mr. Mendum will acquire a membership in the Stock Exchange on Dec. 23.

MASON-HAGAN
INC.
Established 1929
Members Richmond Stock Exchange
Philadelphia-Baltimore Stock Exchange

UNDERWRITERS AND DISTRIBUTORS OF
Equity and Bond Financing — Municipal Securities

1110 E. MAIN ST., RICHMOND 10, VA.
Teletype—RH 460 Telephone 2-2841

Established May 20, 1893
Scott & Stringfellow
Members
New York Stock Exchange Richmond Stock Exchange
New York Curb Exchange (Associate)

Buford Scott, Walter S. Robertson, James H. Scott
Marion N. Fitzgerald, Thomas D. Neal, L. Thornton Fleming
R. Eldridge Longest, Joseph J. Muldowney

115 Mutual Building Richmond, Virginia
Teletype RH 190 Telephones 2-7234 and L. D. 3
Private Wire to Clark, Dodge & Company, New York City

VIRGINIA—WEST VIRGINIA
NORTH and SOUTH CAROLINA
MUNICIPAL BONDS

F. W.
CRAIGIE & CO.
DEALERS IN
STATE and MUNICIPAL BONDS
616 EAST MAIN STREET - RICHMOND 15, VIRGINIA
Telephone 3-9137 Teletype RH 83 & 84

Virginia Securities

Municipal Bonds and Corporate Securities
Local Industrial & Utility Stocks
Trading Markets
Retail Distribution

STRADER, TAYLOR & CO., INC.
LYNCHBURG, VIRGINIA LD 39 TWX LY 77

Digitized for FRASER
http://fraser.stlouisfed.org/

IBA PAST PRESIDENTS

1929 - 30

Trowbridge Callaway

1927 - 28

Henry R. Hayes

1926 - 27

Pliny Jewell

New York Stock Exch. Weekly Firm Changes

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

Warren Ackerman, member of the Exchange will retire from partnership in Ackerman & Company, Dec. 31.

J. George R. Graham will withdraw from partnership in James E. Bennett & Co. Dec. 31.

H. Allen Wardle, member of the Exchange, will retire from Delafield & Delafield on Dec. 31.

Thomas G. Cassady will withdraw from Farwell, Chapman & Co. Dec. 31.

Thomas A. Boylan will retire from Gilchrist, Bliss & Co. Dec. 31.

Thomas J. Gildea, member of the Exchange, will retire from partnership in Joseph McManus & Co. Dec. 31.

On Dec. 23 the Exchange will consider transfer of the Exchange membership of Albert Brumley to Perry Kahn.

James W. Brooks, member of the Exchange, will withdraw from partnership in D. T. Moore & Co. Dec. 31.

Robert V. Nehrbas, member of the Exchange, and Shirley P. Austin will retire from partnership in Parrish & Co. Dec. 31.

T. Hamil Reidy will retire from Rodman & Linn, Dec. 31.

Edmund B. Ross will retire from partnership in Ross, Blanchard & Co. Dec. 31. On Jan. 1, Peter C. Wright-Clark, General Partner in the firm, will become a limited partner.

UNDERWRITERS DISTRIBUTORS DEALERS

MUNICIPAL BONDS

CORPORATE BONDS

STOCKS

COCA COLA COMPANY
COMMON STOCK
BOUGHT - SOLD

CLEMENT A. EVANS & COMPANY
INCORPORATED
FIRST NATIONAL BANK BUILDING
ATLANTA 3, GEORGIA

BELL TELETYPE AT 596 TEL. MAIN 1921 & L. D. 384

AUGUSTA COLUMBUS MACON SAVANNAH

PRIVATE WIRE TO KIDDER, PEABODY & CO., NEW YORK

ESTABLISHED 1894

STATE AND MUNICIPAL BONDS
CORPORATE BONDS
LOCAL STOCKS

The Robinson-Humphrey Company, Inc.

RHODES HAVERTY BLDG. ATLANTA 1, GEORGIA

Teletypes—AT 288 and AT 142 Long Distance 421 and 422

Continued from page 85

The Institutional Market for Equities

ness in New York are now subject to that same restriction. Under this restriction, life insurance companies incorporated in New York have the right to buy approximately $600 million of common stocks. Companies incorporated in other states that now can buy common equities and yet be in substantial compliance with New York State law can buy about the same amount. The change in the New York insurance law creates a potential market for about $1.2 billion of common stocks among life insurance companies.

Are insurance companies taking full advantage of that right? By and large, the answer is no. Insurance company purchases have been modest to date for two reasons.

First, insurance companies lean towards the dollar-averaging principle in buying equities. They don't want to buy at any one price level. As they put it, they want their purchases "diversified over time." They not only want to diversify what they buy; they want to diversify also when they buy, so that, as the market goes up and down over the years, they will have bought when the market was low as well as when it was high.

Secondly, a number of the insurance companies are not enthusiastic about the purchase of common stocks. They hold that bonds and mortgages are more suitable, so long as they are available at acceptable yields of over 3% net return after expense. Only when they cannot get bonds and mortgages on that basis will they buy common stocks eagerly. These insurance companies prefer to buy common stocks when they have to, and not as a matter of choice.

This attitude is not irrational. For insurance companies will have to buy common stocks when the supply of bonds and mortgages is inadequate. And when is the supply of bonds and mortgages likely to be inadequate? When there is a business recession, which will reduce new financing. And during a recession common stocks are available on a more attractive basis than at the top of a boom, when you can usually get bonds and mortgages in volume at higher yields.

Savings and loan associations are not good prospects for equity investment. First they don't have the right to buy equities now. Secondly, they have so large a percentage of their assets invested in risk assets, that is, mortgages, that if they buy anything else they are likely to favor government securities. It would take quite a change in the economic picture, specifically a major contraction in building, for savings and loan associations to seek and to get the authority to buy equities in the future.

Commercial banks are not a logical prospect for equity investment. Their liabilities are mainly demand deposits; hence they want the safety and market stability of debt obligations. If the ratio of capital to deposits was much higher, the situation could be different. But with an average ratio of capital to liabilities of about 7% equities do not fit their picture.

Mutual Savings Banks and Stocks

Mutual savings banks present a different story. Mutual savings banks have a higher ratio of surplus to deposits than commercial banks. Their average is about 11%. Most mutual savings banks now pay 2½% dividends, and are under pressure to earn higher returns on their assets. For the first time, they have receive authority from the New York Legislature this year to invest up to 5% of their assets, or one-half of their surplus, whichever is less, in equities. They can invest up to 3% of assets in commons.

New York State savings banks can invest over $600 million in stocks, therefore, for the first time in history; and over $360 million in common stocks alone. At the moment they are not allowed to invest in banks stocks, although the Superintendent of Banks favors amendment of the law to allow mutual savings banks to invest in stocks of larger banks also.

Mutual savings banks, like life insurance companies, will utilize this authority gradually. Wanting a higher rate of return, however, a number of savings banks are buying or planning to buy equities without waiting for a shortage of bonds and mortgages to develop.

For the fifth major group of investing institutions, the independently administered pension funds. Dr. Murray outlined the picture last week. They are gaining at the rate of one billion, two hundred million a year. They are likely to put up to 25% of that gain into equities. This could make them the largest institutional market for equities for the near term, although not necessarily for the long term, outside mutual funds.

The mutual investment funds constitute a larger market for equities today than any of the other classes of institutions, although they are much the smallest in relative size.

This survey points to the following conclusions:

First, that the institutional market for equities is still relatively small, but it is growing and it is sure to continue to grow.

Secondly, there are two jobs to be done if the institutional market for equities is to be expanded to its full potential. There is the job of selling legistatures and regulatory authorities on the ability of these institutions to invest in equities safely and with good long-term results; and a job has to be done to convince managements of these institutions, after they get that authority, that they can invest in equities to advantage.

Since there is every reason to believe that the savings of the American people will continue to be institutionalized for a long time to come, and maybe indefinitely, a strong argument can be made for concentrating on the development of this institutional market for equities. This will be easier when business conditions become less favorable. Then bonds and mortgages will be available in smaller volume, while equities may appear more attractive on a long-term basis.

Institutional buyers have different interests from individual buyers. For one thing, they are less interested in capital gains as a rule, than in dividend income. Thus, a mutual savings bank which is subject to Federal income tax, because its surplus and reserves exceed 12% of deposits, has to pay an intercorporate dividend tax of 7.8% on dividends received. This makes equities extremely attractive. A good mortgage giving 4% after servicing cost would give a net yield of less than 2% after the 52% tax. A high grade utility stock yielding 5.5% would, after 7.8% tax, yield over 5% after tax. If the mutual savings bank buys a low yielding stock for capital gains, on the realized gain it would have to pay a 26% tax. Its position is thus exactly the opposite of that of individuals, so far as relative advantage of dividends and capital gains is concerned.

The Investment Policy Problems Of Institutions

Institutions require a great deal of help to evolve equity investment policies, for this type of investment is new for them. At this stage, their chief need is not for security analysis. For the most part, they will buy standard issues, and they have talent for the analytical job. Rather, they need

HANCOCK, BLACKSTOCK & CO.
STOCKS & BONDS
CANDLER BUILDING
ATLANTA, GA.
ROY W. HANCOCK
CYPRESS 2731

• STOCKS—BONDS
• INVESTMENT TRUSTS
• OVER-THE-COUNTER DEALER

GEORGIA

For Over Twenty Years
Specialists in Southern Securities

NORRIS & HIRSHBERG, INC.

Southern Municipals Corporate Stocks & Bonds
Mutual Fund Shares

C & S Natl. Bank Bldg. • Atlanta 3, Georgia
Teletype AT 579 Telephone WAlnut 2788

UNDERWRITERS DEALERS DISTRIBUTORS

gitized for FRASER
://fraser.stlouisfed.org/

a long-term philosophy for equity investment adapted to their special requirements and objectives.

Trustees are fearful of losses and the criticism to which they will give rise. There are devices that can minimize losses on equities: dollar averaging, formula plans, and reserves built up out of income. Thus, a savings bank that buys a good stock on a 5% yield basis and puts 1% into a reserve will have, after 20 years, a reserve equal to 20% of cost and yet realize 4% after reserve, if the dividend is sustained. When the reserve has been accumulated to the 20% maximum, the yield becomes, not 5%, but 5% on the net book value of 80% of cost, after reserve, or 6¼%.

Institutions prefer riskless investments. They would buy government securities almost exclusively, as they did during the war, if the yield were high enough.

Actually, there are two ways of making a virtually riskless investment. One way is to buy a United States government security. The other is to buy risk investments, including equities, and putting part of the added income they provide into a reserve. When the reserve is adequate, it will absorb whatever loss may be incurred.

Financial institutions may be forced to take more interest in equity investment at an earlier date if building activity declines. A major reason why they have not suffered from a shortage of investment since the end of the war has been the huge increase in the mortgage supply. The future outlook for the mortgage supply is clouded for two reasons. First, we cannot count on a million new homes being started every year, since the net increase in the number of families in this country this year will be closer to 500,000. If the number of families increases by 500,000 and the number of homes by a million, we will sooner or later run into an old fashioned over-building cycle. Secondly, virtually all home mortgages today are instalment mortgages, so that a large volume of new loans must be made each year just to replace amortization payments received on old mortgages. If dwelling starts should drop to 500,000-600,000 a year, there may by little net increase in the mortgage supply.

In that case, institutions will become more eager for investments outside the accustomed fields, including equities. They may then be more active in seeking further liberalization of restrictions on equity investment.

E. F. Hutton & Co. To Admit Partners

E. F. Hutton & Company, 61 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Matthew A. Anderson, J. Raymond Stuart, Gordon B. Crary, Jr. of Los Angeles, Douglas B. Lewis and William D. Kilduff of San Francisco, Willard R. Wigley, Jr. of Dallas, and Maurice F. Summers to partnership in the firm. Mr. Summers, a member of the New York Stock Exchange, has been active as an individual floor broker.

Continued from page 8

Recent Inflation Developments In Western Europe

price level until employment began to fall.

A deliberate policy of this kind is at present excluded by the fear of any increase, however small, in the level of unemployment. There is even the danger that unemployment which is not provoked in the manner just described but is caused by shifts in demands away from certain products, as recently for example textiles, may be treated by the government as a reason for giving subsidies or other special forms of relief to these industries, thus keeping the labor there instead of encouraging its release and movement elsewhere. What is needed to overcome this kind of difficulty is nothing less than a change in political climate—towards one which is willing to accept the principle of labor mobility including what inevitably goes with it, namely a somewhat higher unemployment level, due to the larger numbers of people that will at any moment be moving between jobs; a willingness to accept, say, a ratio of unemployed to the working population of 3 or 4 or even 5%, rather than the ratio of between 1 and 2% that has prevailed so far since the war.

A Breathing Space

To sum up, there seems as yet no assurance that the recent improvement in Britain's position, as expressed, for example, in the stopping of the drain on her gold and foreign exchange reserves, is anything more than one more breathing space, one more surmounting of a balance of payments crisis, achieved partly at the expense of running down inventories as a result of more stringent physical controls over imports.

A second major problem, the solution of which is also an essential element in Britain's power to compete in foreign markets, is that of financing sufficient new capital investment in British industry to allow it to exploit technical discoveries and improvements in methods, and thus to increase productivity. As a result of the various effects of taxation on the volume and forms of saving, industry is having increasing difficulty in obtaining new capital, and especially risk capital.

The shrinkage of the market for capital issues—due either to the experiences of past inflation, or to taxation, or to both—is indeed a major problem in most European countries. It is one of the causes of the increased demands for credit from the banks, and as such has been a serious source of inflationary pressure, and is likely to remain so, unless the credit policies of the Central Banks are appropriately strict. An illustration of this point may be taken from French experience. Over much of the postwar period, the demands for additional bank credit in France came predominantly from the private sector rather than from the public sector. But although the demands of private borrowers are traditionally supposed to be easier to refuse than are the demands of the government, the Bank of France seems for some time consciously to have attempted, through its discount policy, to compensate for the insufficiency of genuine savings available for investment in industry by additional bank credit. The fact that the French economy became caught in a rapid price-wage spiral made the inflation politically very difficult to stop once it had started, and during the postwar period—as at other times in French history—inflation has overshadowed other economic problems. There has been a continuous increase in the money supply since the war at rates which have varied between 15 and over 30% per annum. During the 18 months between June, 1950, and December, 1951, the increase amounted to 30%; since then the rate of increase has substantially fallen. As yet, however, it is too early to say whether the current run of price stability of some nine months duration is more than another breathing space, similar to the year or more of relative price stability which preceded the outbreak of the Korean War.

A crucial problem in France, as elsewhere, is that of offering sufficient inducements to invest in long-term securities (whether government or private) to a public that has lost confidence in its local currency as a store of value. The recent solution adopted by M. Pinay—a loan of which the redemption value is tied to the market price of gold—may seem satisfactory for the time being. But as a permanent solution applied over the whole field of private and public debt it would represent another long step—together with the sliding scale of minimum wages which M. Pinay was also obliged to accept in a process which has been gaining ground in many countries and which raises its own problems: the process under which increasingly numerous groups of the population demand that their titles, whether to property or to income, should be fixed in "real" terms, such as gold or, more commonly, the basket of goods underlying a cost-of-living index number. Carried to extremes this would mean guaranteeing all categories of the population a certain real income—an objective which would seem to be unattainable, especially when we consider the added complication that some labor groups are seeking guarantees not merely of stable real wages but of real wages that are continually rising at a rate which keeps pace with the increase in productivity or even outruns it.

This point may be illustrated in both its aspects by the case of Italy. In the first place, the spread since the war, over wide areas of the Italian economy, of sliding scales of wages linked to the cost of living, has greatly restricted the freedom of action of the monetary authorities. In particular, it has severely limited what they could hope to accomplish by monetary expansion as a means of reducing unemployment; and it is difficult to dispute their stand that, in the circumstances, the alternative between financial stability and increased employment—as between which their critics have accused them of choosing the former in preference to the latter—is not a genuine one. In the second place, it appears that the rising rates of real wages claimed by organized labor have absorbed the fruits of the increased productivity due to the additional capital investment of the last few years, so that this investment,

Continued on page 88

BUSINESS ESTABLISHED 1924

MUNICIPAL BONDS
CORPORATE SECURITIES

LEEDY, WHEELER & ALLEMAN
Incorporated
FLORIDA BANK BUILDING
ORLANDO, FLORIDA
BELL TELETYPE OR 10 LONG DISTANCE 27

Dealers in
U. S. Government Securities
and
Municipal Bonds

Bond Department
The ATLANTIC NATIONAL BANK OF JACKSONVILLE
Jacksonville, Florida
Phone 6-5611 Teletype JK 182

Underwriters Distributors Dealers

CORPORATE BONDS & STOCKS
FLORIDA MUNICIPALS

Inquiries Invited on Florida Corporate Issues and Local Securities

Florida Securities Company
Not Incorporated
Members Philadelphia-Baltimore Stock Exchange
601 FLORIDA NATIONAL BANK BUILDING
ST. PETERSBURG 1, FLORIDA
TELEPHONE: 7-5131 L D-32 TELETYPE: ST PBG 89

UNDERWRITERS - DISTRIBUTORS - DEALERS

FLORIDA BONDS
MUNICIPAL COUNTY DISTRICTS
Firm Bids — Firm Offerings — Quotations

UNLISTED CORPORATE ISSUES
ALL LOCAL SECURITIES

PIERCE-CARRISON CORPORATION
Barnett National Bank Building
JACKSONVILLE 1, FLORIDA
Long Distance 47; 3-8621 Bell Teletype JK 181

Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from page 87

Recent Inflation Developments In Western Europe

which it was hoped would decrease unemployment, has instead gone into raising the standard of living of those already employed.

For Italy the statistics show, somewhat surprisingly perhaps, a rate of increase in the money supply which is among the highest in Western Europe. The situation in this respect is the reverse of that of the United Kingdom. The very marked open inflation which occurred in Italy between 1938 and 1947 had raised the velocity of circulation of money abnormally high. Following the stabilization of 1947, it has gradually fallen again—in other words people have reconstituted more normal cash balances—so that a very substantial increase in the volume of money has accompanied a price level which since 1947 has been among the most stable in Western Europe.

Italy Living Beyond Her Means

Of Italy we may perhaps conclude that, while she has so far succeeded better than any other Western European country except Switzerland in controlling inflation, and has not attempted the hopeless task of trying to overcome a capital shortage by an inflationary expansion of bank credit, she has problems which are created or aggravated by an attempt to live beyond her means in another sense, i.e., to achieve real wage levels in industry which are higher than the country can afford, except at the cost of the unemployment of a high percentage of the labor force.

In Sweden, which, next to Norway, is the country where the authorities have been most firmly wedded to the principle of low interest rates, and which along with France was the country with the highest degree of price-inflation after Korea, the annual increase in the volume of money reached a rate (20%) in 1951 which was higher than for any previous year since the war; in 1952 the rate of increase has slowed down very considerably. But here again it is not yet certain whether the authorities will allow interest rates to rise to the level necessary to keep the control over the creation of new money tight in the long run, or whether we are witnessing just another interlude of the kind which took place at the end of 1950, when the authorities temporarily relaxed their policy of open market purchases of securities.

In Western Germany, it was found possible, in the spring of this year, somewhat to relax the stiffer credit conditions introduced by the series of measures taken in late 1950 and early 1951; it was possible to do this while keeping prices on an even level, and while regaining a surplus position in the European Payments Union. The budget deficit is, however, at present very small, and what will happen in the future depends on the pace at which rearmament is set going and on whether something can be done to revive the market for capital issues. Although there are the beginnings of a building up of savings in the form of bank deposits, and this process has enabled credit expansion to take place recently on a fair scale without inflationary consequences, there is as yet little sign of a willingness on the part of the public to invest in the long-term securities market.

Finally, we should notice that in some cases, and this is particularly true of Belgium, the main threat to stability has been the danger of importing inflation from abroad. In Belgium, the figures show a relatively heavy price rise in the post-Korean period, despite the Belgian authorities' reputation for tight control. The inflationary pressure came from the financing by the Central Bank (through the purchase of gold and foreign exchange reserves or the granting of credits) of the surplus in Belgium's balance of payments with the members of the European Payments Union. The situation became very acute in 1951, especially during the second half of the year, and the National Bank reacted by placing limits on the amount of credit it was willing to give on foreign account, passing part of the lending against the export surplus on to the Treasury and part of it on to the exporters themselves. In addition the government tried to reduce the surplus by encouraging imports from,

IBA PAST PRESIDENTS

1925-26

Ray Morris

1922-23

John A. Prescott

IKE D. SCHARFF JAMES E. RODDY JOHN J. ZOLLINGER, JR.

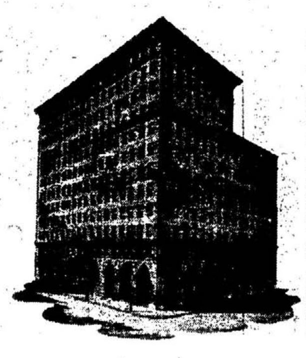
LOUISIANA AND MISSISSIPPI MUNICIPALS

Active Trading Markets in
LOUISIANA AND MISSISSIPPI BANK STOCKS AND LOCAL CORPORATE ISSUES

Scharff & Jones
INCORPORATED
TELETYPE NO 180 & 181 — 219 CARONDELET ST. (Ground Floor) — L. D. 235 Tulane 0161
NEW ORLEANS 12
SHREVEPORT, LA. JACKSON, MISS.

Underwriters — Distributors — Dealers
SPECIALIZING IN MUNICIPAL BONDS — TENN. MEMPHIS ARK MISS.
Firm Bids — Firm Offerings — Quotations
United States Government Securities • General Market Municipals
Bond Department
THE FIRST NATIONAL BANK OF MEMPHIS
MEMPHIS 1, TENNESSEE
TELEPHONES 8-5193 • LD-311 • LD-312 TELETYPES ME-283 • ME-284
WIRE SYSTEM—THE BANK WIRE

FIRM BIDS AND OFFERINGS
Mississippi—Tennessee and Arkansas Municipals
United States Government Securities



BOND DEPARTMENT
UNION PLANTERS NATIONAL BANK
MEMPHIS 1, TENNESSEE
LONG DISTANCE 218 BELL TELETYPE—ME 99
WIRE SYSTEM — THE BANK WIRE

Erwin R. Schweickhardt E. N. Anagnosti Vincent B. D'Antoni George J. Bourg
Underwriters — Distributors — Dealers
Louisiana and Mississippi Municipals
New Orleans Bank Stocks
We especially invite your inquiries in:
Belle Isle Corp.
Canal Bank & Trust Co. (in liquidation)
Mississippi Shipping Co.
New Orleans Public Service Co. (Preferred and Common)
Southdown Sugars, Inc.
Standard Fruit & Steamship Co. (Preferred and Common)
SCHWEICKHARDT & COMPANY
MEMBERS NEW ORLEANS STOCK EXCHANGE
326 HIBERNIA BUILDING
NEW ORLEANS 12, LA.
Teletype NO 344 Tulane 6461 & Tulane 8812

SANDERS & NEWSOM
INVESTMENT SECURITIES
REPUBLIC BANK BLDG.
DALLAS

FIRM BIDS AND OFFERINGS
TEXAS MUNICIPAL BONDS
MARKET APPRAISALS CREDIT ANALYSES
Bond Department
FIRST NATIONAL BANK IN DALLAS
Telephone ST-4411
Teletype DL-94
The Bank Wire to Principal Markets
1st NATIONAL

Digitized for FRASER
http://fraser.stlouisfed.org/

and placing restrictions on, exports to the countries of the European Payments Union.

In this brief account we have commented on some of the salient features in the varied economic pictures presented by different Western European countries. It is true that the past nine or ten months have been, over the whole area, a period of approximate price stability. Such periods have, however, occurred before in the post-war years, and we cannot yet be sure that this time stability has come to stay, and that the danger of inflation is past. A very favorable development is the reversion to the use of the methods of orthodox monetary policy for combating inflation in countries which had previously discarded them. On the other hand, budget deficits are everywhere likely to persist or even increase, and whether they can be financed without inflation depends partly on whether the governments are willing to pay high enough interest rates to induce public subscription to their securities. The inflationary danger coming from large export surpluses of individual countries towards the European Payments Union appears for the moment to have been reduced. The largest and longest sustained surplus position this year has been that of Germany. On the whole, however, the September figures show a closer approach to an even balance for most countries in the Union than has existed for many months. But here again we cannot be sure that further disturbances from this side will not occur in the future.

Walker, Austin & Waggener
Investment Securities
Republic Bank Building
Dallas 2, Texas

Rauscher, Pierce & Co.
Underwriters and Distributors
RAILROAD, INDUSTRIAL, PUBLIC UTILITY,
BANK, INSURANCE, and TEXAS MUNICIPAL
SECURITIES
HOME OFFICE: Mercantile Bank Bldg.
DALLAS 1, TEXAS
BRANCHES: Houston, San Antonio and Austin

UNDERWRITERS DISTRIBUTORS DEALERS
Corporate and Municipal Securities
FRIDLEY & HESS
First National Bank Building
HOUSTON 2, TEXAS
Bell Teletype HO 42 Telephone PReston 8101

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

As this is being written the market is still churning with varying groups stepping out, while other previously strong groups are retreating. It's a pattern that continues to smell strongly of a top in the making.

* * *

Paradoxically, however, any well advertised top (or for that matter a bottom) in the market, is usually suspect. It is even probable that the anticipated reaction may not only be postponed but may occur from a higher level.

* * *

At this writing the customary averages are either close to their recently established new highs or just under them. I'm well aware that many stocks are nowhere near those highs. But as most market participants watch the averages with anxious eyes and are frequently swayed by them, I assume they act on the basis of such averages. Now, should these averages go through their highs again it is not unlikely that a new buying spurt will be set off that may take these averages up another 4 to 5 points.

* * *

It would be nice if such a rise would be equally reflected in the medium priced shares that most traders are long of. But that would be some kind of a millenium. And miracles and markets simply don't mix.

* * *

All this means that you'd better be prepared for another burst of buying, accompanied by volume, and perhaps even with news that may be considered favorable.

* * *

Yet, despite the possibility of such an advance, I still would refrain from buying them at this point. There's been too much "inflation-protection" buying up to now to consider the market in a strong position. A shake-out, even though minor, say 5 points or so, would improve the market's technical position.

* * *

There's considerable belief in some technical circles that no markets are through until the steels have been given a whirl. I don't know what this belief is based on though I've been shown "proof" that it has occurred in the past. But whether true or false, the $64 question that will pay off for you in the end, is to have the right stocks at the right time.

* * *

From my desk it looks like neither the time, nor enough "right" stocks, are available at present.

[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.]

Bache Opens New Dept. in Chicago

CHICAGO, Ill. — Bache & Co., Members New York Stock Exchange, will open a municipal bond department in their Chicago office, 135 South La Salle Street. Edgar S. Beaumont, formerly with Braun, Bosworth & Co., has become associated with the firm as manager of the department.

Lazard Freres to Admit Two New Partners

Lazard Freres & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1, will admit Charles J. Stewart and Howard S. Kniffin to partnership in the firm.

Shearson, Hammill Admits

CHICAGO, Ill.—Shearson, Hammill & Co., members of the New York Stock Exchange, on Jan. 1 will admit Walter Tintner to partnership. Mr. Tintner will make his headquarters in the firm's Chicago office, 208 South La Salle Street.

Oliver Kimberly to Be Starkweather Partner

Oliver A. Kimberly

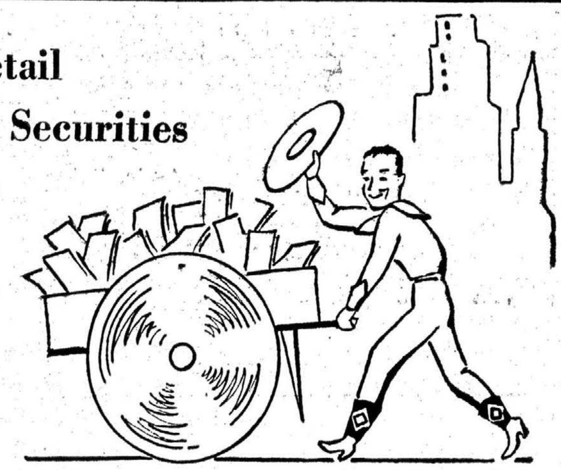
Oliver A. Kimberly will be admitted to partnership in Starkweather & Co., 111 Broadway, New York City, members of the New York Stock Exchange on Jan. 1. Mr. Kimberly is Manager of the firm's trading department.

Reynolds & Co. Will Admit Two Partners

Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Walker G. Buckner and Robert G. Howard, member of the Exchange, to partnership.

On Dec. 31 Joshua A. Davis and Emmons Bryant will retire from partnership in the firm.

We retail
Texas Securities



Dewar, Robertson & Pancoast
Members New York Stock Exchange — New York Curb Exchange (Associate)
SAN ANTONIO 5, TEXAS
Fannin 7141 Teletype SA 3 Branches: San Angelo - Corpus Christi

TEXAS SECURITIES
ACTIVE TRADING MARKETS

Longhorn Portland Cement Co.	Johnston Testers, Inc.
Houston Natural Gas, Com. & Pfd.	Tennessee Gas & Tran. Co.
Garrett Oil Tools, Inc.	San Antonio Transit Co.
El Paso Electric Co.	Houston Light & Pwr. $4 Pfd.
Lone Star Brewing Co.	Public Service of New Mexico
Sommers Drug Stores, Com. & Pfd.	Duncan Coffee Co., Class A
Central Power & Light Co., 4% Pfd.	Slick Airways, Inc.
Kirby Lumber Corp.	River Brand Rice Mills, Inc.

All San Antonio and Houston Bank Stocks
Quick Firm Bids On All
Texas Municipal Bonds
RUSS & COMPANY
INCORPORATED
Members Midwest Stock Exchange
Alamo National Building
SAN ANTONIO 5
OFFICERS: C. L. WEST, W. G. HOBBS, Jr., E. D. MUIR, A. M. RUSS
OFFICES: HOUSTON, AUSTIN, FORT WORTH
Direct and Connecting Wires to:
Dallas, Houston, Galveston, New York & Los Angeles

igitized for FRASER
tp://fraser.stlouisfed.org/

Securities Salesman's Corner

By JOHN DUTTON

BUILDING AN INVESTMENT CLIENTELE

(Article 1—Part 2)

"The Ups and Downs of the Securities Business"

You can't blame the people in the securities business entirely for the fact that greater headway has not been made toward enlightenment of the investing public as to what constitutes sound investment procedure. There are definite signs that there is a general unwillingness on the part of security buyers to become better acquainted with fundamentals.

In many instances security buyers expect too much. Time and again I have watched people purchase one good security after another from a salesman. When markets were advancing and business was on the upgrade, most of the stocks they bought advanced in price. Then along would come something that failed to go up with the rest of their list, or worse still, it went down. Only too often would they remind that salesman of the one that was lagging behind, and never mention the many "good buys" which he brought to their attention.

Lack of Understanding of the Business Cycle

The public also does not seem to understand the business cycle. Some people expect the prices of stocks to go up forever, Although we have had booms and recessions down through the ages, there are always some investors who wish to believe that this time it will be different. Of course, it is never different. In 1929 there was the "New Era" which turned out to be nothing new at all. During the New Deal thirties we had a managed economy and the stock market broke sharply in 1937, and many stocks declined 50% or more. There was talk then that the government could manage everything, but that too was a false illusion. During the past 10 years we have had war and a constant shrinkage in the value of the dollar, yet we had a sharp recession in stock prices in 1946, and there is some reason to doubt whether prosperity can be perpetuated forever, even today. Yet many people will not take profits when stock prices are at historically high levels. Others fear the capital gains taxes and some would not give up current dividends. They hope for the best when hope is high.

Sacrificing Safety for Income

Many investors want their cake and wish to eat it too. They say they want safety yet they look around for the high yields. Sometimes these high returns are only temporary — an analysis of the security in question would have shown its weakness. When wishful thinking takes the place of hard-headed calculation trouble lies ahead. Wen these speculative stocks pass or reduce their dividends, the price of the shares decline. Yet, many of these same people will hold on for years, hoping that they may someday see a recovery of the stock to levels at which they bought it. Such a course leads to losses.

Snap Judgments Instead of Planning

Impulsiveness and emotionalism are also prevalent among many investors when they buy a security. Time and again people will invest their hard earned money with all the abandon that they would exercise in putting a five dollar bet on a race horse. Lunch table gossip, the unsound advice of a well meaning friend is only too often the total amount of research and study that is given to a commitment in securities.

Refusal to Take Losses

Again, it is a well recognized fact that many investors refuse to take losses even when they are clearly justified by a turn for the worse in the affairs of a company. They will hold on to a weak situation and refuse to sell out even if it goes lower and lower. All the while they hold to the foolish idea that they do not wish to take a loss. They have taken it — they are taking it everyday that they continue holding on — yet they will often sell out their promising securities where they have a profit, and continue to hug their "dogs" to their bosoms for dear life.

Lack of Patience

And then we come to that other great virture that must underlie all successful investment. Patience is its own reward in the investment business as well as anywhere else. Yet, how few people will hold on to a good growth stock and watch it develop into a real profitable investment. They sell out too soon. Or they refuse to wait long enough. This is especially true during the latter stages of bull markets. They will buy a good growth stock that has real promise. Often it will not advance in price as soon as other stocks which they own. They become impatient. They finally sell out just at the time when the real turn for the better is to take place. Study and research are far too often completely neglected. Letters are rarely sent to the management — balance sheets and income accounts are thrown into the waste basket. About the only time that the company ever hears from many stockholders is when perchance a dividend check happens to be sent to a wrong address.

This may seem like a harsh method of sizing up the situation, but in the broader sense there is a great deal of truth in viewing the problem in this manner. There can be a solution to some of these difficulties. In fact, the individual security salesman who desires to create a clientele of satisfied customers will find that the opportunity for doing so is better today than ever before. The road is wide ahead, and if you have the patience to build solidly, the rewards should be well worth while.

Next week we will take up certain weaknesses that are readily discernible when the portfolio of the investor in studied and analyzed The article will deal with the necessity of enlightening the client as to "why" certain things should be done The investment business is an inexact science. Many of the causes of investor losses can be eliminated if the rules for success are clearly defined, and your customers knows what you are both trying to do TOGETHER.

It is not enough to do right by "Little Nell" — but "Little Nell" must be educated into knowing just what constitutes doing right by her.

EDITOR'S NOTE—The foregoing is the second article in a series, the first having appeared in our issue of Dec. 4, on page 26. The third article will be given next week.

Continued from first page

As We See It

What Is Required

We should be wise, however, not to be hasty or careless in analyzing the prerequisites of the "trade" that is required to place Europe on its economic feet. One would suppose at times from what is being said over and over again in this country that the only problem is that of removing artificial and arbitrary barriers which we have erected at our ports to the entry of foreign goods. The naive observers might even get the impression that the sum total of the need is that of reducing tariffs imposed by this country upon the imports of foreign goods. Any of these diagnoses, or any others like them, are hardly better than childish, or so it seems to us.

Of course, we do by rates of duty make it very difficult in a good many cases for these European peoples to enter our markets—where they most of all need to come. Not infrequently it is the rate of duty which is an almost insuperable difficulty. Sometimes it is nothing more than such a rate, directly and openly applied, which is the heart of the matter. An overhauling of the rate structure is essential if we wish to permit Europe to earn rather than be given the dollars they seek and need. Of course, there are instances at least where such indicated changes would bear heavily upon industries and branches which have been developed in this country in past decades as a result of the protection carefully provided. The American people themselves must, accordingly, arrive at their own conclusion as to what the nation owes the sheltered industries in the premises, but the fact remains and is obvious that if foreign products are to enter our markets and provide "earned" dollars to replace aid dollars customs rates must be reduced.

Other Factors Involved

But there is much more in this situation than greets the casual eye. Antiquated and needlessly complicated customs procedures, sometimes purposely so, are also very serious barriers to the entry of foreign goods. The system of classification of goods for customs purposes and the defective manner in which this part of the law is administered add further difficulties. No revision of tariff rates could in the nature of the case be more than partially effective in reducing the barriers to the importation of foreign goods so long as these major impediments are left intact. Claims for the results of the reciprocal trade treaties of New Deal origin are often invalid for the simple reason that these arrangements did little or nothing about the administrative aspects of the case.

Still other vital aspects of this situation remain. It is not only in this country that these countries need foreign markets, and it is not always and not altogether tariff or

Orders executed on Pacific Coast Exchanges

PACIFIC COAST SECURITIES

Underwriters, Brokers and Dealers

Industrial, Public Utility, Railroad Securities, State and Municipal Bonds

Schwabacher & Co.

Members

New York Stock Exchange — San Francisco Stock Exchange
New York Curb Exchange (Associate) — Chicago Board of Trade
New York Cotton Exchange — New York Produce Exchange
Commodity Exchange Inc. — Fresno Cotton Exchange (Associate)

14 Wall Street, New York 5, N. Y.
COrtlandt 7-4150 — Teletype NY 1-928

Montgomery at Market Street, San Francisco 4, Calif.
Sutter 1-5600

Private Wires to Principal Offices

San Francisco — Santa Barbara — Monterey — Oakland
Sacramento — Fresno — Santa Rosa

Rotan, Mosle Firm To Admit Partners

HOUSTON, Tex.—Rotan, Mosle and Moreland, 705 Travis Street, members of the New York Stock Exchange, on Jan. 2 will admit Edwin G. Cordts of Beaumont, James W. Lain of Galveston, and C. P. Duson, Jr., William M. Minar and Walter M. Sorensen of Houston to partnership in the firm.

G. H. Walker to Admit Wightman as Partner

ST. LOUIS, Mo.—G. H. Walker & Co., 503 Locust Street, members of the New York Stock Exchange, will admit Orrin S. Wightman, Jr. to limited partnership in the firm on Jan. 1. Mr. Wightman has been with the firm for some time.

J. BARTH & Co.

ESTABLISHED 1883

Members

New York Stock Exchange — San Francisco Stock Exchange
Los Angeles Stock Exchange — New York Curb Exchange (Associate)

Underwriters, Distributors and Dealers in Corporate, Municipal and Unlisted Securities

SAN FRANCISCO: 494 Montgomery Street
Telephone DOuglas 2-6400

Teletypes: SF 138 — Order Dept. SF 230X — Unlisted Sec. Dept.

LOS ANGELES: 210 W. 7th Street, Telephone MAdison 6-4681
NEW YORK: 14 Wall Street, Telephone DIgby 9-3780, Teletype NY 1-3466

PRIVATE WIRE CONNECTIONS BETWEEN ALL OFFICES

gitized for FRASER
p://fraser.stlouisfed.org/

customs barriers which limit the exports of European countries to these other lands. Nor is it altogether artificial or arbitrary barriers to the entry of foreign goods into our own markets which limit the exports of European countries to the United States. In one way or another most if not all of these countries restrict or limit their purchases from abroad. They encourage exports in various ways. The British have their austerity program, and others their own brand of controls to restrict domestic consumption. Much of all this has without question borne heavily upon the citizens of many countries. They have had their burdens to bear the like of which we in this country have never directly experienced.

Why We Are Reluctant

It is this fact, doubtless, in part which accounts for the reluctance of many in this country to face the fact that at least some of these peoples are carrying crosses of their own making. The ordinary man reads of the privations of his British cousin, for example, and finds it difficult to say that his counterpart overseas is lacking in his endeavors to meet the situation by which he is confronted. This reaction is natural enough. What is not always realized is the fact that what the Britisher has done is often to reconcile himself to an exceedingly frugal mode of living. That is not enough. What is needed in addition, and what, so far as we can see, has not been done, is to take the steps necessary to work his way out of the need for such privations, that is to increase production through hard work, careful planning and the full utilization of modern techniques and organization.

It would be interesting to know just how much European exports to this country would increase were there no tariffs at all in the way. In some lines without doubt there would be sharp increases, but we suspect that the overall total would not be nearly so large as supposed. With a few exceptions, European peoples are so far behind in the modern techniques of large-scale production that they would find it difficult to lay down their wares in this country in competition with the alert and well-managed modern factory here. Again with certain exceptions, what the European has failed to do for a good many decades, but most particularly perhaps since World War II, is to enter competitively in the race to produce in vast abundance at low cost—and to do so at the expense of long hard work and surrender of his time-honored customs of management.

This type of failure is hurting him not only in his efforts to reach this market but also in other parts of the world. Correction of these infirmities is not easy, but it is the only way which in the long run is likely to be successful.

Since 1858

SUTRO & CO.

Investment Dealers and Brokers

Distributors of Primary and Secondary Offerings

Underwriters — Industrial Brokers

MEMBERS

New York Stock Exchange — San Francisco Stock Exchange
New York Curb Exchange (Associate) — Los Angeles Stock Exchange

SAN FRANCISCO 4 — 407 MONTGOMERY STREET
LOS ANGELES 14 — VAN NUYS BUILDING
NEW YORK 5 — 40 WALL STREET
SAN JOSE 4 — 246 SOUTH FIRST STREET
BEVERLY HILLS — 275 NORTH CANON DRIVE

Direct Private Wires

CORRESPONDENT OFFICES
HONOLULU, T. H. : MANILA, P. I.

To Assume New Posts At Doremus-Eshleman

PHILADELPHIA, Pa.—Philip R. Livingston will assume the post of Production Manager and Barry E. Thompson that of head of the Art Department when the merger of the Philadelphia office of Doremus & Company and The Benjamin Eshleman Company becomes effective Jan. 2, 1953.

Mr. Livingston has been associated with Doremus & Company since 1947 when he joined the Philadelphia office as an account executive. Prior to joining Doremus he was associated with a Philadelphia accounting firm.

Before joining The Benjamin Eshleman Co. in 1945, Mr. Thompson was associated with the Art Department of the Al Paul Lefton Co. for 10 years. Prior to that he was connected with the F. Wallace Armstrong agency.

Peter Morgan Sells Gulf Sulphur Shares

Peter Morgan & Co. on Dec. 16 announced that its recent offering of 225,000 shares of Gulf Sulphur Corp. common stock at $3 per share has been completed, all of said shares having been sold.

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

R. E. Watson Joins A. M. Kidder in Fla.

(Special to THE FINANCIAL CHRONICLE)

TALLAHASSEE, Fla. — Raymond E. Watson has become associated with A. M. Kidder & Co., members of the New York Stock Exchange, as manager of their newly opened Tallahassee office in the Hotel Floridan. Mr. Watson was formerly representative for Research-Distributing Corporation and prior thereto was associated with the Keystone Company of Boston. In the past he was associated with several Florida firms and was an officer of Carlberg & Cook, Inc. of Palm Beach.

M. C. Kielsmeier With Hannaford & Talbot

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Marcus C. Kielsmeier has become associated with Hannaford & Talbot, 519 California Street. Mr. Kielsmeier was formerly Palo Alto manager for J. Henry Helser & Co. with which he had been associated for a number of years.

Three With Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Ramsay Browne, Jess J. France, Jr., and John T. Raggio have become associated with Harris, Upham & Co., 232 Montgomery St. Mr. Browne was previously with Schwabacher & Co. Mr. Raggio was with Francis I. du Pont & Co.

Joins Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Paul H. Darrow has become affiliated with Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street. He was formerly with E. F. Hutton & Company.

With J. A. Hogle

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Stefan X. Bagrowski has joined the staff of J. A. Hogle & Co., 1030 Sixth Avenue. Mr. Bargrowski was previously connected with King Merritt & Company, Inc.

IBA PAST PRESIDENTS

1920-21

Roy C. Osgood

1915-17

Lewis B. Franklin

IBA GROUP CHAIRMEN

NEW ENGLAND

Albert Pratt
Paine, Webber, Jackson & Curtis, Boston

NEW YORK

William M. Rex
Clark, Dodge & Co., New York City

EASTERN PENNSYLVANIA

Robert G. Rowe
Stroud & Company, Incorporated, Philadelphia

Joseph Walker Admits

On Jan. 1, Joseph Walker, Jr. will become a partner in Joseph Walker & Sons, 120 Broadway, New York City, members of the New York Stock Exchange.

Gruntal to Admit

Gruntal & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, will admit Albert M. Hartig to partnership Jan. 2.

United States Government Securities

State *and* Municipal Bonds

Specializing in the General Obligations of the State of CALIFORNIA *and its Political Subdivisions*

Bank of America
NATIONAL TRUST AND SAVINGS ASSOCIATION
Bond Investment Department

SAN FRANCISCO
CALIFORNIA

gitized for FRASER
tp://fraser.stlouisfed.org/

Continued from page 7

Progressive Tax Changes in 1952

a taxpayer's gross sales are not income. Only his income (arrived at after deducting from sales receipts the cost of goods sold) is subject to income tax. This the courts have repeatedly said is a Constitutional right—not a matter of statutory grace. Another application of this rule came up in a very recent case. As you know, ordinarily a three-year statute of limitation runs against the Commissioner of Internal Revenue when he seeks to make an additional assessment. However, where the taxpayer understates his gross income by 25%, it is a five-year statute of limitations which applies. Taxpayer had failed to include a substantial amount of income in his return but said that the Commissioner could make no deficiency assessment because barred by the three-year statute of limitations. The taxpayer said the five-year statute did not apply because the unreported income did not amount to 25% of his gross sales. The Commissioner said that the unreported income exceeded 25% of taxpayer's gross income (i.e., sales less cost of sales) and hence, the five-year statute applied. The Court upheld the Commissioner. So there is the situation very clearly defined.

Deductibility of Alimony and Separation Payments

One of the largest sources of tax litigation during the past decade came out of the law which permitted deductibility of so-called alimony payments by a husband to a wife. To the extent the wife has to report the payments as income the husband gets the benefit of deduction. Briefly, where a husband and wife are divorced or legally separated, periodic alimony payments (whether made at regular intervals or not) subsequent to the decree are deductible by the husband and reportable by the wife if the payment is made pursuant to the decree, or pursuant to an agreement entered into incident to such divorce or separation. A lump sum settlement payable in instalments over a period of more than ten years is considered periodic payment.

Most divorces or separations wind up with a separation agreement. Sometimes such separation agreement is made during the legal proceedings — sometimes before—sometimes after. Sometimes the agreement is referred to in the later divorce or separation decree; sometimes it is not. Naturally, almost always, the husband wants to obtain the tax deduction, but the wife does not want to report the income. Hence, the constant conflict.

Briefly, it might be said that if at the time the separation agreement is made, or at any time before, the parties spoke of a contemplated divorce or legal separation, the Court will probably hold that the separation agreement was incident to the decree of divorce or separation, regardless of whether that fact is mentioned in the decree or not. Payments made pursuant to a separation agreement before the divorce or separation decree are not deductible by the husband or reportable by the wife. And payments made under an agreement not incident to a legal separation or divorce are not deductible either.

Now let us say that a husband is making payments to the wife pursuant to a separation agreement which was incident to the decree, and for some reason or other the husband and wife want to modify the agreement so as to permit the husband to make larger or different types of payments. Sometimes the former husband gets overly generous, or sometimes the children bring this about. If this is contemplated, be extremely careful. The husband might lose his right to the deduction and the wife might not have to report the alimony as income. Some cases have gone this way.

The reason is that the obligation of the husband created under the new agreement is not essentially made incident to the decree of divorce or separation; hence great care and thought must be given to each situation as it arises. One last word on this subject. Nearly everybody has attorneys' fees when involved in a divorce or separation. Generally, attorneys' fees in such proceedings are not deductible. However, insofar as the wife's attorneys' fees are concerned, that portion which is properly attributable to the production of the alimony or the collection thereof is deductible. It cannot at this time be said with the same degree of certainty that the husband's attorneys' fees in opposing the amount or amounts of alimony are likewise deductible.

Abandonment Losses

In recent years not too many cases have come before the Courts dealing with the deductibility of a loss from abandonment. Perhaps with there being more business declines and unstable economic conditions, abandonment losses will more and more arise. The importance of an abandonment loss is that it is deductible in full as an ordinary loss deduction, deductible in full from ordinary income — even though the asset abandoned is a capital asset. In other words, if a capital asset is sold or exchanged, the loss would have to be treated as a long-term or short-term capital loss, dependent entirely on the holding period. A capital loss may be deductible only against capital assets, or ordinary income, up to a maximum of $1,000 in any one year. But where the capital asset is abandoned, the loss can be deductible against ordinary income as well as capital gains. An example of this was clearly portrayed in a recent Tax Court case, where the taxpayer (a partnership) made capital improvements on leased property. The Court held that for the first year and a half the taxpayer was able to deduct the depreciation over the life of the assets and then the balance of the cost for the improvement could be deducted immediately in full because the taxpayer then abandoned the leasehold.

Deduction in Wrong Year by An Accrual Basis Taxpayer

How to obtain a deduction for a deductible item which never existed is a good trick. Occasionally it happens. In a recent Tax Court case, the Taxpayer in 1940 deducted from income a state sales tax. It did not pay the tax, but contested its liability. In 1943, the local State Supreme Court held that it was not liable for the tax. Hence, it did not have to pay it. The Commissioner of Internal Revenue then determined that such amount should be included in income in 1943 for the reason that Taxpayer had received a tax benefit in 1940 from the deduction. The Tax Court held that a controverted obligation is not accruable until the dispute is settled even though the dispute is one of law. The deduction by the Taxpayer in 1940 was clearly erroneous. An erroneous deduction taken in a prior year may not be treated as income of a later year. The so-called tax benefit rule does not apply here. That rule applies only where a deduction properly taken in a prior year, resulting in a tax benefit, is adjusted in a later year. Ordinarily, such adjustment will result in income to the extent of the tax benefit previously received. But such rule does not apply where the deduction in the earlier year resulting in the tax benefit was clearly erroneous. The fact that the earlier year cannot be corrected because of the running of the statute of limitation cannot be availed of by the Commissioner of Internal Revenue.

Bonus Payments to a Widow

In the Revenue Act of 1951 a provision was made that all payments made under express contracts by reason of the death of an employee to the named beneficiary of the employee were deductible by the employer and not includible in the income of the beneficiary up to a maximum of $5,000 per employer. Thus, if a man had contracts like that with each of his corporations, there could be $5,000 of tax free benefits to be received by the beneficiary from each corporation.

But what about a company which wants to make a gratuitous bonus payment to the widow of an employee in excess of $5,000? Is that deductible by the corporation? The Courts have constantly said "Yes." Is it income to the widow? A recent Tax Court case said "No." In this case, a highly paid employee of long standing died. There was no contract or policy to pay the deceased employee's estate or widow any further sales or tax bonuses. The corporation, after determining that the widow was not financially secure, paid to her what would have been her husband's salary and bonus if he had lived during the remainder of the year. These payments totaled $67,000. The Tax Court held that since there was no legal obligation to pay the salary or gift after the death of the husband, the payment was a gift, and as such, would not be income to the widow.

Net Operating Carry-Back Losses Statute of Limitations

What I have to say on this subject may sound a little complicated or confused—but it involves a point which should be kept in mind. In a recent case which involved the calendar year 1944, the corporate Taxpayer filed its return March 15, 1945. Ordinarily, the statute of limitations against a deficiency assessment would run out March 15, 1948, three years later. Where the corporation transfers its assets to a stockholder who becomes liable as a transferee, an additional year is permitted to make the assessment against the transferee. This would have brought the date to March 15, 1949. The Commissioner sent a notice of deficiency in March of 1950. Hence, the statute of limitations had run. But in 1947 as a result of a net operating loss in 1946, the Taxpayer had received a refund for the year 1944. The Commissioner said that the statute did not run until 1951, which was four years from March 15, 1947, the date for filing the 1946 return. The deficiency which the Commissioner claimed for the year 1944 arose out of old tax matters in the year 1944. It did not arise out of anything in the 1946 net operating loss carry-back. The Court held that the Commissioner made the deficiency too late,—that anything which arises from the audit of the original return was barred at the end of four years. If the item giving rise to the proposed deficiency had arisen from an adjustment in the net operating loss which was carried back from 1946 then the

ELWORTHY & CO.

Investment Securities

111 SUTTER STREET, SAN FRANCISCO 4
Garfield 1-4460

Sacramento Oakland San Jose

UNDERWRITERS AND DISTRIBUTORS OF
STATE, MUNICIPAL AND CORPORATE
SECURITIES

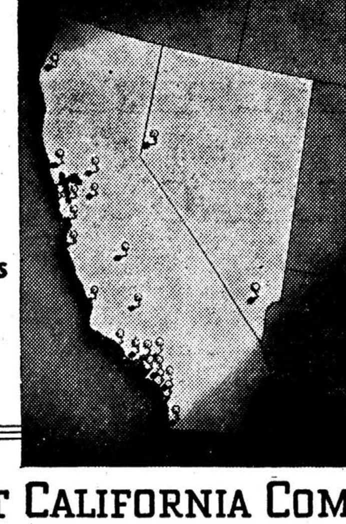
KAISER & CO.
MEMBERS
SAN FRANCISCO STOCK EXCHANGE LOS ANGELES STOCK EXCHANGE
1500 RUSS BUILDING • SAN FRANCISCO
TELETYPE SF 172

Dealers in Industrial & Public Utility
Stocks & Bonds

Active Retail Outlets

DENAULT & CO.
ESTABLISHED 1931
Russ Building, San Francisco 4
Telephone EXbrook 2-7484 Bell System Teletype SF 272

Our 26 Offices provide complete coverage of America's fastest growing area



Eureka
Reno
Sacramento
Santa Rosa
Stockton
Oakland
San Francisco
San Jose
Fresno
San Luis Obispo
Monterey
Salinas
Las Vegas
Bakersfield
Santa Barbara
Ventura
Pasadena
Glendale
Los Angeles
San Diego
Redlands
Laguna Beach
Long Beach
Anaheim
Whittier
Beverly Hills

FIRST CALIFORNIA COMPANY
Incorporated
Members
San Francisco Stock Exchange Los Angeles Stock Exchange
Midwest Stock Exchange
300 Montgomery Street • San Francisco
Private Wire to New York, Chicago and other leading Eastern cities

Digitized for FRASER
http://fraser.stlouisfed.org/

determination could have been otherwise.

Property Held Primarily for Sale to Customers in the Regular Course

A problem which is encountered quite frequently by people who handle quantities of securities or real estate is whether the person is a dealer in real estate or a dealer in securities. If he is, then any gain or loss from a sale is generally taxable or deductible in full. Otherwise, the gain is treated as a capital gain, whereas a loss might be a capital loss, or, if Section 117(J) applies, it is deductible in full. Many, many cases deal with this subject. Of course, if the asset is a capital asset, there is no problem, such as in a case where the Taxpayer merely holds the asset at all times for investment, and for no other purpose. But many times a Taxpayer will deal in securities or property for his own account and risk, at the same time as he is a dealer in the same type of assets held primarily for sale to customers in the regular course of business. Thus, those who hold for investment or speculation on their own account are not generally considered "dealers," and they would not be permitted to compute income on the inventory method. Such assets would normally be considered capital assets—or at least might obtain the benefit of Section 117(J). On the other hand, those assets acquired and held primarily for sale to customers in the ordinary course of business are specifically excluded from capital assets by statutory definition and are also specifically excluded from the benefits of Section 117(J). But, of course, assets originally acquired and held for either purpose may be freely appropriated to the other purpose at the discretion of the Taxpayer exercised in good faith. It is this very last proposition which can be dangerous. In several recent cases, the Tax Court held against the Taxpayer where unquestionably the Taxpayer acquired and held property for a considerable period of time as an investment. In each of these cases, Taxpayer after holding the asset for several years decided to sell off the assets, and thereafter did so. The Court said that during the time it was selling off the assets the Taxpayer was holding them primarily for sale to customers in the regular course of business. As such, the Court said the assets were neither capital assets nor entitled to the benefits of Section 117(J) and all gain was treated as ordinary income. A severe conclusion, to say the least.

Medical Expenses

For the most part over the years taxpayers have not been successful in obtaining deductions for medical expenses when they were slightly off the beaten path. But one taxpayer obtained a refund in a district court case recently. In this case the taxpayer was almost wholly disabled. She was unable to use ordinary and regular means of transportation to get around. She required special assistance, and had extreme difficulty in moving about. Her doctor advised her to seek remunerative employment as and for occupational therapy. In order to carry out the directions of her doctor, she sought and obtained employment. In doing so, she engaged a driver of a taxicab to help her and transport her between her home and her place of employment. The Court held that since her employment, at all times, was part of her occupational therapy at the direction of her physician, the expenditures for the cab transportation essential thereto were to be included as part of the cost—and was therefore a medical expense. On this basis it was deductible as a medical expense. A refund was ordered.

People who on doctor's advice go to Florida or Arizona for their health ought to give heed to the purport of this decision.

Constructive Receipt

The doctrine of constructive receipt is fairly well known to all of us. Sometimes it is good for us —sometimes it is bad. One recent taxpayer found out how bad it was. He was 50% owner of a corporation, the remaining 50% being owned by another corporation. On Dec. 23, 1946 the corporation declared a dividend of $50,000, payable Dec. 31, 1946. During the afternoon of Dec. 31, two dividend checks of $25,000 each were signed by the corporate treasury. One was delivered by hand to the cashier of the other corporate stockholder, who deposited and collected it the same day. The other was mailed to taxpayer's home; received by him in January, 1947. It was held that since the taxpayer could have obtained the check on Dec. 31, 1946 and could have cashed it on that day, it was unconditionally available to him, and should have been taxed to him in 1946.

The moral of the story is, have the dividend payable on Jan. 1 of the succeeding year. Then there is no problem.

IBA GROUP CHAIRMEN

CALIFORNIA

Eaton Taylor
Dean Witter & Co., San Francisco

ROCKY MOUNTAIN

Alex. W. Forsyth
Calvin Bullock, Denver

PACIFIC NORTHWEST

Albert O. Foster
Foster & Marshall, Seattle

IBA GROUP CHAIRMEN

WESTERN PENNSYLVANIA

Charles N. Fisher
Singer, Deane & Scribner, Pittsburgh

NORTHERN OHIO

John Hay
Merrill, Turben & Co., Cleveland

OHIO VALLEY

Thomas J. Reis
Seasongood & Mayer, Cincinnati

New Firm Name to Be Cady, Roberts & Co.

On Jan. 1 Everett Ware Cady will become a partner in Roberts & Co., 488 Madison Avenue, New York City, members of the New York Stock Exchange, and the firm name will be changed to Cady, Roberts & Co. Mr. Cady was formerly a limited partner of Carl M. Loeb, Rhoades & Co.

With Stewart Eubanks

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Richard D. Good has become associated with Stewart, Eubanks, Meyerson & York, 216 Montgomery Street, members of the San Francisco and Los Angeles Stock Exchanges. Mr. Good was formerly with Mitchum, Tully & Co.

Pedolsky Opens

(Special to THE FINANCIAL CHRONICLE)

POUGHKEEPSIE, N. Y.—Samuel Pedolsky has opened offices at 192 Main Street to engage in a securities business. Mr. Pedolsky was formerly engaged in the securities business in Poughkeepsie as an individual dealer and was an officer of Markley & Co., Inc.

Wilson, Johnson Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Alden M. Howells has been added to the staff of Wilson, Johnson & Higgins, 300 Montgomery Street.

T. D. O'Neil With J. Barth & Co.

T. Donald O'Neil

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—T. Donald O'Neil has become associated with J. Barth & Co., 210 West Seventh Street. Mr. O'Neil was formerly with Wagenseller & Durst and prior thereto was with Cohu & Co. and was trading manager for Morgan & Co.

Joins Thomson McKinnon

(Special to THE FINANCIAL CHRONICLE)

SHELBY, N. C.—Ralph E. Randall has become associated with Thomson & McKinnon, Webb Building. Mr. Randall was formerly with Harris, Upham & Co. in their Charlotte, N. C. office.

With Geo. Eustis & Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Anthony J. Warndorf has become associated with Geo. Eustis & Co., Traction Building, members of the Cincinnati and Midwest Stock Exchanges.

Crowell, Weedon & Co.

Members Los Angeles Stock Exchange

UNDERWRITERS • DISTRIBUTORS

PRIVATE PLACEMENTS

650 S. SPRING ST. • LOS ANGELES 14 • TRinity 0281

TELETYPE LA 38

Pasadena • Long Beach • San Diego • Laguna Beach

Private wire to Spencer Trask & Co., New York

Underwriters and Distributors

COMPREHENSIVE COVERAGE OF THE SOUTHERN CALIFORNIA MARKET

LESTER, RYONS & CO.

Members

New York Stock Exchange · New York Curb Exchange (Assoc.)

Los Angeles Stock Exchange

623 SOUTH HOPE STREET, LOS ANGELES 17

TELEPHONE MADISON 7111 · BELL SYSTEM TELETYPE LA 17

NEW YORK CORRESPONDENT: BACHE & CO.

Hollywood · Long Beach · Glendale · Pasadena · Santa Ana · Santa Monica · Riverside · Pomona · Claremont · Redlands · Corona del Mar · Ontario · San Pedro

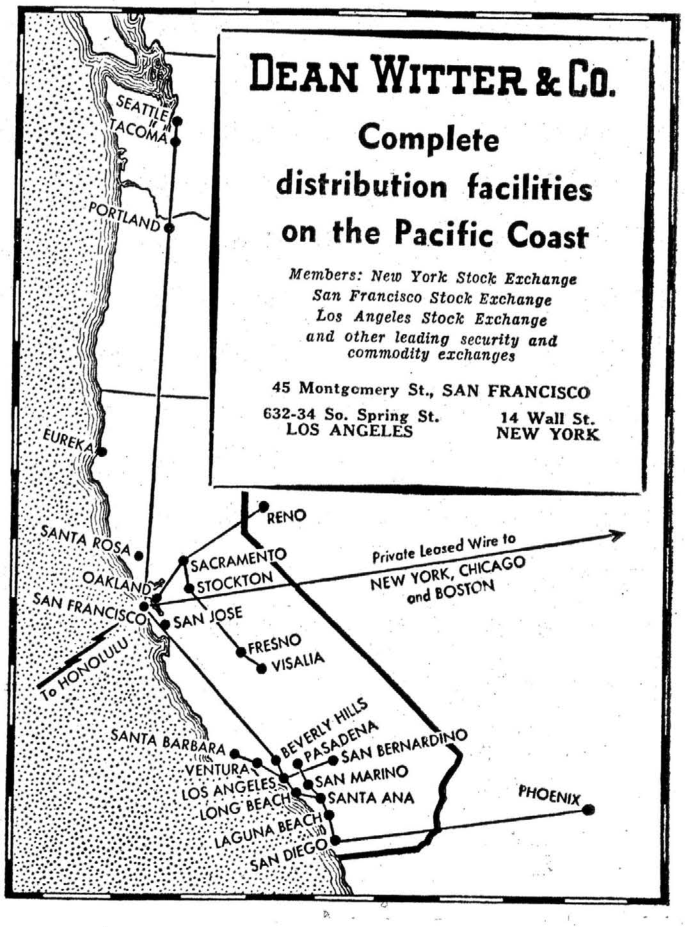
DEAN WITTER & Co.

Complete distribution facilities on the Pacific Coast

Members: New York Stock Exchange
San Francisco Stock Exchange
Los Angeles Stock Exchange
and other leading security and commodity exchanges

45 Montgomery St., SAN FRANCISCO

632-34 So. Spring St. LOS ANGELES · 14 Wall St. NEW YORK



Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from page 9

Investing for Pension and Profit Sharing Trusts

tween the two types of funds which may affect investment thinking, is that the beneficiary of a Pension Plan trust looks only to the amount of pension benefits he expects to receive, not to the size or the composition of the fund that is expected to produce such benefits, while the participating employee of a Profit Sharing fund is not only aware of the exact amount of cash periodically credited for his benefit but is also informed at least annually of his proportionate share of the entire fund so that intermediate investment results are of more than passing importance to him.

When a trustee is investing Profit Sharing funds, he is investing the "incentive payments" belonging to numerous individuals. There would be little reason for employees to exert their best efforts to help create profits if such gains were subsequently dissipated in part through investment losses. Moreover, payments from Profit Sharing funds are often lump sum payments requiring the liquidation of a proportionate part of the whole fund. Such payments cannot be accurately anticipated because they may accrue as the result of death, disability, discharge, or resignation; it is only in anticipation of retirement that distribution can be effected in an orderly manner. As the number of employees is usually reduced during periods of depression, it is possible that substantial liquidation may occur during periods of depressed security markets.

The foregoing is not said with the idea that the best investment policy for profit sharing trusts would be to confine investments to government bonds or other so-called riskless securities. On the contrary, every effort should be exerted toward building up these individual nest-eggs; but in formulating investment policy and in the continued supervision of these investments, the trustee must keep in mind the problems inherent in these profit sharing funds, and emphasis must be placed upon the timing of investments and sales—with more emphasis on the short-to-medium term outlook for the economy and the markets rather than the long-term outlook.

Participants in profit sharing funds also have possibilities for appreciation in their fund apart from any income or capital gains which might be the result of investment activity—that is, in their proportionate share of forfeitures arising from severance payments to employees prior to the full vesting of the account. Many plans vest their interests gradually over a period of years, and in companies having a substantial labor turnover such forfeitures may be quite substantial in relation to the interests of the remaining participants. From this standpoint, a profit sharing fund might have a lesser representation in equities than a pension plan trust and at the same time have equal or even greater enhancement possibilities.

There is one question of investment policy that is almost always raised: whether it is desirable to include company stock in the investment portfolio. Some companies have hesitated to authorize the purchase of their own stock in pension plan trusts because of the eggs-in-one-basket theory and because in periods of reduced earnings, dividend income to the trust from this investment is likely to be meagre, and market value lower, which situation might require increased contributions from the company at the very time when it is financially least able to afford increased cash outlays.

Profit Sharing plans, however, differ in that they are primarily incentive plans; and the very fact that the employee has two avenues of possible profit when the fund holds company stock is in itself a strong argument for the purchase of company stock. Furthermore, an employee is more likely to appreciate the reasons for business recessions in his own company, which are reflected in lower market values, than would be the case if the stock of a company not known to him suffered a like decline.

Investment policies governing Profit Sharing trusts would be expected to vary considerably with the size of the company and the type of participant. In other words, a plan covering several thousand hourly-rate workers would present the need for a more conservative overall policy than would be required in the plan of an advertising agency or a brokerage firm where the relatively few participants would have a closer community of interests and perhaps be more cognizant of investment risks and rewards.

Pension Fund Trusts

My experience in the investment activities of Pension Plan trusts has led me to believe that while there are definite investment trends developing, there is at this time no typical investment pattern for such trusts. I recently saw a report, published by an actuary, which gave the asset distribution of selected typical pension trusts. I do not know the source of this study, but here are the perecentages, for what they may be worth:

U. S. Government bonds	33%
Corporate bonds	30
Common stocks	23
Preferred stocks	7
Other assets	7

One of the large pension trusts which our bank administers is currently invested as follows:

U. S. Government bonds	15.7%
Canadian bonds	2.1
Corporate bonds	32.9
Common stocks	36.3
Preferred stocks	8.9
Other assets	4.1

These figures are based upon market values, not cost prices. The stocks held in this portfolio show an appreciation of approximately 30% over cost; on the basis of their cost prices, and costs on the other securities held, the common stocks represent 30% of the portfolio.

This distribution of assets is probably indicative of our present investment policy with respect to sizable Pension Plan trusts that have been established for a considerable length of time and into which substantial continuing contributions are expected over a long period of time. However, this asset distribution does not necessarily represent an investment policy to be applied to all Pension Plan trusts; each trust has its own peculiarities and objectives, and in many accounts sole investment responsibility is not lodged with the Bank.

The purchase of common stocks with so sizable a percentage of a Pension Plan's funds, has become a widely accepted investment practice only within very recent years. As I mentioned previously in this talk, it was not until the 1940's that either trustees or donor-corporations, generally, began to think seriously of equities as a medium for Pension funds, and the idea did not gain any wide favor until the very last part of the decade. Since 1949, however, there has been a very decided trend toward increasing equity investments; almost without exception, corporate management has become more stock-minded in the last few years, and more willing to have the Funds assume the riks inherent in stock purchases in order to obtain both the increased income and also the protection afforded both income and principal against the effects of inflationary trends.

We have also noticed an increasing interest, on the part of management and trustees, in other types of investment that afford something better than the going rate of return obtainable on marketable corporate bonds. Many pension trusts are participating in private placements; conditional sales contracts on equipment; sale-and-lease-back agreements; mort-

Composition of P/P/T Assets as of July 31, 1952

COMMON STOCKS

CLASS—	% Common	% Total
Aircraft and Air Transport	0.3%	0.1%
Automobiles and Parts	5.1	1.5
Building Construction Materials, Paint, Glass	3.5	1.0
Chemicals	10.9	3.1
Drugs and Pharmaceuticals	1.6	0.5
Electrical Equipment	2.9	0.8
Electric Light and Power	15.0	4.3
Farm Equipment	2.5	0.7
Financial	6.3	1.8
Food and Household Products	6.3	1.8
Machinery & Metal Products (incl. Can Cos.)	3.4	1.0
Merchandising	5.0	1.4
Natural Gas	4.6	1.3
Nonferrous Metals	1.6	0.4
Oil Production and Refining	15.2	4.3
Paper, Printing, Publishing	4.3	1.2
Railroads	0.8	0.2
Steel	3.2	0.9
Telephone	0.1	--
Textiles and Fabrics	2.2	0.6
Tire and Rubber	0.9	0.3
Tobacco	1.1	0.3
Miscellaneous	3.2	0.9
Total Common	100.0%	28.4%

PREFERRED STOCKS

CLASS—	% Preferred	% Total
Railroads	3.9%	0.3%
Electric Light and Power	20.8	1.4
Natural Gas	3.2	0.2
Industrials	62.1	4.3
Other	10.0	0.7
Total Preferred	100.0%	6.9%

BONDS

CLASS—	% Bonds	% Total
U. S. Government	32.6%	19.6%
Other Governments	1.9	1.1
Railroads	5.3	3.2
Electric Light and Power	17.9	10.7
Telephone and Telegraph	3.6	2.2
Natural Gas	8.0	4.8
Industrials	30.7	18.4
Total Bonds	100.0%	60.0%

MISCELLANEOUS

CLASS—	% Miscellaneous	% Total
Sales Agreements	17.6%	0.8%
Oil Payment Contracts	82.3	3.9
Other	0.1	--
Total Miscellaneous	100.0%	4.7%

Active Markets Maintained
IN COLORADO
WYOMING
NEW MEXICO
& MONTANA
Municipal Bonds
Markets Maintained on all Institutional Securities
COUGHLIN and COMPANY
Security Building, Denver 2, Colorado
Bell Teletype DN 296 Telephone Keystone 3201

Active Markets Maintained in
CORPORATE and MUNICIPAL SECURITIES
Specializing in Securities of the ROCKY MOUNTAIN REGION
Established 1919
SIDLO, SIMONS, ROBERTS & Co.
Member of the Midwest Stock Exchange
FIRST NATIONAL BANK BLDG. DENVER, COLO.
Phone TAbor 6271 Teletype DN 63

MAIN 6281 BELL, DN 290 — DN 369
Private wire to Bonner & Gregory
PETERS, WRITER & CHRISTENSEN, INC.
DENVER 2, COLO.
Loveland, Colo.
Dealers in
Corporation Securities *and* Municipal Bonds *of*
ARIZONA COLORADO MONTANA NEVADA
NEW MEXICO UTAH WYOMING

STONE, MOORE & COMPANY
INCORPORATED
INVESTMENT BANKERS
U. S. NATIONAL BANK BUILDING
DENVER 2, COLORADO
Telephone KEystone 2395 Teletype DN 580
★
ERNEST E. STONE
WM. J. MAY HOWARD J. HANNON

Digitized for FRASER
http://fraser.stlouisfed.org/

gages on industrial, commercial, and other income-producing property; oil payment contracts, and in some cases oil royalties; and in many other assets that we would classify as calculated risks.

Investment of Relatively Small Pension Contributions

One of the investment problems very often encountered, is how to invest relatively small pension contributions. Suppose the initial contribution is $100,000 or less, and continuing annual contributions are to be in like amounts. In such cases we would likely make an initial commitment of not more than 15% to 20% in equities, and the stocks selected would be utilities or consumer industry stocks. The bond portion of the portfolio would be more heavily weighted with government bonds than would be the case in a larger account.

As the trust grew, we would expect to increase both the proportionate amount and the diversification of the common stocks. We would also expect to reduce the proportion of government bonds in favor of higher-yield corporates. These progressive shifts could be accomplished as new investment money was received.

In conclusion, you may be interested in the following figures showing the composition of the assets which this bank held as trustee for pension plan and profit sharing trusts on July 31, 1952, at the market values of such assets on that date. These figures are not weighted in any way; in their computation, no distinction was made between pension plan and profit sharing accounts, and no consideration was given to such factors as the size of the various accounts, the degree of investment responsibility lodged with the bank, etc.

With F. I. du Pont

(Special to The Financial Chronicle)

CHICAGO, Ill. — Edward Flannigan is now associated with Francis I. du Pont & Co., 208 South La Salle Street. He was previously with Faroll & Company.

Continued from page 6

Equities vs. Mortgages as Savings Bank Investment

maximum for all stocks, and investment in equities is a new experience for mutual savings banks.

Individual Bank Policies

The relative attractiveness of equities and mortgages will differ, furthermore, as between individual savings banks.

Equities are most attractive for banks with a relatively large surplus. In the first place, such banks have to pay the Federal income tax on retained earnings, and so benefit fully from the very favorable tax position of dividend income. Secondly, such banks are in better position to incur the risks of equity investment, having a larger surplus to absorb possible losses and market depreciation.

Equities are also attractive for banks with a relatively low ratio of mortgages to total resources. For such banks, equities provide a supplementary source of increased income.

On the other hand, stocks are least attractive to banks with a relatively low surplus ratio and a high mortgage ratio. Such banks are not concerned with the tax problem, they obtain a relatively large income from mortgages, and they are likely to want to minimize the risks they incur on their security investments. A fact further lessening the attraction of equities to these institutions is that equity holdings must be valued at cost or market, whichever is lower, in examinations, so that a charge would be made against surplus accounts by bank examiners in the event a decline in the market value of stocks held exceeds the reserve which has been set up.

Mortgage bankers will want to appraise the position of the individual savings bank, therefore, in determining whether or not the authority to buy equities is likely to lessen its interest in mortgages even to a limited extent.

Conclusions

We may thus conclude that, attractive as equities are from the yield and tax standpoints for many savings banks, stocks can divert at most only a relatively small amount of funds from mortgage lending by these institutions under existing conditions.

For one thing, statutory limitations severely constrict the amount of equities savings banks can buy. Secondly, the risks that attach to equity investment will cause some savings banks to refrain from making equity investments in any considerable amount and others to spread what purchases they do make over a period of years.

Equity investment is more competitive with mortgages in some banks than in others. It is most competitive in banks that have a large surplus and that have a relatively smaller percentage of resources invested in higher yielding assets.

Over the longer run, investment in equities by mutual savings banks, as well as their larger purchases of corporate and tax-exempt bonds this year, indicates that competition among available investment outlets for savings bank funds is increasing. Should the quality and yields of the mortgage loans offered savings banks fail to come up to their requirements, therefore, these institutions will be under less pressure to make such loans merely to keep their funds invested. But so long as a good supply of sound mortgages at reasonable yields continues to be available to savings banks, no other type of investment is likely to threaten the primary position that mortgage lending occupies in their portfolios today.

Seymour Katzenstein Hirsch Co. Partner

Seymour Katzenstein

On Jan. 1 Seymour Katzenstein will be admitted to partnership in Hirsch & Co., 25 Broad Street, New York City, members of the New York Stock Exchange. Mr. Katzenstein is Manager of the firm's statistical department.

Waddell Reed Adds

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—John B. Robbins is now affiliated with Waddell & Reed, Inc., 1012 Baltimore Avenue.

Grimm Adds to Staff

(Special to The Financial Chronicle)

ORLANDO, Fla. — Murray S. Long has become affiliated with Grimm & Co., 65 East Robinson Avenue.

IBA GROUP CHAIRMEN

CENTRAL STATES	MICHIGAN	CANADA
		
Lee H. Ostrander *William Blair & Company, Chicago*	Alonzo C. Allen *Blyth & Co., Inc., Detroit*	Arthur S. Torrey *W. C. Pitfield & Company, Ltd., Montreal*

IBA GROUP CHAIRMEN

SOUTHEASTERN	SOUTHERN	SOUTHWESTERN
		
John C. Hagan, Jr. *Mason-Hagan, Inc., Richmond, Va.*	H. Wilson Arnold *Arnold & Crane, New Orleans*	Harry Beecroft *Beecroft, Cole & Co., Topeka, Kans.*

BATEMAN, EICHLER & CO.
Investment Securities
453 SOUTH SPRING STREET
LOS ANGELES 13
Pasadena
28 NORTH GARFIELD
MEMBER LOS ANGELES STOCK EXCHANGE

HILL RICHARDS & CO.
A CORPORATION
BONDS AND STOCKS
Members Los Angeles and San Francisco Stock Exchanges

DISTRIBUTORS
of
INVESTMENT SECURITIES
BINGHAM, WALTER & HURRY, INC.
Member Los Angeles Stock Exchange
621 S. SPRING - LOS ANGELES - TRinity 1041
TELETYPE LA 224
Pasadena: 623 Security Bldg. — SYcamore 3-4196

Serving Southern California since 1927
Wagenseller & Durst, Inc.
Investment Securities
626 S. SPRING ST., LOS ANGELES 14
TRinity 5761 - TELETYPE: LA 68 — LA 35
MEMBERS:
LOS ANGELES STOCK EXCHANGE
NEW YORK CURB EXCHANGE (ASSOCIATE)
DIRECT PRIVATE WIRE
KIDDER, PEABODY & CO., NEW YORK
CLAREMONT - PASADENA - REDLANDS - SANTA MONICA

Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from page 11

Employee's Profit-Sharing Trusts—Key to Solving Retirement Problems

allowable as tax deductions. Under such a circumstance, he could include in his Profit-Sharing Retirement Plan a formula somewhat like this: 20% of net earnings in excess of, say $200,000. You will see from this, based on the same $500,000 net earnings, that the contribution would be only 20% of $300,000, or $60,000, or 6% of payroll. The Treasury Department will permit wide latitude in the choice of a contribution formula, the main requirement being that the formula must be definite, and not an arbitrary arrangement.

It is also a Treasury requirement that a qualified Profit-Sharing Retirement Plan contain a certain pre-determined formula for allocating the employer contribution among participating employees, and this formula cannot in any way be discriminatory. There are several methods being used today in allocating the contribution to the participating employee accounts. They are: allocation in relation to basic compensation. Thus, the empolyee making $10,000 annually would be credited with twice as much as one making $5,000. Another method that, incidentally, has been receiving favorable consideration is to allocate on the basis of salary plus a factor for length of service. This is known as the unit credit method. As an example, one unit is given for each $100 of salary plus one unit for each year of service. This method gives some weight to length of service. Either method has numerous variations, particularly the unit credit method.

Length of Service of Employee

Since the main purpose of a Profit-Sharing Retirement Plan is to provide retirement benefits, the employer may logically feel that benefits should accrue principally to those employees who remain in service until retirement. This may best be accomplished by the gradual vesting of employee credits. Employees on the whole feel very strongly about the vesting of their share in Profit-Sharing Retirement Plans and Pension Plans. They like to visualize ownership in the amounts that are being accumulated in their behalf. On the other hand, the employer knows that if the employee's share in the Plan vests in him immediately, he may be more likely to leave his job after a few years of service because of the temporary financial independence provided for him. The best method, it would seem, is to require an employee to remain in service for a reasonable length of time before acquiring any vested rights to his share. Such rights could, and this is common practice, be given gradually, for example: no vesting rights for the first five years of service. Thereafter, 10% would vest each year for the next 10 years, so that after 15 years of service, the participating employee would have a 100% vested interest in his account. Here again, you may adopt a vesting formula that you may consider best suited to your particular organization. Regardless of length of service, however, there would be full vesting at retirement or upon permanent disability or death. Should the employee's service terminate before his account is fully vested in him, he would forfeit some or possibly all of his account and the amount of such forfeiture would be distributed to the remaining participating employee accounts. In effect, forfeitures serve as additional income to the Fund and increase the ultimate benefit of the remaining participating employees.

The benefits to be received by an employee cannot be predetermined in a Profit-Sharing Retirement Plan. The total amount accumulated in the employee's account with the Trustee represents the retirement, disability or death benefit payable. This may be paid in one lump sum, in installments, or may be used to purchase an insured annuity. Present wage controls do, however, prohibit lump sum payments, except in the case of death settlements.

If the employee leaves for reasons other than retirement, disability, or death, the vested portion of his account may be similarly distributed.

Now, let me give you a general idea of how a Profit-Sharing Retirement Plan would be adopted. First, a Plan and Trust Agreement meeting the requirements of the United States Treasury Department must be prepared and approved by your Board of Directors. Second, it is generally necessary to have the action of the Board of Directors ratified by the stockholders. In some cases the provisions of your corporate charter may not require such stockholder ratification. If your firm happens to be a Partnership, the Plan and Trust Agreement would have to be approved and executed by all of the general partners. Third, the Plan and Trust Agreement must be submitted to the Treasury Department and the Wage Stabilization Board for approval.

Summary

To sum up briefly:

(1) In a Profit-Sharing Retirement Plan the employer contributes a stated percentage of annual profits to an irrevocable trust and it is the Trustee's responsibility to invest the funds. The funds placed in the Trust are allocated to the individual employee's accounts based on compensation, or compensation and length of service.

(2) Upon an employee's retirement his account in the Profit-Sharing Trust becomes distributable to him. Under the present wage controls it must be paid to him in at least 10 equal annual installments. However, the Plan may provide for the purchase of an insured Annuity with his share.

(3) Some of the advantages of a Profit-Sharing Retirement Plan are:

(a) It overcomes the objections as to costs of a fixed commitment Pension Plan. Since the employer's contribution is geared to profits, his obligation to contribute is limited to a percentage of profits each year. Hence, no profits, no contribution.

(b) The employer does not have to fund any prior service of employees. This eliminates a hardship for many companies as it avoids the abnormal drain on current earnings which occurs when a Pension Plan is created and funded.

(c) The administration of a Profit-Sharing Plan is much simpler and involves less administrative cost than any other type of plan because there is no need for elaborate service records and there are no actuarial expenses.

From a tax viewpoint there are advantages which accrue not only to the employer but to the employee as well. They are:

(1) An employer's annual contribution to a Profit-Sharing Plan is fully deductible as an operating expense. As a result, the net cost to a corporation may be as low as 40 cents for each $1 contributed to the Plan, and if it is subject to excess profits tax, it would be considerably less. In the case of a partnership or individual proprietor, the deduction comes off their top taxable brackets.

(2) Income and profits in the Trusts are tax-exempt.

(3) An employee is not taxed currently as his benefits accrue in the Trust Fund. When benefits are paid to the employee they become subject to tax. Normally, a retired employee is in a lower income bracket than during his working years. Furthermore, under the present method of having to pay him over a 10-year period, it is quite likely that his income in any one year may not exceed his personal exemptions and other allowable tax deductions. In that event he would not pay any tax.

IBA GROUP CHAIRMEN

TEXAS	MISSISSIPPI VALLEY	MINNESOTA
		
John D. Williamson *Dittmar & Company, San Antonio*	**W. Guy Redman** *A. G. Edwards & Sons, St. Louis*	**W. W. Wittenberg** *Blyth & Co., Inc., Minneapolis*

W. E. Hutton & Co. To Admit J. L. Burke

DAYTON, Ohio—On Jan. 1, J. Logan Burke will be admitted to partnership in the New York Stock Exchange member firm of W. E. Hutton & Co. Mr. Burke is Resident Manager of the firm's Dayton office, 42 North Main St.

First New Hampshire Corp.

CONCORD, N. H.—The First New Hampshire Corporation is being formed with offices at 104 North Main Street to act as specialists in New England and general market municipal bonds. George H. Wyckoff will be associated with the firm.

Specialists in Securities of the Pacific Northwest

UNDERWRITERS DEALERS DISTRIBUTORS

JUNE S. JONES & CO.

INVESTMENT SECURITIES

INVESTMENT TRUSTS • CORPORATE STOCKS & BONDS

MUNICIPAL BONDS

SINCE 1927

U. S. BANK BUILDING PORTLAND 4, OREGON

AT. 1318

State and Municipal Bonds

U. S. Government Bonds

SEATTLE-FIRST NATIONAL BANK

BOND DEPARTMENT

Seattle 4, Washington

Telephone Main 3131 Teletype SE 489

Member Federal Deposit Insurance Corporation

Pacific Northwest Securities

BLANKENSHIP, GOULD & BLAKELY

INCORPORATED

WILCOX BUILDING

PORTLAND 4, OREGON

Bell System Teletype PD 280

HESS & McFAUL

INVESTMENT SECURITIES

American Bank Bldg. Portland 5, Oregon

A. T. T. Teletype PD 254

Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from page 12

Value of Municipal Financing In Preserving Local Autonomy

in Russia or in any of its satellites.

Importance of Keeping Municipalities Virile

I hope what I have said illustrates the vital necessity of preserving the American municipality as a virile organization, and I will now attempt to explain to you why I feel that the present method of financing the municipalities of this country plays such a vital part in preserving the autonomy of our municipalities and through those municipalities the liberties of the individual, which we are so apt to take for granted.

If American municipalities are to remain autonomous they must be able to finance themselves free from control by the National Government. Under the existing system municipalities in this country finance themselves in three ways; by taxes which they levy themselves, by bonds which they issue and sell to the investing public, or by grants from the states and National Government. Every municipality in a nation which is growing as rapidly as this country is growing, finds it necessary to construct public improvements, many of which require immense amounts of capital. When they finance these improvements themselves with taxes which they levy upon their citizens or by means of bond issues which they sell to the investing public, they preserve their independence, but when they resort to grants or loans from the state or the Federal Government, particularly the latter, they lose a measure of their autonomy.

Let me give you some concrete illustrations: If a municipality desires to construct a water works system and proposes to issue bonds for the purpose of raising the necessary capital, the first thing that takes place, usually, are discussions between the municipal officials and local organizations, such as the Chamber of Commerce, taxpayers' associations, and similar organizations of the people of that community. In these discussions the character of the improvement, its location, the amount of money to be raised for its construction, its design and all other details of the improvement are discussed, and these discussions are given widespread publicity in the local press. Public sentiment regarding the improvement is crystallized. The next step, usually, is the employment of experts to assist the municipality in the development of the project. Engineers are employed and specialists in that particular field of business are retained, and ultimately some specialist in municipal law, called a bond attorney, is retained to advise the city regarding the mechanics of the issuance of the bonds which are necessary to finance the construction of the improvement.

All of these specialists are retained by the municipality itself. They are the agents of that municipality. They discuss the matter with the officials of the municipality and to the best of their ability advise the municipality how the improvement should be constructed and financed in order to be most valuable to the citizens of that community. Then the bonds are offered for sale and investment bankers are invited to bid for them. The investment bankers' function is to assemble the capital which the municipality requires for the construction of that improvement. They are private individuals and they approach other private individuals with the purpose of assembling the capital which the municipality will require. I think it is very important for you to notice that the assembling of this capital is purely a private operation. Neither the state nor the National Government plays any part in this operation. It is true that the state enacts laws regulating the manner in which the municipalities may issue their bonds, but in this respect the state simply lays down the general rules of the game.

From that point on the game is played by the municipality and private parties. When a municipality finances its operations in this manner it does not in any way impair its autonomy.

Federal Government as Financing Source

New let us consider what happens when the municipality resorts to the National Government for the financing of its operation. As a concrete illustration with which you are all, no doubt, somewhat familiar, let us consider the financing of a housing project in any community under the national housing laws. The municipality sets up, as a general rule, a housing authority. The housing authority enters into a contract with the Federal Housing Administration under which the National Government will make annual contributions to aid in the construction of the housing project. From that point on the municipality has very little to say regarding the construction of the project or its financing. Everything is determined for it in Washington. The Federal Housing Administration dictates the design of the project and its cost. It tells the housing authority when it may sell the bonds, what the maturities of the bonds shall be, what the interest rate shall be, and when it may offer the bonds for sale. It even determines the newspapers in which the notice of sale shall appear, and also decides whether or not the authority may accept bids which it receives pursuant to those notices of sale. When the bond dealers interested in bidding for those bonds, or the attorneys who are called upon to pass upon their validity, find it necessary to consult with someone regarding the financing, they do not consult with the officials of the local housing authority but with the Federal officials, and the conclusions reached as a result of these conferences are passed on by the Federal authorities to the officials of the local authorities with instructions to comply with them. In short almost complete control of a local project is taken over by the national administration. In any conflict between the citizens of the municipalities and the National Government it would be utterly futile to expect the local housing authorities to oppose the will of the National Government.

Therefore, when you are engaged in the marketing of municipal bonds you are part of a mechanism which has been devised by the American people to assist municipalities in this nation to finance themselves independently of the State and the National Government, and you are a vital factor in preserving the autonomy of the American municipality, and by preserving the autonomy of these municipalities and making it unnecessary for them to depend upon either the States or the Federal Government you are contributing to the freedom of the individual, which is so much a part of American life that we take it for granted. Therefore, whenever you sell a municipal bond I think you can justifiably say to yourselves that you are making your small contribution to the preservation of those unalienable rights of free men which Thomas Jefferson mentioned in the Declaration of Independence.

Role of Municipal Bond Marketers

But there is something more to a municipal bond which is also important to keep in mind. You have all seen great public improvements, such as the George Washington Bridge and the Lincoln Tunnel. Did you ever stop to think that not one of those improvements in all probability would exist had it not been for hard work done by bond dealers and their employees and the risks taken by them? The bond dealers of this country built the George Washington Bridge and the Lincoln Tunnel just as much as the engineers and the steel workers and the sandhogs. Very few public improvements in this country would exist today were it not for the contributions made to their construction by investment bankers and their organizations. I suggest that you keep that fact in mind in the daily routine of your business. Your point of view toward your work is import not only to you, but to the whole community. I can best illustrate what I mean by telling a story about a man who saw three men swinging pickaxes in an excavation. He asked the first man what he was doing and he said he was digging a ditch; he asked the second man what he was doing and he said he was making a living, and he asked the third man what he was doing and he said he was building a cathedral. I think that you will find your work much more stimulating if you will realize, when you are working in any phase of municipal financing, that you are building some noble structure, like the George Washington Bridge or the Lincoln Tunnel.

N. Y. Inv. Ass'n Elects Officers for 1953

At the annual meeting of the Investment Association of New York held on December 17, Nelson R. Jesup of Clark, Dodge & Co. was elected President to serve for 1953. Others elected were: Vice-President, Richard W. Baldwin of Reynolds & Co.; Secretary, Francis J. Cullum of First Boston Corp.; Treasurer, David C. Stroud of Union Securities Corp.


Nelson R. Jesup

Also Chairman, publications and publicity, Lewis B. Harder of Harris, Upham & Co.; Chairman, membership committee, William S. Goedecke of Smith, Barney & Co.; Chairman, entertainment committee, J. Glencross Gallagher of White, Weld & Co.; Chairman, program committee, Arthur G. Altschul of Lehman Bros., and Chairman, education committee, William F. Haneman of Butler, Herrick & Marshall.

Cruttenden Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Elmer C. Roberts has been added to the staff of Cruttenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

Dividend action taken by fire and casualty companies in recent months has been generally favorable. A number of institutions have increased cash or extra payments while others have announced stock dividends or their intention to split the shares in the near future.

Most of the increases in cash declarations have been modest although the actions have been numerous. This is possibly a reflection of the trend of underwriting operations rather than investment results. In other words, underwriting operations for the different groups have shown some improvement this year in contrast to the unfavorable experience of 1951. This is primarily a reflection of a better rate structure on certain casualty lines which were unprofitable last year. Thus, even though investment results provide ample coverage for the dividends paid by most of the major companies, underwriting operations have tended to provide a cautious attitude with respect to dividend payments.

In the tabulation below, the dividends paid in each of the past two years together with the 1951 investment earnings and the percentage of earnings paid out are shown on a per share basis for 24 of the major fire and casualty companies.

	Dividends Paid 1952	1951	Investment Earnings 1951	Ratio of 1952 Divs. to 1951 Earnings
Aetna Fire	$2.25	$2.25	$4.17	54.0%
Agricultural Insurance	3.50	3.50	6.23	56.2
American Insurance	1.00	1.00	1.97	50.8
Boston Insurance	2.60	2.40	4.27	60.9
Camden Fire	1.10	1.00	1.75	62.9
Continental Casualty	2.50	2.50	4.74	52.7
Continental Insurance	2.80	3.00	4.71	59.4
Federal Insurance	2.35	2.20	3.70	63.5
Fidelity-Phenix	2.80	3.00	5.05	55.4
Fire Association of Philadelphia	2.70	2.60	5.72	47.2
Fireman's Fund	1.60	1.60	3.09	51.8
Firemen's (Newark)	0.85	0.75	2.84	29.9
Glens Falls Insurance	2.00	2.30	3.41	58.7
Great American	1.50	1.50	2.95	50.8
Hanover Fire	1.60	1.60	2.86	55.9
Hartford Fire	3.00	3.00	6.88	43.6
Home Insurance	1.80	1.80	2.75	65.5
Insurance Co. of North America	2.50	2.00	4.52	55.3
Phoenix Insurance	3.00	3.00	5.88	51.0
St. Paul Fire & Marine	0.85	0.775	1.56	54.5
Security Insurance	1.70	1.60	2.57	66.1
Springfield Fire & Marine	2.00	2.00	3.37	59.3
U. S. Fidelity & Guaranty	2.00	2.00	3.91	51.2
Westchester Fire	1.00	1.00	1.65	60.6

It should be pointed out that the above figures do not, in many instances, reveal the current situation with respect to dividend rates. In other words, several of the companies have increased their payments beginning with the first quarter of 1953, so that the current indicated rate is above the payment made for the full year 1952.

For example, Aetna Insurance recently increased the quarterly dividend payable Jan. 2, 1953 to 60 cents a share from 50 cents. Thus, the payment indicated for 1953 is at least $2.40. In recent years an extra of 25 cents has been paid at the year-end to bring the total for the year to $2.25.

Fire Association is another company which has recently increased the rate of payment. In October the quarterly declaration was increased from 65 cents to 75 cents a share. Thus the indicated rate for Fire Association is $3.00 as compared with $2.70 paid in 1952.

Firemen's Insurance of Newark in October increased the semi-annual payment made by the company from 40 cents a share to 45 cents. This would indicate a minimum payment next year of 90 cents. Because of the conservative portion of earnings being distributed, a further increase next year is possible.

The Phoenix Insurance Company is another company that recently increased the quarterly payment beginning with the first distribution next year. Previously Phoenix has been paying 75 cents quarterly. The payment to be made Jan. 2, 1953 will be 85 cents, indicating that the total next year may be $3.40 a share as compared with $3.00 paid in recent years.

Hanover Fire also increased its quarterly payment beginning with the January distribution. Heretofore, Hanover has been paying 40 cents a share each quarter. The new rate is 45 cents, indicating payments in 1953 of $1.80 as against $1.60 previously paid.

There have also been several companies which have announced an intention to split their shares or pay a stock dividend. Frequently, an adjustment is made in the cash payment when the new shares are distributed. The Agricultural Insurance will vote on a 2½-for-1 split in February and Boston Insurance just approved a 2-for-1 split. Also Continental Casualty is to pay a 33⅓% stock dividend.

These increases in dividends together with prospective increases next year give assurance that total 1953 payments will show a further gain.

With H. Hentz Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—James B. Williams has become associated with H. Hentz & Co., 414 71st Street. Mr. Williams was previously with J. R. Williston & Co., Bache & Co., and A. M. Kidder & Co.

E. R. Sanders Opens

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Elmer R. Sanders is engaging in a securities business from offices at 1007 Northwest 100th Terrace.

BANK and INSURANCE STOCKS

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

igitized for FRASER
tp://fraser.stlouisfed.org/

Continued from page 14

Mortgage Finance in 1953

panded industrial plant, even where accelerated amortization has not been in the picture. Along with normal retentions of earnings these reserves are estimated to be sufficient to carry the great bulk of industry financing requirements for plant and equipment during the remainder of the decade.

Accumulated reserves obviously cannot help finance new businesses; and institutional funds will be needed for this purpose. But the total requirements of industry are certain to be much reduced.

Summarizing the demand side of the finance picture, the outlook for 1953 is this: residential building will want the same, or an only slightly smaller, volume of funds than it has had in 1952; commercial building, after probably a slow start due to materials difficulties, will want considerably more than it was permitted to seek in 1952. Farm loans will be slightly up; utilities borrowing will remain fairly constant. Industry, however, may ask for considerably less.

Institutional Funds Seeking Mortgage Investments

This of course does not exhaust the sources of demand for institutional funds. State, local and national governments are certain to be larger borrowers in 1953 than in 1952, and a considerable part of this borrowing will have to be of long-term funds. Local funds for schools, roads, and other public improvements will continue to be substantial, while the defense and foreign aid programs will continue to take a substantial bite. Even here, however, the prospect is that the defense program will be stretched out rather than stepped-up and that the actual deficit will be less than many have earlier contemplated.

On balance, the present outlook is that private demand for borrowed funds during 1953 will not be in excess of that of 1952, but that the total demand, including that of government, will be somewhat greater. The increase, however, does not promise to put a substantial strain on the money supply. On the contrary, because of the continued growth of institutional savings, the outlook over the year as a whole, is for a noticeable easing of the present tight condition.

No marked change, however, is to be expected during the early part of the year. The effect of the Mills plan, in advancing the bulk of corporate tax payments to this period, will be to draw down corporate savings heavily and probably to cause some increase in corporate borrowing during the early months. Sometime in the second quarter, however, there is a good probability that we shall begin to have an ampler supply of funds than we have recently experienced.

Easing of Money Market

The general easing of the whole money market is certain to be felt in the mortgage part of that market. Banks and insurance companies are likely to increase their allocations of funds for mortgage loans, while the savings and loan associations, having no alternative, are bound to pour their increase in assets into mortgages. Interest rates generally are not likely to rise beyond present levels and in the latter part of the year may recede at least slightly, although nothing as happy from the borrower's point of view as the conditions that prevailed in 1950 and early 1951 is to be expected. In other words, we can hardly expect to reach a situation where 4% home mortgages at par will find a wide and ready market. We can, however, anticipate one where a rate of 4¼% to 4½% on insured or guaranteed loans would restore these loans to their former favored position.

Governmental Influences in Money Market

So far, except in a reference to government borrowing, I have not directly taken into account governmental influences on the money market, although what I have said is based on some inferences of governmental action. I expect, for instance, that the present policies of the Federal Reserve Board will be confirmed and strengthened. I also expect that action will be taken on the interest rates for FHA and VA loans so as to restore them to marketability. I expect that the public housing program will submit to further curtailment, that additional funds are unlikely to be appropriated for the VA direct lending program and will be given to FNMA only on the clearest evidence that the defense effort would otherwise be hurt. I feel confident that, outside of the new defense areas, Federal rent control will lapse on April 30, and the controls on credit and the use of materials will outlast June only on a stand-by basis, if at all.

This a hardly a forecast of a major revolution, and you many be sure that I do not look for one. The plain fact is that our field of activity is well down on the list of things with which the new Administration will be concerned during the impending session of Congress. Later on more drastic moves than I have described may come. Your savings and loan friends will be pressing for the restoration of the independence of the Home Loan Bank Board, and this move is certain to bring under critical review the whole HHFA set-up. Even larger questions that are bound to arise in 1954 if not in 1953 are the future policy in respect to Federal subsidies for public housing and urban redevelopment and the future role of government in respect to the secondary market for residential mortgages. But I am confident that the new Administration does not yet have fixed views about what is to be done in respect to these, and I have not encountered any well worked out plans for them floating around anywhere else.

By and large the next year will be one of a respite from the 20-year trend toward a public home mortgage credit system rather than one of a sudden reversal of that trend. I believe this is a desirable thing. There is no practical reason why we should rush into another round of housing and mortgage legislation. The outlook is good for at least another year. The most glaring present distortions in the market can be readily remedied by the interest rate change. FNMA has sufficient funds to handle the current defense housing program and that program is not likely to be substantially enlarged. The opportunity has finally come when, without the pressures either of events or politics, we can take at least a few months seriously to think things over.

Some of you may recall that, when I had the privilege of speaking before you three years ago, I seized the opportunity to engage in a little exhortation. I can't resist now taking a similar advantage of the situation. Three years ago I urged the broadening and strengthening of our conventional methods of making mortgage loans. I want to urge that again.

It can be taken as an established feature of the American attitude that a resort to government action is in the first instance ordinarily taken only on the clear evidence of a lapse in functioning of our private institutions, but that, the evidence once accepted, there is no hesitancy in invoking the power of government. I can vividly remember the clamor from the real estate and building interests in 1934 for an extension of HOLC activity to provide funds for new transactions. The Administration, while standing firmly against this pressure, recognized its threat and, in order to divert it, invented the FHA.

Since that time, almost all the interventionary steps that have been taken, from the expansion of FNMA to the VA direct lending program, have resulted from public conviction of the inadequacies of the private order. To be sure, government resistance to outside group pressure steadily grew less as the years went by. Nevertheless, I think that the principle can be accepted that the only cure for government intervention is to remove its cause.

A Change in Conventional Lending Methods

While the events of the past two years have pointed up the vigor of the conventional lending methods, they have also revealed more clearly than ever the weaknesses that prevent them from providing an equable flow of funds to all sections of the country. The seasons for these weaknesses lie in our barnacled state laws and in the short-sighted rivalries among our several kinds of lending institutions.

The first thing that is needed is a widespread revision of state laws covering foreclosure. Committees of the American Bar Association—stimulated, I may say, by Federal attorneys—over a decade ago prepared a series of model laws on this subject which have been recommended for enactment by state legislatures. Nothing has happened because no strong group has been sufficiently interested to do anything about it. But the instruments are ready for use whenever the will to move is aroused. Our state laws covering loan-to-value ratios, geographical limitations, and limitations on branch banking also could stand some review and modernization.

If our state laws were appropriately modified along these lines, we should have provided a broader market for conventional loans and have lessened one of the main reasons for government intrusion. I do not imply that in the final analysis there would remain no need for a federally operated system of mortgage insurance, but I suspect that the need might be of a different and more limited sort than many people now consider it to be.

I am not attempting to say precisely what the details of needed state legislation should be. This is beyond my competence. But I believe I have had enough experience to know the directions in which the changes lie. I have also seen enough changes made to be convinced that no effort is beyond achievement if the will to do the job is present.

In order to make the effort successful, however, it will be necessary for all types of lending institutions to recognize a common interest and a common danger. It is safe to say that the inroads of government are paved by the disunities of private business. I think the time has come to distinguish between the maintainance of a legitimate and desirable competition for business and the seeking of exclusive business advantages for one group or another by the enactment or the prevention of enactment of legislation. This kind of intervention in reverse ends by hamstringing rather than helping the market and leads only to positive moves on the part of government.

An opportunity such as the present offers should not be lost, for no one can say how long it will last or when it might so advantageously come again. By emphasizing the purposes that all groups have in common and by uniting on the accomplishment of these common objectives, the lending fraternity can assume a leadership that has long passed from it and can demonstrate to the American people its determination and ability to serve their needs for credit with broad vision and vigorous initiative.

Public Utility Securities

By OWEN ELY

Wisconsin Public Service Corp.

Wisconsin Public Service Corp. serves prosperous farming areas in Wisconsin as well as the cities of Green Bay, Wausau, Oshkosh, Sheboygan and others. The territory consists of about 10,000 square miles in north-central and northeastern Wisconsin and an adjacent part of upper Michigan. Retail electric service is furnished in 280 communities, retail gas service in 19 communities and wholesale electric energy in nine communities. The service area has an estimated population of 543,000.

The region is outstanding in the production of milk, cheese, and peas for processing, as well as a number of other farm and dairy products. Industries in the territory include paper, pulp, food products, aluminum goods, malt liquor, lumber, leather, wood products, limestone, cement, furniture, bathroom fixtures, kitchen enamel ware, light and heavy machinery and other metal products. In the port communities on Lake Michigan and on Green Bay are a number of commercial shipyards, coal, oil and other port facilities.

Much of the northern area contains lakes and streams which attract thousands of out-of-state visitors annually for fishing, boating, swimming and other vacation activities. It has been estimated that Wisconsin receives annually $565 million income from vacationers. Since about 4,000 of the State's 8,700 lakes are in counties either fully or partially served by the company, much of this tourist income is probably received in the company's service area.

The company has been active in promoting rural electrification and, as of June 30, 1952, over 96% of all farms in the service area were connected to the company's lines. Not a single rural electric cooperative exists within the company's service area, though two of them, operating outside the company's territory, infiltrate its lines to a minor extent.

Customers, sales and revenues have all shown an improving trend in recent years with the application of electric power to many types of farm work previously performed by hand. Average annual use per rural customer increased 178% between Dec. 31, 1940 and June 30, 1952, amounting at the latter date to 3,232 kwh. This very favorable rate of increase in farm use is expected by the management to continue. An indication of the potential growth in this phase of the business may be found in the levels of usage already reached by certain rural customers of the company. In several instances, farm customers have been using 18-20,000 kwh annually and in one case usage has reached about 32,000 kwh. At the University of Wisconsin an experimental project known as the Electric Research Farm carries on a continuing program to develop new electrically operated equipment for more fully mechanizing farm work, and in 1951 this farm used 44,310 kwh.

The company has also taken an important part in the "Trees for Tomorrow" timber conservation movement. Other private, as well as public agencies, have been carrying on a substantial reforestation program with the object of supplying the raw material requirements of the industries using forest products on a sustained yield basis within Wisconsin, improving the recreational industry and providing watershed protection.

About 82% of the company's revenues are derived from electricity, 16% from gas and 2% from bus service. Residential service contributes about 27% of revenues, rural over 19%, small commercial and industrial 18%, and large commercial and industrial 26%, with miscellaneous about 10%.

The company's steam plants produce about 58% of total kwh output, and hydro 34%, the remaining 8% being purchased. Natural gas distributed is purchased from the Michigan-Wisconsin Pipeline Company.

Capitalization is 50% debt, 16% preferred stock and 34% common stock equity. The amount of outstanding common stock has recently been increased by 218,070 shares sold for $2.6 million to the parent company, just prior to the consummation of Step I of the Standard Gas & Electric dissolution plan. This makes a total of 2,218,070 shares, mostly now in the hands of the public. The company expects to sell $7-8 million bonds and $2 million preferred stock later, with possibly some common stock financing late next year or early in 1954.

Earnings of $1.44 in the twelve months ended Sept. 30 were reported on the old number of shares, but $1.32 is estimated on the increased shares for the calendar year 1952. The budget estimate for 1953 is $1.45, or an increase of 13c, according to President C. E. Kohlhepp. The present $1.10 dividend rate should be maintained, and if necessary to protect it the company would ask for a rate increase. An increase in the rate appears unlikely for some time since the company wants to "fatten" the book value. The stock will probably be listed on the New York Stock Exchange within a few weeks. It is selling currently over-counter around 19⅜.

UTAH POWER & LIGHT CO.
Serving in UTAH IDAHO WYOMING COLORADO
HEADQUARTERS SALT LAKE CITY
A GROWING COMPANY IN A GROWING WEST

Digitized for FRASER
http://fraser.stlouisfed.org/

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) Dec. 21	105.7	*106.3	106.5	104.4
Equivalent to—				
Steel ingots and castings (net tons) Dec. 21	2,196,000	*2,207,000	2,212,000	2,097,000
AMERICAN PETROLEUM INSTITUTE:				
Crude oil and condensate output—daily average (bbls. of 42 gallons each) Dec. 6	6,476,550	6,668,550	6,612,300	6,221,350
Crude runs to stills—daily average (bbls.) Dec. 6	¶6,809,000	7,143,000	6,860,000	6,610,000
Gasoline output (bbls.) Dec. 6	23,518,000	24,107,000	23,465,000	22,381,000
Kerosene output (bbls.) Dec. 6	2,894,000	2,842,000	2,713,000	2,705,000
Distillate fuel oil output (bbls.) Dec. 6	10,216,000	10,939,000	10,376,000	10,113,000
Residual fuel oil output (bbls.) Dec. 6	8,785,000	8,942,000	8,478,000	8,995,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—				
Finished and unfinished gasoline (bbls.) at Dec. 6	129,470,000	126,833,000	121,374,000	124,063,000
Kerosene (bbls.) at Dec. 6	31,142,000	32,190,000	33,383,000	31,443,000
Distillate fuel oil (bbls.) at Dec. 6	114,362,000	117,990,000	120,146,000	100,603,000
Residual fuel oil (bbls.) at Dec. 6	50,658,000	*52,401,000	53,602,000	47,290,000
ASSOCIATION OF AMERICAN RAILROADS:				
Revenue freight loaded (number of cars) Dec. 6	719,159	670,167	829,198	773,530
Revenue freight received from connections (no. of cars) Dec. 6	642,022	654,949	717,168	694,708
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:				
Total U. S. construction Dec. 11	$240,997,000	$344,173,000	$411,529,000	$192,563,000
Private construction Dec. 11	127,421,000	220,700,000	249,420,000	87,982,000
Public construction Dec. 11	113,576,000	123,473,000	162,109,000	104,581,000
State and municipal Dec. 11	70,563,000	78,856,000	90,479,000	57,382,000
Federal Dec. 11	43,013,000	44,617,000	71,630,000	47,199,000
COAL OUTPUT (U. S. BUREAU OF MINES):				
Bituminous coal and lignite (tons) Dec. 6	10,035,000	9,000,000	9,900,000	11,280,000
Pennsylvania anthracite (tons) Dec. 6	746,000	653,000	929,000	953,000
Beehive coke (tons) Dec. 6	96,400	*81,900	84,500	165,800
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100 Dec. 6	194	128	118	191
EDISON ELECTRIC INSTITUTE:				
Electric output (in 000 kwh.) Dec. 13	8,140,257	8,165,463	7,883,878	7,666,864
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC. Dec. 11	157	120	148	143
IRON AGE COMPOSITE PRICES:				
Finished steel (per lb.) Dec. 9	4.376c	4.376c	4.376c	4.131c
Pig iron (per gross ton) Dec. 9	$55.26	$55.26	$55.26	$52.72
Scrap steel (per gross ton) Dec. 9	$42.00	$42.00	$42.00	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):				
Electrolytic copper—				
Domestic refinery at Dec. 10	24.200c	24.200c	24.200c	24.200c
Export refinery at Dec. 10	35.175c	34.725c	34.850c	27.425c
Straits tin (New York) at Dec. 10	121.200c	121.375c	121.250c	103.000c
Lead (New York) at Dec. 10	14.000c	14.000c	14.125c	19.000c
Lead (St. Louis) at Dec. 10	13.800c	13.800c	13.925c	18.800c
Zinc (East St. Louis) at Dec. 10	12.500c	12.500c	12.500c	19.500c
MOODY'S BOND PRICES DAILY AVERAGES:				
U. S. Government Bonds Dec. 16	96.58	96.88	96.93	97.32
Average corporate Dec. 16	109.60	109.79	109.42	108.52
Aaa Dec. 16	113.70	113.70	113.50	112.93
Aa Dec. 16	112.19	112.37	112.00	112.00
A Dec. 16	109.06	109.24	108.70	107.62
Baa Dec. 16	104.14	103.97	103.64	102.13
Railroad Group Dec. 16	107.09	107.09	106.39	104.14
Public Utilities Group Dec. 16	109.60	109.60	109.60	108.52
Industrials Group Dec. 16	112.56	112.37	112.19	113.31
MOODY'S BOND YIELD DAILY AVERAGES:				
U. S. Government Bonds Dec. 16	2.74	2.72	2.72	2.68
Average corporate Dec. 16	3.19	3.18	3.20	3.25
Aaa Dec. 16	2.97	2.97	2.98	3.01
Aa Dec. 16	3.05	3.04	3.06	3.06
A Dec. 16	3.22	3.21	3.24	3.30
Baa Dec. 16	3.50	3.51	3.53	3.62
Railroad Group Dec. 16	3.33	3.33	3.37	3.50
Public Utilities Group Dec. 16	3.19	3.19	3.19	3.25
Industrials Group Dec. 16	3.03	3.04	3.05	2.99
MOODY'S COMMODITY INDEX Dec. 16	401.3	404.7	409.9	457.7
NATIONAL PAPERBOARD ASSOCIATION:				
Orders received (tons) Dec. 6	339,672	188,958	372,747	265,609
Production (tons) Dec. 6	243,936	228,894	243,283	201,888
Percentage of activity Dec. 6	95	91	97	86
Unfilled orders (tons) at end of period Dec. 6	549,762	457,365	581,039	428,921
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100 Dec. 12	109.05	109.20	109.50	114.82
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. 29	26,108	31,082	26,528	28,029
Number of shares Nov. 29	782,105	923,384	746,001	784,854
Dollar value Nov. 29	$34,832,510	$40,314,408	$32,901,935	$35,599,366
Odd-lot purchases by dealers (customers' sales)—				
Number of orders—Customers' total sales Nov. 29	25,645	29,894	20,261	21,750
Customers' short sales Nov. 29	110	146	89	232
Customers' other sales Nov. 29	25,535	29,748	20,172	21,518
Number of shares—Total sales Nov. 29	740,926	858,850	584,913	617,187
Customers' short sales Nov. 29	3,573	4,843	3,370	7,932
Customers' other sales Nov. 29	737,353	854,007	581,543	609,255
Dollar value Nov. 29	$29,777,003	$34,239,581	$23,670,713	$25,409,638
Round-lot sales by dealers—				
Number of shares—Total sales Nov. 29	234,150	271,220	164,790	165,730
Short sales Nov. 29	------	------	------	------
Other sales Nov. 29	234,150	271,220	164,790	165,730
Round-lot purchases by dealers—				
Number of shares Nov. 29	283,080	353,980	329,920	380,680
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. 22	323,800	221,630	199,170	175,580
Other sales Nov. 22	9,767,310	5,996,720	5,572,710	5,147,370
Total sales Nov. 22	10,091,110	6,218,350	5,771,880	5,322,950
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:				
Transactions of specialists in stocks in which registered—				
Total purchases Nov. 22	1,091,290	636,510	543,850	479,360
Short sales Nov. 22	185,460	118,600	109,580	92,300
Other sales Nov. 22	899,740	500,980	449,040	418,990
Total sales Nov. 22	1,085,200	619,580	558,620	511,290
Other transactions initiated on the floor—				
Total purchases Nov. 22	279,430	155,480	102,820	92,960
Short sales Nov. 22	15,400	7,100	8,100	8,700
Other sales Nov. 22	268,670	132,500	98,500	113,410
Total sales Nov. 22	284,070	139,600	106,600	122,110
Other transactions initiated off the floor—				
Total purchases Nov. 22	381,990	284,840	170,680	190,213
Short sales Nov. 22	44,740	40,350	29,540	25,330
Other sales Nov. 22	421,037	263,995	197,001	252,498
Total sales Nov. 22	465,777	304,345	226,541	277,828
Total round-lot transactions for account of members—				
Total purchases Nov. 22	1,752,710	1,076,830	817,350	762,533
Short sales Nov. 22	245,600	166,050	147,220	126,330
Other sales Nov. 22	1,589,447	897,475	744,541	784,898
Total sales Nov. 22	1,835,047	1,063,525	891,761	911,228
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):				
Commodity Group—				
All commodities Dec. 9	109.6	*110.0	110.7	------
Farm products Dec. 9	99.8	*102.4	104.3	------
Processed foods Dec. 9	104.2	104.3	106.3	------
Meats Dec. 9	95.7	96.2	101.3	------
All commodities other than farm and foods Dec. 9	112.8	*112.8	113.0	------

*Revised figure. ¶Includes 639,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—			
Month of November (in thousands)	$130,188,000	$154,237,000	$132,188,000
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of Nov. 30:			
Imports	$233,234,000	$237,106,000	$227,309,000
Exports	123,302,000	113,855,000	116,357,000
Domestic shipments	15,847,000	7,869,000	7,333,000
Domestic warehouse credits	46,206,000	32,348,000	38,701,000
Dollar exchange	29,243,000	30,393,000	5,100,000
Based on goods stored and shipped between foreign countries	30,631,000	27,858,000	42,539,000
Total	$478,463,000	$449,429,000	$437,339,000
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of November (in millions):			
Total new construction	$2,799	*$3,011	$2,624
Private construction	1,917	*1,988	1,818
Residential building (nonfarm)	1,033	*1,048	930
New dwelling units	930	*935	832
Additions and alterations	85	*95	84
Nonhousekeeping	18	18	14
Nonresidential building (nonfarm)	429	*434	425
Industrial	187	*189	200
Commercial	107	*104	96
Warehouses, offices and loft buildings	48	*45	41
Stores, restaurants, and garages	59	*59	55
Other nonresidential buildings	135	141	129
Religious	38	39	34
Educational	33	33	29
Social and recreational	12	12	9
Hospital and institutional	29	31	34
Miscellaneous	23	26	23
Farm construction	117	139	126
Public utilities	331	*360	331
Railroad	37	*37	41
Telephone and telegraph	47	49	42
Other public utilities	247	274	248
All other private	7	7	6
Public construction	802	*1,023	806
Residential building	48	*52	68
Nonresidential building	337	*352	300
Industrial	130	*141	97
Educational	136	137	134
Hospital and institutional	38	40	37
Other nonresidential building	33	34	32
Military and naval facilities	117	*125	100
Highways	230	*330	187
Sewer and water	57	62	55
Miscellaneous public service enterprises	16	20	15
Conservation and development	72	77	76
All other public	5	5	5
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of October:			
Manufacturing number	121	146	106
Wholesale number	66	54	58
Retail number	280	291	307
Construction number	62	88	68
Commercial service number	61	52	48
Total number	590	631	587
Manufacturing liabilities	$5,853,000	$13,079,000	$6,158,000
Wholesale liabilities	2,424,000	8,550,000	2,348,000
Retail liabilities	5,865,000	6,078,000	4,369,000
Construction liabilities	1,588,000	5,167,000	3,740,000
Commercial service liabilities	3,027,000	2,175,000	952,000
Total liabilities	$18,757,000	$35,049,000	$17,567,000
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—			
As of Nov. 30 (000's omitted)	$575,000	$591,000	$435,000
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of October:			
Cotton Seed—			
Received at mills (tons)	1,756,135	*1,169,950	1,586,788
Crushed (tons)	780,974	*521,460	837,547
Stocks (tons) Oct. 31	2,009,911	*1,034,750	1,705,283
Crude Oil—			
Stocks (pounds) Oct. 31	162,946,000	103,809,000	152,672,000
Produced (pounds)	249,604,000	156,459,000	257,819,000
Shipped (pounds)	186,351,000	77,223,000	186,591,000
Refined Oil—			
Stocks (pounds) Oct. 31	343,165,000	288,212,000	154,868,000
Produced (pounds)	175,856,000	71,655,000	173,826,000
Consumption (pounds)	119,867,000	103,262,000	125,071,000
Cake and Meal—			
Stocks (tons) Oct. 31	115,114	81,857	72,854
Produced (tons)	379,384	248,660	387,447
Shipped (tons)	346,127	214,679	385,596
Hulls—			
Stocks (tons) Oct. 31	49,314	42,244	35,269
Produced (tons)	160,000	106,944	183,193
Shipped (tons)	152,930	90,475	171,381
Linters (running bales)—			
Stocks Oct. 31	232,129	*185,511	135,868
Produced	255,981	167,747	266,665
Shipped	209,363	*94,745	220,035
Hull Fiber (1,000-lb. bales)—			
Stocks Oct. 31	1,618	1,171	835
Produced	2,618	1,199	1,834
Shipped	2,171	805	1,814
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks Oct. 31	6,627	4,177	5,794
Produced	5,498	2,362	4,041
Shipped	3,048	1,454	2,411
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of Nov.:			
Industrial (125)	5.33	5.62	5.86
Railroad (25)	5.77	6.14	6.45
†Utilities (24)	5.14	5.30	5.71
Banks (15)	4.19	4.29	4.64
Insurance (10)	3.10	3.15	3.47
Average (200)	5.28	5.56	5.78
U. S. GOVT. STATUTORY DEBT LIMITATION As of Nov. 30 (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	267,432,234	264,919,493	259,604,103
Guaranteed obligations not owned by the Treasury	50,592	44,803	42,840
Total gross public debt and guaranteed obligations	$267,482,827	$264,964,296	$259,646,943
Deduct—other outstanding public debt obligations not subject to debt limitation	626,043	628,001	668,203
Grand total outstanding	$266,856,783	$264,336,294	$258,978,739
Balance face amount of obligations, issuable under above authority	8,143,216	10,663,705	16,021,260

†Not including American Tel. & Tel.

gitized for FRASER
tp://fraser.stlouisfed.org/

Continued from page 5

The State of Trade and Industry

three months. For all 1952, these expenditures will total $26.9 billion, or about 2% above 1951.

Steel Output Set at Fractionally Lower Level

Steel mills will enter 1953 with overloaded order books, reports "Steel," the weekly magazine of metalworking. First quarter production already is sold out in virtually all products, thus, little open tonnage, consequently, will be available for that period and what does appear will be diverted to high-rated military and defense projects, it states.

Nondefense consumers stand little chance of getting their requirements fully satisfied with carryover from fourth quarter claiming two-thirds of the period's output. This means heavy overflow into second quarter, and order books for that period on most products will not be opened for another couple of weeks. According to National Production Authority estimates, 23 million tons of finished steel will be available for all consumption in second quarter, it continues.

All the signs point to sustained demand for hot and cold-rolled carbon sheets well into second quarter, possibly beyond.

Manufacturers of household appliances are seeking far more sheet and strip tonnage than they are getting and, in many instances, their inventories are at the lowest points in months. At the same time, automotive requirements for flat-rolled are pressing increasingly on the market, "Steel" adds.

As year-end nears the furnaces are pouring steel in unprecedented volume. Output for the year is disappointing, estimated around 93 million net tons against the record 105-million-plus in 1951. But the drop was due entirely to loss of more than 18 million tons' output during the work stoppages of April to August. Actually, 1952 ranks third in the production records and, from any normal standard, performance of the industry during the year was impressive, this trade journal notes.

Supplies of raw materials are considered adequate to support full operations into spring. Fear of an iron ore shortage due to strike-loss of some 24 million tons in lake shipments has about vanished.

Scrap supplies also are considered ample with mill inventories reported in excess of 6 million tons as against 4.5 million a year ago, concludes this trade weekly.

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at an average of 105.7% of capacity for the week beginning Dec. 15, 1952, equivalent to 2,196,-000 tons of ingots and steel for castings. In the week starting Dec. 8, the actual rate was 106.3% of capacity and output totaled 2,207,000 tons. A month ago output stood at 106.5%, or 2,212,000 tons, while a year ago when the capacity was smaller the estimated output was 2,097,000 tons with the rate at 104.4%.

Electric Output Recedes From All-Time High Record Of Previous Week

The amount of electric energy distributed by the electric light and power industry for the week ended Dec. 13, 1952, was estimated at 8,140,257,000 kwh., according to the Eidson Electric Institute. This represented a decline from the preceding week's all-time high record.

The current total was 25,206,000 kwh. below that of the preceding week when output amounted to 8,165,463,000 kwh. It was 473,393,000 kwh., or 6.2%, above the total output for the week ended Dec. 15, 1951, and 1,154,836,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Rise 7.3% in Latest Week

Loadings of revenue freight for the week ended Dec. 6, 1952, totaled 719,159 cars, according to the Association of American Railroads, representing an increase of 48,992 cars, or 7.3% above the preceding holiday week.

The week's total represented a decrease of 54,371 cars or 7% below the corresponding week a year ago, and a decrease of 47,736 cars, or 6.2% below the corresponding week in 1950.

United States Auto Output Declined 5% in Latest Week, But Exceeded Like Period in 1951

Passenger car production in the United States last week dropped about 5% from the level of the previous week due to closings for model changeovers.

It aggregated 89,924 cars compared with 94,886 cars (revised) in the previous week and 85,483 cars one year ago, according to "Ward's Automotive Reports."

Total output for the past week was made up of 89,924 cars and 27,822 trucks built in the United States, against 94,886 cars and 28,426 trucks the previous week and 85,483 cars and 25,927 trucks in the comparable period a year ago.

Canadian Plants turned out 3,985 cars and 1,980 trucks against 3,619 cars and 2,074 trucks in the prior week and 2,632 cars and 1,585 trucks in the comparable 1951 week.

Business Failures Rise Moderately

Commercial and industrial failures rose to 157 in the week ended Dec. 11 from 120 in the preceding week, Dun & Bradstreet, Inc., reports. This upturn brought casualties above their 1950 and 1951 totals of 150 and 143 respectively, but they remained far below, 42%, the pre-war level of 270 in the comparable week of 1939.

All of the increase occurred among failures involving liabilities of $5,000 or more, which climbed to 137 from 95 last week and exceeded the 113 of this size a year ago. Small casualties, those with liabilities under $5,000, dipped to 20 from 25 and were not as numerous as in 1951 when 30 were recorded for the similar week.

Failures in all industry and trade groups showed a mild increase during the week. More businesses failed than last year in all lines, but the increases from the 1951 level were small.

Geographically, a major part of the week's rise was concentrated in the Middle Atlantic States where casualties jumped to 61 from 34 a week ago and in the Pacific States where they rose to 40 from 30. Slight increases took place in the West North Central and West South Central States, while three regions, including the East North Central, remained unchanged. The only decline during the week appeared in the New England States which had about one-half as many failures as in the previous week. Mortality in that area was down sharply from 1951, but in all other regions casualties equalled or exceeded last year's toll.

Wholesale Food Price Index Declines to New 2½-Year Low

The wholesale food price index, compiled by Dun & Bradstreet, Inc., fell sharply from last week's figure of $6.22, to $6.15 on Dec. 9. This marked a new low for approximately two and a half years, or since June 27, 1950 at the start of the Korean conflict, when the index stood at $6.04. The current level at $6.15, represents a drop of 8.1% from the year-ago figure of $6.69.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Irregularly Lower in Latest Week

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved irregularly downward last week. The index closed at 283.46 on Dec. 9, comparing with 285.27 a week earlier, and with 310.71 on the corresponding date a year ago.

Grain price movements were irregular although net changes for the week were small. Domestic demand for wheat showed some improvement. Foreign sales continued to lag but prospects for enlarged export trade were good. Corn showed comparative firmness, influenced by more active export trade, a slowing down in new crop movement, and strength in the cash market. Trading in all grain and soybean futures on the Chicago Board of Trade last week averaged about 50,800,000 bushels, against 59,-200,000 in the previous week, and 47,000,000 for the same week last year.

Hard wheat bakery flours developed a somewhat firmer tone in the week, aided by advances in wheat premiums in the Southwest. New bookings for these flours, however, remained at a low level. Some expansion in Spring wheat flour bookings was noted around mid-week but other flours were dull. Cocoa was strong with values up sharply, prompted largely by continued bearish reports concerning new crop prospects, coupled with strength in the London market and some foreign buying. Easiness prevailed in the domestic spot raw sugar market most of the week but futures prices rallied slightly following announcement by the Department of Agriculture of the 1953 import and marketing quotas which were set at 7,800,000 tons.

Trading in lard was heavy as the result of liquidation which sent most lard contracts to new lows for the season.

Export business in lard continued slow. Hog marketings were heavy but clearances were good and prices held steady. Quotations for steers and lambs worked lower, influenced by heavy receipts and lower dressed meat prices.

Domestic cotton prices registered further declines last week. Firmness in early dealings reflected mill and export price-fixing but the market trended downward during the remainder of the period.

Bearish influences included continued slow export trade, the absence of any particular activity in the goods market, and predictions of a moderate increase in the forthcoming Government crop estimate.

The report, issued on Dec. 8, placed the 1952 cotton crop at 15,038,000 bales, as against 14,905,000 forecast a month ago. This year's indicated production compares with the 1951 yield of 15,144,000 bales, and a ten-year average of 11,755,000 bales. Entries of the staple into the CCC loan stock were below expectations. Loans reported during the week ended Nov. 28 were 81,300 against 94,500 bales in the preceding week, bringing total entries for the season through that date to 414,600 bales. Cotton ginnings from this year's growth prior to Dec. 1 were placed at 13,419,943 running bales, or approximately 90% of the crop and the highest percentage on that date since 1943.

Trade Volume Showed Further Improvement Spurred By Christmas Buying

Gift buying gained further momentum in most parts of the nation in the period ended on Wednesday of last week as shoppers spent more money than in any other comparable pre-Christmas week.

Retailers had slightly larger receipts than a year ago and were generally confident that the Christmas shopping season would be the largest on record.

Department stores in some large cities, particularly in the East, reported their sales as lagging; the disappointing response was attributed to the mild weather and the population shift to the suburbs. Relaxed credit terms and extended shopping hours were used by many merchants to spur shopping. Some cities reported that shortages of sales personnel were being reflected in lost sales.

The total dollar volume of retail trade in the period ended on Wednesday of the past week was estimated by Dun & Bradstreet, Inc., to be from 1 to 5% higher than a year ago. Regional estimates varied from the year-ago levels by the following percentages: New England +2 to +6; East —1 to +3; South and Northwest +1 to +5; Midwest 0 to +4; Southwest and Pacific Coast +3 to +7.

While the rise in the demand for apparel was about on a par with seasonal expectations, the interest in outer-wear was discouraged by mild weather in many parts. Traditional gift items such as lingerie, haberdashery, accessories, and jewelry were more widely purchased than a year ago.

The demand for food rebounded from the post-holiday dip in the prior week. Housewives continued to spend more for food than in the comparable 1951 week. In increased demand this week were pork and lamb as some price shavings attracted consumers. While the buying of beverages for the holiday expanded seasonally, it remained below the level of a year before.

Many household goods were in broader demand than in either the prior week or the similar 1951 week. Washers, driers, floor coverings, silverware and small appliances were widely popular.

Trading activities in the nation's wholesale markets expanded slightly in the week as many merchants placed hurried fill-in orders for holiday goods and others prepared for post-holiday promotions.

As during the past several months, the total dollar volume of wholesale orders was moderately larger than a year earlier. Delivery snags were reported in a few lines, but retailers generally had little difficulty in filling their needs. Inventories remained somewhat larger than a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Dec. 6, 1952, increased 1% from the level of the preceding week. In the previous week a decrease of 14%* was reported from that of the similar week of 1951. For the four weeks ended Dec. 6, 1952, sales declined 2%. For the period Jan. 1 to Dec. 6, 1952, department store sales registered a drop of 1% below the like period of the preceding year.

Retail trade in New York last week had warm and rainy weather to contend with which served to cut sales volume by as much as 10% from the level of a year ago.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Dec. 6, 1952, decreased 6% below the like period of last year. In the preceding week a decrease of 3%* (revised) was reported from those of the similar week of 1951, while for the four weeks ended Dec. 6, 1952, a decrease of 9% was recorded. For the period Jan. 1 to Dec. 6, 1952, volume declined 8% under the like period of the preceding year.

*In using year ago comparisons for the weeks ending Nov. 22 and Nov. 29, allowance should be made for the fact that in observance of the Thanksgiving holiday, store closings occurred in the week ending Nov. 24, 1951 whereas this year they occurred in the week ending Nov. 29.

Your
RED
CROSS
must carry on!

Digitized for FRASER
http://fraser.stlouisfed.org/

Mutual Funds

By ROBERT R. RICH

THERE'S NO CEILING in sight as far as the growth of electronics is concerned. That's the view of a top investment authority on electronics.

This view was advanced by Chester D. Tripp, President of the Television-Electronics Fund. "There are no predictable upper limits to the continuing growth of the electronics industry," he told his shareholders in the Fund's annual report for its fiscal year ended Oct. 31, 1952. The fund is the only American investment company concentrating on the electronics field.

Mr. Tripp pointed out that applications of electronics in industrial and commercial fields are growing much faster on a percentage basis than in the entertainment field. And he predicted that non-entertainment uses will eventually overshadow electronics for entertainment.

The mutual fund executive singled out microwave equipment as an instance of how quickly a segment of the industry can develop. He recalled that in July, 1950, only 1,900 miles of microwave systems had been authorized and a year later 9,800 miles. Last June the total had passed 20,000 miles. "Today," he continued, "microwave is measured in thousands of miles; tomorrow it will be measured in millions of miles."

This year, according to Mr. Tripp, the industry is in a better position businesswise. He recalled that last year at this time there were numerous uncertainties confronting particularly radio and television set manufacturing.

"Not that all of the problems have disappeared and a big rainbow taken their places," he said, "but the current trend shows a generally better feeling and indicates hope of a better economic climate."

He gave this picture of the television industry: "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 head forecast the inauguration of "several dozen new stations on the air next year." He noted that because the ultra high frequency service provided to date has been highly acceptable, the opening of new markets will be speeded. "Nor," he continued, "have the growing pains which pessimists forecast for the introduction of UHF resulted in the red ink which had been predicted. The country's first commercial UHF operation, station KPTV in Portland, Ore., began broadcasting a scant two months ago and is already showing an operating profit, according to the station manager."

A record $12,177,682 increase in total net assets was reported by Television-Electronics Fund in its 1952 fiscal year. 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.

"IT IS ANTICIPATED that government fiscal policies under the new Administration will create an atmosphere favorable to the bond market." This statement was made to more than 13,800 shareholders of Manhattan Bond Fund in the company's annual report.

In commenting on this prediction, Hugh W. Long, President of Manhattan Bond Fund, Inc., went on to say, "Bond investments are influenced by general business conditions and by changes in the money market. Policies of the Federal Government exert an important force on the first of these factors and dominate the second. At the prosent time, overall business activity is being sustained at a high level, aided by large government defense expenditures. Heavy defense spending is likely to continue and your management does not believe that a major decline in business is in the offing."

The report covers operations of Manhattan Bond Fund, Inc. for the fiscal year ended Oct. 31, 1952. During that year quarterly income dividends totaling 37 cents per share were paid to the fund's shareholders. This amount represented the third successive year of improvement in dividends. At the end of the year net asset value of each share of the fund was $7.85, twenty-two cents higher than on Oct. 13, 1951.

Manhattan Bond Fund, Inc. is one of the oldest mutual funds in the country which invest solely in bonds. Total net assets at the year-end 1952 amounted to $26.-919.443 and were invested in 57 different bond issues.

Among the bonds added to holdings during the year were: American & Foreign Power Co. 4.8s, 1987; Beaunit Mills, Inc. 5s, 1972; The Cincinnati Enquirer 5s, 1967; Missouri-Kansas-Texas Railroad Co. cumulative A 5s, 1967; Peabody Coal Co. first B 4½s, 1972; Peoria & Eastern Railway Co. first 4s, 1960; Tennessee Gas Transmission debenture 4⅞s, 1971 and Western Maryland Railway Co. B 4½s, 1967.

Bonds eliminated from investments of the fund during the 12 months were General Realty & Utilities Corp. debentures 4s, 1969; Illinois Central & Chicago, St. Louis & New Orleans joint 5s, 1963; Pennsylvania Railroad Co. B 5s, 1968; The Pittston Co. collateral trust 4s, 1961 and Seaboard Air Line Railway Co. A 4½s, 2016.

SOME REVEALING information on the number of man-hours of research that goes into the management of a mutual fund is furnished in the December Hudson Fund Bulletin. Research time devoted to a single major company such as Dow Chemical in the Hudson Fund portfolio averages more than 500 man-hours a year, according to the Bulletin. This is the equivalent of about one-quarter of one man's total annual working hours.

When this research time for one security is multiplied by the 74 companies currently represented in the Hudson Fund portfolio, the resulting total man-hours of research runs into the tens of thousands, the Bulletin continued. This latter total makes no allowance for the many securities studied and found unsuitable.

In addition to this time element, it is pointed out, the job of managing the Fund's portfolio involves building contacts for field investigators as well as availability of statistical material.

The Fiduciary Trust Company of New York, a long-established investment organization, is responsible for the recommendations and continuous supervision of Hudson Fund investments.

AN OIL SUPPLY sufficient for a 100 years at the current consumption rate was the estimate of Harold Aul, Vice-President of Calvin Bullock, on the radio program over WOR, "Your Money At Work," on Sunday.

This supply includes the proven oil reserves of about 100 billion barrels and the 425 billion barrels of oil in the ground "waiting to be discovered."

Predictions that we'll soon run out of oil, Mr. Aul stated, stem from a misunderstanding of oil company operations. Since proving up oil reserves ties up a lot of money, Mr. Aul explained, the industry drills enough oil wells to insure about a 13-year supply.

From an investment viewpoint, the chief characteristics of the petroleum industry, in the speaker's opinion, were "its record of growth, its tremendous strength in times of economic trouble, its vast reserves, increasing efficiency, the research-mindedness of its management, and its conservative financial policy."

Mr. Aul stated that domestic oil consumption declined less than 15% from the peak rates of 1929 to the bottom of the depression in 1932, compared with a 47% decline in general business activity during the same period of time.

Milton Fox-Martin, Kidder, Peabody & Co., was moderator of the program.

KNICKERBOCKER FUND'S investment in equities was increased substantially during the past quarter with the greater part of the increase taking place as soon after election as was consistent with orderly investment, according to an announcement today. As of Dec. 1, 1952, Knickerbocker's assets were 56.3% in common stocks, with the balance in corporate bonds, preferreds, treasury bills, and cash.

MANY EUROPEAN investors, particularly the Dutch, prefer to buy their own securities for income rather than American issues, according to Douglas Laird, Director of National Securities & Research Corporation. Mr. Laird spoke at a luncheon at the Bankers' Club for the staff of the Economic and Investment Department of this Mutual Fund sponsor. "High incomes are available in some European securities," said Laird, "due to the rather low level of prices which prevails for many Dutch issues."

American securities are purchased, in most cases, for appreciation, according to Mr. Laird, although some Dutch bankers have stated that currently they prefer to lighten their holdings of American securities, and increase their holdings in European, particularly Dutch issues, due to their apprehension about long-term inflation in the United States encouraged by the Truman labor and fiscal policies.

Laird said, "The fact that I have just spent several weeks in Europe does not qualify me as an expert in international affairs, contrary to the ideas of many returning tourists. However, some of my remarks might be interesting as casual observations on the European scene."

The last of the "Economic Royalists" in Europe, commented Laird, appear to be the executive and junior executive classes. Almost everyone in this group has a company-financed automobile along with very generous expense accounts encouraged by the high rate of taxation.

"There is a sharp contrast in the degree of economic rehabilitation in the countries of Europe," said Laird. "In Holland and West Germany there has been a sharp recovery due in a large part to hard work. In England and France, on the other hand, recovery has been less noticeable due to a great deal of apathy. However, the mental attitude in France and the United Kingdom seems to be improving," said Laird, "particularly since the advent of the new conservative governments."

"For the American tourist in Europe," Commented Laird, "the best value seems to be in Italy, Spain and also in the United Kingdom where austerity has kept prices for food, goods and services comparatively low. In most other parts of Europe, particularly in Paris, prices for most things are very high.

THE CURRENT issue of "Brief Case" published by Distributors Group Incorporated for the investment dealer and his client, comments on the effects of the probable expiration of both price controls and excess profits taxes in 1953.

"To some kinds of companies this would mean little or nothing," the publication states, "for others it would greatly stimulate earning power. For example, lifting of price controls will not help those whose goods are in over-supply. Nor those whose goods could not be sold at high prices because of consumers' resistance.

"On the other hand, makers of products like cigarettes, whose earnings have been squeezed between higher costs of leaf tobacco and price control of their finished product, could quickly restore normal profit margins. A price rise of less than one-half cent per pack could increase their earnings by 30% to 40%."

HAROLD W. STORY, President of the Wisconsin Investment Company of Milwaukee, announced today that E. W. Schenck has been elected to the board of directors of that company. Mr. Schenck joined Cluett, Peabody & Co., Inc., New York, N. Y., March 1, 1949, as Controller. He is a graduate of the University of Wisconsin and is a certified public accountant. Before joining Cluett, Peabody, Mr. Schenck was employed with The Wisconsin Company. He previously was Controller and Treasurer of Harry S. Manchester, Inc., Madison, Wis., and prior to that position was Vice-President of the Central Wisconsin Trust Co. in Madison, Wis. Mr. Schenck was elected Vice-President and Treasurer of Cluett, Peabody & Co., Inc., and its subsidiary, Cluett, Peabody & Co. of Canada, Ltd., in December, 1950.

OPEN-END REPORTS

TOTAL NET assets of Dividend Shares, Inc., a mutual fund managed by Calvin Bullock, at Oct. 31, 1952, the end of its 20th fiscal year, were $108,740,592 compared with $97,327,210 one year earlier. New records were established both in value of assets and number of shareholders, now more than 60,000.

Assets were equal to $1.83 a share as against $1.79 a share on Oct. 31, 1951.

Reviewing the company's progress since formation in 1932, at the bottom of the depression, the report mailed to stockholders pointed out that since then Dividend Shares has paid more than $41,000,000 in dividends from net investment income and more than $24,000,000 in distributions from net profits on sales of investments.

Stockholders were told that all stocks held by Dividend Shares are currently paying dividends and over 90% have paid dividends for 10 years or more. Only 14 stocks owned in 1932 now appear in the company's portfolio, which numbered 106 common stocks at the fiscal year-end.

Common stocks at fiscal year-end represented 88.38% of net assets, compared with 87.51% six months earlier.

The George
PUTNAM
FUND
of Boston
PUTNAM FUND DISTRIBUTORS, INC.
50 State Street, Boston

CANADIAN FUND
A MUTUAL INVESTMENT FUND
ONE WALL STREET
CALVIN BULLOCK
NEW YORK
GENTLEMEN: At no obligation please send me a prospectus on Canadian Fund.
Name________
Address________
City________

Fundamental Investors, Inc.
Diversified Common Stock Fund
Diversified Growth Stock Fund
Diversified Investment Fund
Manhattan Bond Fund, Inc.
PROSPECTUSES AVAILABLE ON THESE MUTUAL FUNDS FROM YOUR LOCAL INVESTMENT DEALER, OR
Cleveland
Chicago
Los Angeles
San Francisco
HUGH W. LONG AND COMPANY
Incorporated
Westminster at Parker, Elizabeth 3, New Jersey

gitized for FRASER
http://fraser.stlouisfed.org/

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ Allied Insurance Co. of America, Broadview, Ill.
Dec. 15 filed 1,000,000 shares of capital stock (par $1) to be offered to agents of Allied Van Lines, Inc. **Price**—$1.60 per share. **Proceeds**—For capital and surplus. **Underwriter**—None.

★ American Brake Shoe Co.
Dec. 10 filed 50,000 shares of common stock (no par) to be offered for subscription by certain employees under the company's "Employees' Stock Purchase Plan." **Underwriter**—None.

Ansonia Wire & Cable Co., New York
Dec. 8 filed 100,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To pay part of purchase price of assets being acquired from Noma Electric Corp. **Underwriter**—Putnam & Co., Hartford, Conn.

★ Bank Shares, Inc., Minneapolis, Minn.
Dec. 11 (letter of notification) 10,000 shares of class A stock. **Price**—At par ($20 per share). **Proceeds**—For working capital. **Underwriter**—M. H. Bishop & Co., Minneapolis, Minn.

Beaver Lodge Oil Corp., Dallas, Tex.
Nov. 24 (letter of notification) 10,500 shares of common stock (par $1). **Price**—At market (approximately $2.87½ per share). **Proceeds**—To the Tioga Petroleum Corp. of Dallas. **Office**—301 Mercantile Commerce Bldg., Dallas 1, Tex. **Underwriter**—Harold S. Stewart & Co., El Paso, Tex.

★ Big Basin Oil, Inc., Holyoke, Colo.
Dec. 8 (letter of notification) 1,100,000 shares of common stock (par five cents). **Price**—25 cents per share. **Proceeds**—To repay notes, and for drilling expenses and new equipment. **Underwriter**—E. I. Shelley Co., Denver, Colo.

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.

★ Burton Manufacturing Corp., Spartanburg, S. C.
Dec. 10 (letter of notification) 500 shares of 8% cumulative preferred stock. **Price**—At par ($50 per share). **Proceeds**—For working capital. **Office**—200 W. Main Street, Spartanburg, S. C. **Underwriter**—None.

Byrd Oil Corp., Dallas, Tex.
Oct. 22 filed $1,750,000 of 10-year 5½% convertible sinking fund mortgage bonds due Nov. 1, 1962, to be offered for subscription by common stockholders at the rate of $100 of bonds for each 28 shares of stock held (for a 14-day standby). Certain stockholders have waived their rights. **Price**—At par. **Proceeds**—To repay $1,014,500 of outstanding notes and for drilling expenses and working capital. **Underwriters** — Dallas Rupe & Son, Dallas, Texas; Carl M. Loeb, Rhoades & Co., New York; and Straus, Blosser & McDowell, Chicago, Ill. **Offering**—Postponed until after Jan. 1, 1953.

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. **Offering**—Not expected until after Jan. 1, 1953.

Century Natural Gas & Oil Corp.
Dec. 9 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—At market (estimated at 20 cents per share). **Proceeds**—To Kenneth P. Milliken, Vice-President, who is the selling stockholder. **Underwriter**—Hunter Securities Corp., New York.

★ Clarvan Corp., Milwaukee, Wis.
Dec. 8 (letter of notification) 1,150 shares of class A preferred stock and 58,750 shares of common stock (of which 30,000 shares of common stock will be sold for account of underwriters). **Price**—For preferred, $50 per share; for common, $2 per share. **Proceeds**—For working capital. **Office**—250 N. Water Street, Milwaukee, Wis. **Underwriter**—Pioneer Enterprises, Inc., Bluefield, W. Va.

Cleveland Electric Illuminating Co.
Oct. 22 filed 557,895 shares of common stock (no par) being 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. **Price**—$43.25 per share. **Proceeds**—For property additions. **Underwriter**—None.

THE FIRST BOSTON CORPORATION
Corporate and Public Financing
NEW YORK BOSTON PITTSBURGH CHICAGO
PHILADELPHIA SAN FRANCISCO CLEVELAND
Private Wires to all offices

NEW ISSUE CALENDAR

December 19, 1952
Fluor Corp., Ltd. .... Common
(William R. Staats & Co.)
Standard Sulphur Co. .... Common
(Gearhart & Otis, Inc. and F. L. Rossmann & Co.)

December 29, 1952
Colorado Fuel & Iron Corp. .... Common
(Allen & Co.)
Garrett Freightlines, Inc. .... Debentures
(Allen & Co.)

January 5, 1953
Filtrol Corp. .... Common
(Blyth & Co., Inc.)
Powers Manufacturing Co. .... Common
(Dallas Rupe & Son)

January 6, 1953
Commonwealth Oil Co. .... Common
(Gordon Graves & Co.)
Delaware, Lackawanna & West'n RR. .... Eq. Tr. Ctfs.
(Bids to be invited)

January 7, 1953
Moore (William S.), Inc. .... Debentures
(Fulton, Reid & Co.)
New York, New Haven & Hartford RR. .... Bonds
(Bids to be invited)
Ohio Edison Co. .... Common
(Bids 11 a.m. EST)

January 13, 1953
National City Bank of Cleveland .... Common
(Offering to stockholders—underwritten by Merrill, Turben & Co.)
Ohio Edison Co. .... Preferred
(Bids 11 a.m. EST)
People's National Bank & Trust Co., White Plains, N. Y. .... Common
(Offering to stockholders)

January 14, 1953
Consumers Power Co. .... Common
(Bids 11 a.m. EST)
Montreal Transportation Commission .... Bonds
(Shields & Co. and Savard & Hart)
Southern California Edison Co. .... Common
(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 22, 1953
Southern Ry. .... Equip. Trust Ctfs.
(Bids to be invited)

January 23, 1953
West Penn Electric Co. .... Common
(Offering to stockholders—Bids to be invited)

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)
State Bank of Albany, N. Y. .... Common
(Offering to stockholders—underwritten by Salomon Bros. & Hutzler)

● Coca-Cola Bottling Co. of St. Louis
Dec. 5 (letter of notification) 2,500 shares of common stock (par $1). **Price**—At market (approximately $25 per share). **Proceeds**—To Willard R. Cox, the selling stockholder. **Underwriters** — G. H. Walker & Co. and Wm. F. Dowdall & Co., both of St. Louis, Mo. **Offering**—Not immiment.

Code Products Corp., Philadelphia, Pa.
Dec. 1 filed 500,000 shares of 6% cumulative preferred stock (par $1) and 255,000 shares of common stock (no par—stated value $1) to be sold in units of two shares of preferred and one share of common stock. **Price**—$3 per unit. **Proceeds** — For working capital. **Business** — Manufactures electrical equipment. **Underwriter**—None. Company intends to offer securities to broker-dealers for public offering.

● Colorado Fuel & Iron Corp. (12/29)
Dec. 8 filed 340,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To finance, in part, purchase by a subsidiary (Colorado Steel Corp.) of all plants and inventories of John A. Roebling's Sons Co. **Underwriter**—Allen & Co., New York.

★ Columbus National Life Insurance Co., Columbus, Ga.
Dec. 11 (letter of notification) 2,500 shares of capital stock (par $10). **Price**—$40 per share. **Proceeds**—To retire notes and for working capital. **Office**—1317 First Avenue, Columbus, Ga. **Underwriter**—None.

● Commonwealth Oil Co., Miami, Fla. (1/6)
Nov. 28 filed 150,000 shares of common stock (par one cent). **Price**—To be supplied by amendment. **Proceeds**—For investigation of potential oil areas and for general corporate purposes. **Underwriter**—Gordon Graves & Co., New York.

★ Consumers Power Co. (1/14)
Dec. 16 filed 617,669 shares of common stock (no par) to be offered for subscription by common stockholders of record Jan. 15 at the rate of one new share for each 10 shares held; rights to expire on Jan. 30. **Price**—To be announced on Jan. 12. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Morgan Stanley & Co.; Harriman Ripley & Co., Inc., and The First Boston Corp. (jointly). **Bids**—To be received up to 11 a.m. (EST) on Jan. 14.

Danielson Manufacturing Co.
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.

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.

Ekco Oil Co., Philadelphia, Pa.
Dec. 4 (letter of notification) 99,000 shares of common stock (par one cent). **Price**—$3 per share. **Proceeds**—To acquire leases and drill wells. **Underwriter**—Hopper, Soliday & Co., Philadelphia, Pa.

★ Ekco Products Co., Chicago, Ill
Dec. 11 (letter of notification) 10,000 shares of common stock (par $2.50). **Price**—$22 per share. **Proceeds**—For general funds. **Office**—1949 No. Cicero Avenue, Chicago, Ill. **Underwriter**—None.

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.

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.

Erie Meter Systems, Inc., Erie, Pa.
Dec. 9 (letter of notification) $300,000 of 15-year 6% sinking fund debentures dated Nov. 1, 1952 and due Nov. 1, 1967. **Price**—At par and accrued interest. **Proceeds**—To repay bank loans and for working capital. **Office**—1602 Wagner Avenue, Erie, Pa. **Underwriter**—None. Smith & Root, Erie, Pa., will act as distributor.

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.

Films for Television, Inc., Hollywood, Calif.
Dec. 1 (letter of notification) $182,000 of subordinated debentures and 1,820 shares of class B stock (the stock to be offered by J. H. Skirball who will issue, without charge, five shares of class B stock for each $500 of debentures purchased). **Price** — At par. **Proceeds** — For working capital. **Offices**—1041 North Formosa St., Hollywood, Calif., and 19 Rector St., New York, N. Y. **Underwriter**—Bruns, Nordeman & Co., New York.

● Filtrol Corp., Los Angeles, Calif. (1/5)
Nov. 28 filed 653,500 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To Atlantic Co., F. Eberstadt & Co., Inc. and Lazard Freres & Co. and certain individuals. **Underwriters**—Blyth & Co., Inc., San Francisco and New York. **Business**—Production of clay cracking catalysts for petroleum refining, etc.

Both buyers at one cost!

Through the Chicago Tribune alone, you can place the story of your securities and services most effectively and at one low cost before *both* types of investment buyers in the multibillion dollar midwest market—professionals and the general investing public. Get the full story from your advertising counsel or nearest Chicago Tribune advertising sales representative.

CHICAGO TRIBUNE
The Tribune gives to the market tables of the leading stock exchanges the largest circulation given them in America

Digitized for FRASER
http://fraser.stlouisfed.org/

● Fluor Corp., Ltd., Los Angeles, Calif. (12/19)
Nov. 26 filed 100,000 shares of capital stock (par $2.50). **Price**—To be supplied by amendment (estimated not to exceed $17 per share). **Proceeds**—For working capital. **Underwriter** — William R. Staats & Co., Los Angeles, Calif.

Food Fair Stores, Inc., Philadelphia, Pa.
Sept. 9 filed 100,000 shares of common stock (par $1) to be offered to certain employees pursuant to the terms of stock purchase plan. **Price**—$3 below the average market price for the month in which payment is completed. **Proceeds**—For general funds. **Underwriter**—None.

★ Fountain of Youth, Inc., DeLand, Fla.
Dec. 8 (letter of notification) 1,250 shares of class A stock. **Price**—100 per share. **Proceeds**—To develop property known as Ponce de Leon Springs, eight miles north of DeLand. **Underwriter**—None.

★ Goodall Rubber Co.
Dec. 15 (letter of notification) 1,500 shares of class A common stock (par $5). **Price**—$12.50 per share. **Proceeds**—To F. B. Williamson, Jr. **Underwriter**—None.

★ Grace (W. R.) & Co., New York
Dec. 11 (letter of notification) 9,300 shares of common stock (no par). **Price**—$32.25 per share. **Proceeds**—To Estate of Maurice Bouvier, deceased. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane and Blyth & Co., Inc., both of New York.

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.

Hemisphere Western Oil Co.
Dec. 3 (letter of notification) 1,196,000 shares of common stock (par one cent). **Price**—25 cents per share. **Proceeds**—To acquire working interest in oil wells. **Office**—Cravens Bldg., Oklahoma City, Okla. **Underwriter**—Winner & Meyers, Lock Haven, Pa.

★ Hi-Pac Corp., Hillside, N. J.
Dec. 15 (letter of notification) 4,950 shares of 5% preferred stock (par $50) and 4,950 shares of common stock (par 10 cents) to be offered in units of one share of preferred and one share of common stock. **Price**—$50.10 per unit. **Proceeds** — For new equipment and working capital. **Office**—385 Hillside Ave., Hillside, N. J. **Underwriter**—None.

★ Holiday Plastics, Inc., Kansas City, Mo.
Dec. 10 (letter of notification) 3,799 shares of common stock (no par). **Price**—$13 per share. **Proceeds**—For working capital. **Office**—410 East 27th Street Terrace, Kansas City, Mo. **Underwriter** — Prugh, Combest, & Land, Inc., Kansas City, Mo.

Horizon Oil & Gas Corp., N. Y.
Nov. 24 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—To drill test wells. **Office**—50 Broadway, New York, N. Y. **Underwriter**—Teden & Co., Inc., New York. **Offering**—Indefinitely postponed.

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.

Insurance Exchange Corp., Walla Walla, Wash.
Nov 25 filed 30,000 shares of common stock (par $10) and 14,000 shares of preferred stock (par $50) of which 28,000 common shares and all of the preferred stock are to be offered in units of one share of preferred and two shares of common stock. Of remaining 2,000 common shares, 500 have been sold to directors and 1,500 are to be reserved for directors and sales representatives. **Price**—$70 per unit. **Proceeds**—For working capital. **Underwriter**—None.

★ Insurance Securities, Inc., Oakland, Calif.
Dec. 12 filed 10-year participating agreements, as follows: 10,240 units of $1,000 each, Single Payment Plan, Series U, and 12,300 units of $1,200 each, Accumulative Plan, Series E. **Business**—Investment company. **Underwriter**—None.

Inter County Telephone & Telegraph Co.
Dec. 3 (letter of notification) 6,000 shares of 5% cumulative preferred stock, series B. **Price**—At par ($25 per share). **Proceeds**—For general corporate purposes. **Underwriter**—H. W. Freeman & Co., Fort Meyers, Fla.

International Glass Corp., Beverly Hills, Calif.
Sept. 22 (letter of notification) 299,635 shares of common stock, to be issued as follows: To William Hoeppner, 6,985 shares; to stockholders of Soft-Flex Glass Fabrics Corp., 17,650 shares; and to public, 275,000 shares. **Price**—At par ($1 per share). **Proceeds**—For general corporate purposes. **Office**—119 South Beverly Drive, Beverly Hills, Calif. **Underwriter**—Douglass & Co., Beverly Hills, Calif.

Ispetrol Corp., New York
Oct. 29 filed 49,500 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—To finance purchase of crude oil for Israeli enterprises and to purchase crude oil and oil products for resale in Israel. **Underwriter**—Israel Securities Corp., New York.

Israel Industrial & Mineral Development Corp.
Oct. 6 filed 30,000 shares of class A stock. **Price**—At par ($100 per share). **Proceeds**—For industrial and mineral development of Israel. **Underwriter** — Israel Securities Corp., New York.

★ Kalamazoo Stove & Furnace Co.
Dec. 12 (letter of notification) 5,912 shares of common stock (par $10). **Price** — At market. **Proceeds** — To Arthur L. Blakeslee, the selling stockholder. **Underwriter**—Hulburd, Warren & Chandler, Chicago, Ill.

★ Kopp Scientific Inc., New York
Dec. 10 (letter of notification) 50,000 shares of common stock (par 25 cents). **Price**—$2.25 per share. **Proceeds**—To repay loans and notes and for working capital. **Office**—405 East 62nd St., New York, N. Y. **Underwriter**—Gearhart & Otis, Inc., New York.

★ Kroger Co., Cincinnati, Ohio
Dec. 12 filed 16,871 shares of common stock (no par) to be issuable upon exercise of options to purchase common stock held by certain officers and executives of the company and Wesco Foods Co., a subsidiary. The options are exercisable in 1953. **Underwriter**—None.

★ Langley Corp., San Diego, Calif.
Dec. 5 (letter of notification) 2,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—To Frank H. Nottbusch, the selling stockholder. **Office**—660 Second Avenue, San Diego 1, Calif. **Underwriter**—Dempsey-Tegeler & Co., San Diego, Calif.

Lassiter Corp., Charlotte, N. C.
Dec. 4 (letter of notification) 14,344 shares of class B common stock (par $5) and 2,500 shares of class A common stock (par $5). **Price**—$10 per share. **Underwriter**—R. S. Dickson & Co., Charlotte, N. C. **Proceeds**—To selling stockholder.

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.

Leon Land & Cattle Co.
Nov. 6 (letter of notification) 30,000 shares of 5% cumulative convertible preferred stock being offered for subscription by common stockholders of record Nov. 15, 1952 on basis of 4½ preferred shares for each 100 common shares held (with an oversubscription privilege); rights to expire Dec. 31. **Price**—At par ($10 per share). **Proceeds** — To pay loans. **Address** — c/o S. H. Collier, President of First National Bank, Mercedes, Tex. **Underwriter**—None.

★ Lexington Trust Fund, New York
Dec. 15 filed 350,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

Lindemann (A. J.) & Hoverson Co.
Nov. 21 (letter of notification) 6,510 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To Mrs. Julia Lindemann Amendt, the selling stockholder. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, Milwaukee, Wis.

★ Linen Products, Inc., Minneapolis, Minn.
Dec. 8 (letter of notification) 12,431 shares of capital stock. **Price**—At par ($10 per share). **Proceeds**—To purchase machinery. **Office** — 701 Metropolitan Bldg., Minneapolis, Minn. **Underwriter**—None.

★ Lock Joint Pipe Co.
Dec. 16 (letter of notification) 100 shares of common stock (no par). **Price** — At market (about $610 per share). **Proceeds**—To Walter W. Trickey, a Vice-President. **Underwriter**—Hemphill, Noyes & Co., New York.

★ Lonergan Manufacturing Co., Albion, Mich.
Dec. 11 (letter of notification) 6,000 shares of class B common stock. **Price** — $3 per share. **Proceeds** — To Simon J. Lorengan, Jr., the selling stockholder. **Underwriter**—David A. Noyes & Co., Chicago, Ill.

★ Lorain Telephone Co., Lorain, Ohio
Dec. 9 (letter of notification) 5,000 shares of common stock (no par) to be offered for subscription by common stockholders at rate of one new share for each 15.41 shares held. **Price** — $20 per share. **Proceeds** — For property additions. **Office**—203 W. Ninth Street, Lorain, Ohio. **Underwriter**—None.

Louray Gas & Oil Corp., Phila., Pa.
Dec. 5 (letter of notification) 290,000 shares of capital stock. **Price** — At par ($1 per share). **Proceeds** — To acquire and drill wells. **Office**—2717 Fidelity-Philadelphia Trust Bldg., 123 So. Broad Street, Philadelphia, Pa. **Underwriter**—None.

M Bar Oil Co., Newcastle, Wyo.
Dec. 3 (letter of notification) 173,200 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To drill well. **Underwriter**—Carroll, Kirchner & Jaquith, Inc., Denver, Colo.

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.

★ Manchester (Harry S.), Inc., Madison, Wis.
Dec. 8 (letter of notification) 10,000 shares of 5% cumulative preferred stock. **Price**—At par ($25 per share). **Proceeds**—For working capital. **Office**—2 E. Mifflin St., Madison 3, Wis. **Underwriter**—Harley Haydon & Co., Inc., Madison, Wis.

Marsh Steel Corp., North Kansas City, Mo.
Dec. 1 (letter of notification) 4,500 shares of common stock (par $10). **Price**—$20.50 per share. **Proceeds**—To Estate of James C. Shepherd. **Underwriter**—H. O. Peet & Co., Kansas City, Mo.

McCarthy (Glenn), Inc.
June 12 filed 10,000,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds** — For drilling of exploratory wells, acquisition of leases and for general corporate purposes. **Underwriter**—B. V. Christie & Co., Houston, Tex. **Dealer Relations Representative**—George A. Searight, 50 Broadway, New York, N. Y. Telephone WHitehall 3-2181. **Offering**—Date indefinite.

McGraw (F. H.) Co., Hartford, Conn.
Sept. 10 (letter of notification) 5,000 shares of common stock (par $2) and warrants to purchase 20,000 shares of common stock at $6 per share to be offered in units of one share and warrants to purchase four additional shares. **Price**—$19.87½ per share. **Proceeds**—To Clifford S. Strike, the selling stockholder. **Underwriter**—Granbery, Marache & Co., New York.

Mex-American Minerals Corp., Granite City, Ill.
Nov. 3 filed 113,000 shares of 6% cumulative preferred stock (par $5) and 113,000 shares of common stock (par 10 cents) to be offered in units of one share of each class of stock. **Price**—$6 per unit. **Proceeds**—For working capital. **Business**—Purchase, processing, refining and sale of Fluorspar. **Underwriter** — To be supplied by amendment.

Mid-Gulf Oil & Refining Co.
Nov. 10 (letter of notification) 400,000 shares of common stock (par five cents). **Price**—60 cents per share. **Proceeds**—To acquire additional properties. **Office**—927-929 Market St., Wilmington, Del. **Underwriter**—W. C. Doehler Co., Jersey City, N. J.

Mineral Exploration Corp., Ltd., Toronto Canada
July 29 filed 2,000,000 shares of common stock, each share to have attached an "A," "B" and "C" warrant, each giving the holder the right to buy one additional share for each two shares purchased in two, three, or five years, at $1, $2 and $3 per share, respectively. **Price**—For 2,000,000 shares, $1 per share—Canadian. **Proceeds**—For exploration, development and acquisition of properties. **Underwriter**—Brewis & White, Ltd., Toronto, Canada. Names of United States underwriters to be supplied by amendment.

Mississippi Chemical Corp., Yazoo City, Miss.
Sept. 29 filed 2,000,000 shares of common stock (par $5), of which 849,038 shares have been subscribed, paid for and issued, and an additional 107,550 shares have been subscribed for as of Aug. 28 and will be issued in connection with expansion of ammonia plant. The remaining shares will be offered for sale primarily to farmers and farm groups. **Price** — At par. **Proceeds** — For new construction. **Underwriter**—None.

Montana Basin Oil Corp. (N. Y.)
Sept. 19 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development expenses. **Underwriter**—Aetna Securities Corp., New York.

★ Moore (William S.), Inc., Newark, Ohio (1/7)
Dec. 12 filed $700,000 of 6% convertible sinking fund subordinated debentures due Jan. 1, 1968. **Price**—100%. **Proceeds** — For new equipment and working capital. **Business**—Chain of retail stores. **Underwriter**—Fulton, Reid & Co., Cleveland, Ohio.

Multicrafters, Inc., Lincolnwood, Ill.
Oct. 28 (letter of notification) 99,900 shares of 6% convertible prior preference stock. **Price**—At par ($3 per share. **Proceeds** — For new machinery and equipment. **Office**—3517 Touhy Ave., Lincolnwood, Ill. **Underwriter**—Steele & Co., New York.

★ Nemco Oil & Gas Corp., Albuquerque, N. M.
Dec. 8 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—To purchase oil and gas lands. **Office**—624 First National Bank Building, Albuquerque, N. M. **Underwriter**—E. H. Martin, Albuquerque, N. M.

Nevada Tungsten Corp., Mina, Nev.
Nov. 21 (letter of notification) 4,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For working capital. **Underwriter**—Tellier & Co., New York.

● New England Telephone & Telegraph Co.
Nov. 20 filed 232,558 shares of capital stock being 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. **Price**—At par ($100 per share). **Proceeds**—To repay borrowings made from American Telephone & Telegraph Co., the parent (owner of 69.15% of the present outstanding stock), 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 per share). **Proceeds**—To liquidate notes. **Office**—8129 Lyndon Ave., Detroit 21, Mich. **Underwriter**—Smith, Hague & Co., Detroit, Mich.

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.

Continued on page 104

gitized for FRASER
tp://fraser.stlouisfed.org/

Continued from page 103

★ Ohio Edison Co. (1/7)
Dec. 11 filed 479,846 shares of common stock (par $12) to be offered for subscription by common stockholders of record Jan. 8, 1953 on the basis of one new share for each ten shares held (with an oversubscription privilege); rights to expire on Jan. 23, 1953. **Price**—To be fixed by company. **Proceeds**—For repayment of bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: 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**—To be received up to 11 a.m. (EST) on Jan. 7 at offices of Commonwealth Services Inc., 20 Pine Street, New York 5, N. Y.

★ Ohio Edison Co. (1/13)
Dec. 11 filed 150,000 shares of preferred stock (par $100). **Proceeds** — For repayment of bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; The First Boston Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); W. C. Langley & Co., Glore, Forgan & Co. and White, Weld & Co. (jointly). **Bids**—To be received up to 11 a.m. (EST) on Jan. 13, 1953 at offices of Commonwealth Services, Inc., 20 Pine Street, New York 5, N. Y.

Pacific Telephone & Telegraph Co.
Oct. 24 filed 703,375 shares of common stock being 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. 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.

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.

★ Peoples Finance Co. of Denville, N. J.
Dec. 15 (letter of notification) $50,000 of 7% subordinated debentures. **Price**—At par (in denominations of $100 each). **Proceeds**—To make small loans. **Office**—3 Main St., Denville, N. J. **Underwriter**—None. **Offering**—Now being made.

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.

★ Pioneer Enterprises, Inc., Bluefield, W. V.
Dec. 4 (letter of notification) 50,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For advances to sales agents. **Office**—Law and Commerce Bldg., Bluefield, W. V. **Underwriter**—None.

Pittsburgh Reflector Co.
Dec. 2 (letter of notification) 60,000 shares of class B common stock being offered to all stockholders of record Dec. 1 at rate of one new share for each class A or B share held. Officers of company have waived sufficient of their preemptive rights (33,078 shares) so that the remaining stockholders may subscribe on a one-for-one basis. **Price**—At par ($5 per share). **Proceeds**—For expansion and modernization of plant and for working capital. **Office** — 403 Oliver Bldg., Pittsburgh 22, Pa. **Underwriter**—None.

★ Polson Plywood Co., Polson, Mont.
Dec. 8 (letter of notification) 183,997 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For machinery and new construction. **Address**—Box 788, Polson, Mont. **Underwriter**—None.

• Powers Manufacturing Co. (1/5-9)
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. **Office**—Longview, Tex. **Underwriter**—Dallas Rupe & Son, Dallas, Texas. **Offering**—Expected first week in January.

Prestole Corp., Toledo, Ohio
Dec. 5 (letter of notification) 20,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To purchase factory building. **Office**—1345 Miami St., Toledo 5, Ohio. **Underwriters**—Ball, Burge & Kraus, Cleveland, Ohio, and Collin, Norton & Co., Toledo, Ohio.

★ Preston Moss Fund, Inc., Boston, Mass.
Dec. 15 filed 5,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

★ Rassco Financial Corp., New York
Dec. 11 (letter of notification) $250,000 5% 20-year sinking fund debentures due 1972. **Price**—At par (in denominations of $500 and $1,000). **Proceeds**—To make loans to Americans who desire to purchase public and private housing and other structures in Israel. **Office**—11 West 42nd St., New York, N. Y. **Underwriter**—None.

★ Republic Aviation Corp., Farmingdale, L. I., N. Y.
Dec. 15 (letter of notification) 344 shares of common stock (par $1). **Price**—At market (estimated at $20 per share). **Proceeds**—To holders entitled to receive fractional shares in connection with 10% stock dividend payable Dec. 20. **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.

Scott Paper Co.
Dec. 5 filed $1,000,000 of memberships in the company's Stock Purchase Plan for 1953 and 23,529 shares of common stock purchasable under the plan. **Underwriter**—None.

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.

★ Security Controls, Inc., Buffalo, N. Y.
Dec. 15 (letter of notification) 18,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For purchase of materials, developmental costs and working capital. **Office**—257 Franklin St., Buffalo 2, N. Y. **Underwriter**—None.

Sinclair Oil Corp.
Nov. 10 filed 298,735 shares of common stock (no par) to be offered to certain officers and other employees of the company and its subsidiaries under the Stock Purchase and Option Plan. **Price**—$39.50 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

★ Smith (Alexander), Inc.
Dec. 16 (letter of notification) 6,625 shares of common stock, of which 3,625 shares are to be sold immediately and 3,000 shares in January, 1953. **Price**—At market. **Proceeds**—To Alexander S. Cochran, a director, **Underwriter**—None.

★ Southern California Edison Co. (1/14)
Dec. 11 filed 500,000 shares of common stock (par $25). **Proceeds**—To retire bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; The First Boston Corp.; White, Weld & Co. **Bids**—To be received on Jan. 14.

• Standard Sulphur Co., New York (12/19)
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.

★ Starrett (L. S.) Co., Athol, Mass.
Dec. 12 (letter of notification) $300,000 aggregate amount of shares of common stock to be issued under the company's employee stock purchase plan. **Underwriter**—None.

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.

Sterling Telecasting Co., Spartanburg, S. C.
Dec. 2 (letter of notification) 60,000 shares of common stock. **Price** — At par ($5 per share). **Proceeds** — To construct television station. **Office**—124½ East Main Street, Spartanburg, S. C. **Underwriter**—A. M. Law & Co., Spartanburg, S. C.

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 Oil Exploration Co., Fort Worth, Tex.
Dec. 5 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—To drill oil and gas wells and for acquisition of properties. **Underwriter**—Peter W. Spiess Co., New York.

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.

TexSoDak Oil Co., Sioux Falls, S. D.
Nov. 24 (letter of notification) 1,000 shares of class A common stock (par $25) to be offered for subscription by stockholders; 6,226½ shares of class A common stock in exchange for leases and beneficial interest; and 2,679½ shares of class A common stock and 13,750 shares of class B common stock (par $1) to be issued to G. L. Clifton as the promoter. **Price**—Of class A stock, at par. **Proceeds**—To drill and equip wells. **Office**—1213 South Hawthorne Ave., Sioux Falls, S. D. **Underwriter**—None.

★ Thompson Creek Coal & Coke Corp.
Dec. 10 (letter of notification) 16,250 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For working capital. **Address**—P. O. Box 7772, Denver 15, Colo. **Underwriter**—None.

★ Tijuana Mines, Inc., Phoenix, Ariz.
Dec. 8 (letter of notification) 1,000 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For general corporate purposes. **Office**—931 E. Denton Lane, Phoenix, Ariz. **Underwriter**—None.

★ Toledo Edison Co.
Dec. 17 filed 600,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—For construction expenditures. **Underwriters**—The First Boston Corp., New York; and Collins, Norton & Co., Toledo, Ohio.

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.

★ Transcontinental Oil Corp., Dallas, Tex.
Dec. 11 (letter of notification) 102,000 shares of common stock (par 25 cents). **Price**—At market (about 81 cents per share). **Proceeds**—To C. J. Simpson, the selling stockholder. **Office** — 1732 Life of America Building, Dallas, Texas. **Underwriters**—Harry Leslie; Taft Holding Corp.; and Zerike Co.

★ Trans-Texas Oil & Gas Co., Fort Worth, Tex.
Dec. 8 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For drilling expenses. **Office** — 714 Dan Waggoner Building, Fort Worth, Texas. **Underwriter**—Degaetano Securities Co., New York.

★ Union Finance Co., Inc., Tampa, Fla.
Dec. 12 (letter of notification) 4,000 shares of 6% preferred stock (par $20) and 4,000 shares of common stock (par $1). **Price**—At par. **Proceeds**—For working capital. **Office**—22 Western Union Building, Tampa, Fla. **Underwriter**—None.

United Equipment & Service, Inc., Baltimore, Md.
Nov. 20 (letter of notification) $238,400 of 6% bonds. **Price**—At par (in denominations of $100, $500, $1,000 and $5,000 each). **Proceeds**—To reduce outstanding notes. **Office**—629 Title Bldg., Baltimore, Md. **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.

★ United Security Life, Phoenix, Ariz.
Dec. 2 (letter of notification) 75,000 shares of class A common stock (par $1) and 2,500 participating units to be sold in units of 30 shares and one participating unit. **Price**—$120 per unit. **Proceeds**—To increase capital and surplus. **Office**—7 Weldon, Phoenix, Ariz. **Underwriter**—Life Underwriters, Inc., Phoenix, Ariz.

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.

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-

Digitized for FRASER
http://fraser.stlouisfed.org/

mile crude oil pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Not to be made until after Jan. 1, 1953.

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. **Offering**—To be made after Jan. 1, 1953.

● **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. **Offering** — Expected late this month or early in January.

● **Western Natural Gas Co., Houston, Tex.**
Nov. 25 filed 183,002 shares of convertible preferred stock being offered for subscription by common stockholders of record Dec. 15, at rate of one share of preferred stock for each 20 shares of common stock held (with an oversubscription privilege); rights will expire on Dec. 29. **Price**—At par ($30 per share). **Proceeds**—To retire oustanding preferred stock and bank debt. **Underwriter**—White, Weld & Co., New York.

★ **Western Pioneer Investment Co., Oakland, Calif.**
Dec. 11 filed 35,000 shares of common stock (par $10). **Price**—$30 per share. **Proceeds**—To commence operations as a finance company and for working capital. **Underwriter**—None.

Westshore Hospital, Inc., Tampa, Fla.
Dec. 3 (letter of notification) 30,000 shares of common stock (of which 1,250 shares will be issued to Dr. Samuel G. Hibbs and John R. Himes for services rendered). **Price**—At par ($10 per share). **Proceeds**—For property and equipment expenses. **Office**—349 Plant Ave., Tampa, Fla. **Underwriter**—Louis C. McClure & Co., Tampa, Fla.

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.

Bank of the Manhattan Company
Dec. 2 it was reported Bank plans offering of 250,000 additional shares of capital stock to its stockholders on a one-for-ten basis. **Underwriter**—Probably The First Boston Corp., New York.

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 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.
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. **Offering** — Not expected until after Jan. 1, 1953.

★ **Cinerama Productions Corp.**
Dec. 11 it was reported corporation may sell $5,000,000 of securities (probably common stock). **Underwriter**—May be Hayden, Stone & Co., New York.

Columbia Gas System, Inc., N. Y.
Oct. 10 it was announced company plans to issue and sell common stock and additional debentures early in the Spring of 1953. **Proceeds**—To repay bank loans and for construction program. Company has sought SEC authority to borrow from banks an aggregate of $25,000,000. **Underwriters**—To be determined by competitive bidding. Probable bidders: For stock, Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co. and R. W. Pressprich & Co. (jointly); Morgan Stanley & Co. For debentures, Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

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.

★ **Delaware, Lackawanna & Western RR. (1/6)**
Dec. 16 it was announced company plans to issue and sell at competitive bidding on Jan. 6 an issue of $6,500,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co.; Salomon Bros & Hutzler; and Kidder, Peabody & Co., Dick & Merle-Smith and Wood, Struthers & Co. (jointly).

Eastern Utilities Associates
Sept. 3 it was announced that amended plan 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 & Otis, Inc., New York.

★ **Follansbee Steel Corp.**
Dec. 16, M. A. Follansbee, President, said the company plans additional equity financing, totaling about $4,500,000. This may be done through a rights offering to stockholders. **Proceeds**—Together with funds from proposed $29,500,000 RFC loan, would be used for expansion program.

Garrett Freightlines, Inc. (12/29)
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.

★ **Harris Foods Co., Pittsburgh, Pa.**
Dec. 10 it was announced company plans offer and sale to customers of units of two shares of 7% cumulative preferred stock (par $5) and one share of common stock (par $1) at $11 per unit. Proceeds (about $250,000) will be used to buy a fleet of refrigerated trucks and expand food-handling facilities.

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. 26 directors approved plans to issue and sell $8,000,000 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. **Registration**—Expected late in December. **Bids**—Tentatively scheduled to be received at 11 a.m. (CST) on Jan. 27.

Jamaica Water Supply Co.
Dec. 2 it was reported company plans late in 1953 to raise about $2,000,000 (about 60% in bonds and 40% in stock). **Underwriter**—Blyth & Co., Inc., New York.

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.

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.

Missouri Power & Light Co.
Dec. 11 the SEC authorized the company to borrow $2,800,000 from The Chase National Bank of the City of New York, the loan to be later funded through a form of permanent financing, Probable bidders for bonds: Halsey, Stuart & Co. Inc.; White, Weld & Co., Kidder, Peabody & Co. and Shields & Co. (jointly).

● **Monongahela Power Co.**
Dec. 11 it was announced company plans issuance and sale near the middle of 1953 of $10,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co. and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Glore, Forgan & Co.; Lehman Brothers; Equitable Securities Corp.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co., Inc.

★ **Montreal Transportation Commission (1/14)**
Dec. 9 it was reported early registration is expected of $18,000,000 of 20-year 4¼% guaranteed bonds which may be payable in both U. S. and Canadian funds. **Underwriters**—Shields & Co., New York and Savard & Hart, Montreal, Canada.

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 early in 1953.

★ **National Can Corp.**
Dec. 13 C. L. Thompson, Chairman and President, announced stockholders on Dec. 30 will vote, among other things, on approving the issuance and sale of $1,500,000 10-year 5% convertible subordinate debentures.

National City Bank of Cleveland (1/13)
Dec. 5 it was announced company plans to offer to all stockholders of record Jan. 2, next, 125,000 additional shares of capital stock (par $16) at the rate of one new share for each six shares held; rights to expire on Feb. 2. Offering is subject to approval of stockholders on Jan. 13. **Price**—$36 per share. **Proceeds**—To increase capital and surplus. **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 York, New Haven & Hartford RR. (1/7)**
Nov. 12 company applied to ICC for permission to issue and sell $14,000,000 of Harlem River Division first mortgage bonds, series A, due Jan. 1, 1973. **Proceeds**—Together, with other funds, to refund $14,427,000 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.; Merrill Lynch, Pierce, Fenner & Beane and Blyth & Co. Inc., (jointly). **Bids**—To be received up to noon (EST) on Jan. 7 at company's office in New York City.

Northern Indiana Public Service Co.
Sept. 18 it was reported company may issue and sell shortly after the close of this year some additional pre-

Continued on page 106

gitized for FRASER
tp://fraser.stlouisfed.org/

Continued from page 105

ferred and common stock. **Underwriters**—May be Central Republic Co. (Inc.), Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane.

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 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.

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.

★ People's National Bank & Trust Co., White Plains, N. Y. (1/13)
Dec. 11 it was announced company plans to offer for subscription by stockholders 4,000 additional shares of capital stock (par $25) on a one-for-six basis. **Price**—$50 per share. **Proceeds** — To increase capital and surplus. **Meeting**—Stockholders on Jan. 13 will vote on approving offering and stock dividend of 4,000 shares.

Public Service Co. of New Hampshire
Nov. 3 it was announced company plans to issue and sell approximately $5,000,000 of bonds in May or June, 1953, and in the latter part of 1953 to issue sufficient common shares to raise about $4,000,000. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: For bonds, Halsey, Stuart & Co. Inc.; The First Boston Corp. and Coffin & Burr, Inc. (jointly); Kidder, Peabody & Co.; White, Weld & Co. For stock, Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Harriman Ripley & Co. Inc.

Rockland Light & Power Co.
Nov. 12, F. L. Lovett, President, announced company expects to raise about $24,000,000 in the next two years through sale of bonds, and preferred and common stock, viz: $5,500,000 of first mortgage bonds and $5,500,000 prefererd stock in 1953 and $6,000,000 bonds, $6,000,000 preferred stock, and $1,000,000 common stock in 1954. **Proceeds**—For expansion program. **Underwriters** — For bonds and preferred stock may be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; First Boston Corp. and Salomon Bros. & Hutzler (jointly); Stone & Webster Securities Corp.; Lehman Brothers, Bear, Stearns & Co. and A. C. Allyn & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Estabrook & Co. (2) For preferred—Stone & Webster Securities Corp.; Lehman Brothers; W. C. Langley & Co.; Estabrook & Co. and Kidder, Peabody & Co. (jointly). Common stock will probably be offered for subscription by stockholders.

Sinclair Oil Corp.
Oct. 28 it was announced company plans to issue and sell a total of $101,758,900 of new convertible subordinated debentures, which are first to be offered for subscription to comon stockholders at rate of $100 of debentures for each 12 shares of stock held. **Price**—To be determined at a later date. **Proceeds**—To retire $40,000,000 of bank loans and for expansion program. **Offering**—Expected some time in January. **Registration**—Expected after Dec. 18. **Underwriters**—Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York. **Registration**—Expected Dec. 19.

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 Railway (1/22)
Dec. 5 it was reported company expects to open bids Jan. 22 on an issue of $3,600,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

Southwestern Bell Telephone Co.
Nov. 28 company applied to the Missouri P. S. Commission for authority to issue and sell $186,000,000 of additional securities as the need arises (in addition to the proposed issuance to its parent, American Telephone & Telegraph Co., of $85,000,000 common stock. If debentures are issued, probable bidders may include Halsey, Stuart & Co. Inc. and Morgan Stanley & Co.

Southwestern Public Service Co.
Dec. 5 it was announced that the company's financing program tentatively involves offering early in 1953 of $12,000,000 bonds and $2,000,000 preferred stock in addition to about $5,500,000 to be raised from the sale of additional common stock (about 293,500 shares) to common stockholders on a 1-for-12 basis (with an oversubscription privilege). Bond and preferred stock financing was previously done privately. **Proceeds**—To repay back loans and for new construction. **Underwriter**—Dillon, Read & Co. Inc., New York. **Registration**—Expected in January, 1953.

★ State Bank of Albany, N. Y. (1/27)
Dec. 15, Frederick McDonald, President, announced that company plans to offer (following approval on Jan. 27 of increase in capitalization) 101,725 additional shares of capital stock (par $10) on the basis of one new share for each three shares held. **Price**—To be determined by directors. **Proceeds** — To increase capital and surplus. **Underwriter**—Salomon Bros. & Hutzler, New York.

★ Sylvania Electric Products Co.
Dec. 8, it was reported company may do some financing in 1953 (probably bonds and common stock). **Underwriter** — Paine, Webber, Jackson & Curtis, of Boston, and New York.

Tennessee Gas Transmission Co.
Dec. 3 it was reported company plans to issue and sell early in 1953 between $25,000,000 and $30,000,000 of first mortgage pipe line bonds. Underwriters—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly).

Texas Utilities Co.
Nov. 26 it was reported that this company, Texas Power & Light Co., Dallas Power & Light Co. and Texas Electric Service Co. plan new financing totaling about $53,000,000 to finance, in part, a $69,500,000 construction program.

● Toledo Edison Co.
Oct. 3 it was reported company plans issue and sale of $7,500,000 first mortgage bonds and 600,000 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. **Offering**—Of bonds probably early in 1953. **Stock Registered**—The 600,000 shares of common stock were registered with the SEC on Dec. 17 (see a preceding column).

Washington Water Power Co.
Dec. 3 it was reported company may issue and sell in June, 1953, $10,000,000 of first mortgage bonds and between $14,000,000 and $18,000,000 of debentures. If competitive, bidders may include: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Lehman Brothers (jointly); Blyth & Co., Inc., Smith, Barney & Co. and White, Weld & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly).

● West Penn Electric Co. (1/23)
Dec. 11 company announced it plans to offer about 264,000 additional shares of common stock to common stockholders on or about Jan. 23 on a 1-for-15 basis; rights to expire on or about Feb. 9. **Underwriters**—To be determined by competitive bidding. Probable bidders: W. C. Langley & Co. and The First Boston Corp. (jointly); Lehman Brothers and Goldman, Sachs & Co. (jointly); and Harriman Ripley & Co., Inc. **Registration**—Expected about Dec. 19.

Wisconsin Public Service Corp.
Nov. 26 it was announced that company plans permanent financing prior to June 1, 1953, which may include the issuance and sale of between $7,000,000 and $8,000,000 of bonds and from $2,000,000 to $3,000,000 of preferred stock. An indeterminate number of shares of common stock may be offered late in 1953 or early in 1954. Stock financing, if negotiated, may be handled by The First Boston Corp. and Robert W. Baird & Co. 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.

Continued from page 5

Observations . . .

basis likewise obtains in the case of the device of the short-sale for maintaining one's position in the same stock while registering a capital loss for tax purposes.

That Nasty Reduction of Cost

We must also remind you of that nasty little matter of a permanently lowered cost basis in the case of stock of companies possessing unrealized losses which can be realized to offset current and accumulated earnings (as Transamerica, Electric Bond and Share, etc.). While such losses provide a pool for the payment of an equivalent amount of dividends that are free of tax on the recipient's ordinary income, they do not, as is frequently represented, along with "equivalent" tables, provide a "tax-free" yield; and even the less tempting description "tax-sheltered" is somewhat misleading. Actually, since they reduce the shareholder's cost basis, they advantage him only to the extent of the difference between the 26% capital gains tax ceiling and his ordinary income bracket, if the latter is the higher.

Thus the loss-possessing companies really offer merely tax postponement and, in most cases, some tax saving!

Tax Strategy and Investing Decisions

Tax strategy should be kept within the framework of intelligent investing policy. Accordingly, decisions whether to liquidate a holding with an accrued profit can and should be arrived at by coldblooded calculation of the attractiveness of the net-after-tax proceeds versus the price of another vehicle for use of the capital, or as related to the need for money for consumption. A 10-year high-bracket holder of Sears Roebuck with a 50-point gain must decide whether is present price of 62 represents an overvaluation by more than the $12½ per share of his tax bill on liquidation—i.e., whether he can find a better value in another issue at 50, or in the absence of a switch whether it is simply overvalued at a price of 50, not the market's 62.

Over-zealous following of prevalent advice to postpone the taking of profits until after the close of this year, in expectation of ameliorating new legislation, may also lead to interference with intelligent investing decision. If a stock shows preponderant evidence of being overpriced net-after-tax on the basis of *value* criteria, it had better be sold without trying to outwit the calendar. Even a cutting in half of the existing capital gains tax rate and ceiling in 1953 could only save you one-eighth of your tax.

The Market on Ice

These and other year-end reflections on tax-motivated tax strategy highlight the crucial impact of the capital gains tax on the market structure. It pre-empts large portions of portfolios from investment decisions based on value criteria and from the normal functions of investment counselling generally. And it tightly freezes large segments of the market, particularly at this advanced stage of an extended secular rise (accentuated in the case of older shareholders by the capital gains tax exemption bonus from death). This is, of course, particularly true in the Blue Chip sector. And the tendency is for increasing Blue Chip-itis disparity. "the higher they go," since it seems to be psychologically distasteful to switch from the glamorous issues with perpetual upward motion to the stagnant cats-and-dogs, even apart from the tax penalty on selling the former.

The tax law regarding capital gains taken by the investment companies must act as an additional freezer-in of profits, particularly in the case of the closed-end companies whose cashing of paper profits and their legislatively forced disbursement results in long-term unwinding of their capital funds.

Will the Ponzi scheme-like chain buying of the stylish issues continue permanently? At least partly does the answer depend on the next Congresses.

New York Central Certificates Offered

Salomon Bros. & Hutzler and associates are offering today (Dec. 18) $11,625,000 of New York Central Railroad 3⅛% equipment trust certificates, maturing annually Jan. 1, 1954 to 1968, inclusive. The certificates are priced to yield from 2.40% to 3.30%, according to maturity.

The issue will be secured by new standard-gauge railroad equipment, including Diesel switching locomotives, steel box cars, steel flat cars, and a self-propelled passenger-baggage-mail car, estimated to cost $15,519,900. Issuance of the certificates is subject to authorization by the Interstate Commerce Commission.

Also participating in the offering are: Drexel & Co.; Union Securities Corp., and Stroud & Co., Inc.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William G. Schumann is connected with Waddell & Reed, Inc.

Digitized for FRASER
http://fraser.stlouisfed.org/

Continued from page 8

Dealer-Broker Investment Recommendations & Literature

Olin Industries, Inc. — Illustrated brochure — Steve Hannagan, 247 Park Avenue, New York 17, N. Y.

Pabco Products, Inc.—Analysis—Boettcher and Company, 105 East Pikes Peak Avenue, Colorado Springs. Colo.

Package Machinery Co.—Analysis—May & Gannon, Inc., 161 Devonshire Street, Boston 10, Mass.

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

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

Spokane and Eastern — Brochure describing Spokane headquarters of the Seattle-First National—Seattle First National Bank, Second Avenue & Columbia Street, Seattle 4, Wash.

Wisconsin Public Service Corp. — Memorandum — Robert W. Baird & Co., 110 East Wisconsin Avenue, Milwaukee 1, Wis.

Our Reporter's Report

The normal order of business was relegated to secondary position in the underwriting and investment world this week. True, a smattering of small issues reached market, mostly railroad equipment notes, with the big secondary in Atlantic Refining serving to build up the total.

But by-and-large those who handle the bulk of such public offerings were coasting to a halt and turning their attention largely to balancing out the books for the year and looking forward to the customary festivities of the season.

Generally speaking, it was agreed that the 12 months now rapidly drawing to a close, has been a good one for the underwriting business. True it could have been a lot better if more of the business had gone through public offering channels rather than taking the form of private and direct placement.

But all things considered the rank and file of investment banking firms find little to complain about as the turn into the new year approaches. Perhaps they would like to be assured that 1953 will treat them no less kindly.

For one large firm, which always has been active and which had some tremendous years in the twenties, the current period is reported to have been a record-breaker. And another large firm which ranks well up the line on the basis of capital, improved its results over last year.

Thus, it appears that in spite of some things which the bankers feel could be corrected, conditions by and large have not been too bad.

Direct Placements

The rash of direct placements going through in the past week gave point to the recent observations of Carrol M. Shanks, President of Prudential Insurance Co. of America, in addressing the IBA Convention in Florida. [Full text of speech on page 20.—Ed.]

He estimated that better than 60% of all corporate bonds, and around 90% of those other than railroad and utility issues, which life insurance firms held a year ago, were obtained via that route.

Just to lend emphasis to this trend, which has been especially marked in recent years, a quick run-down of this week's financing operations in the corporate field shows that some eight companies went direct either to insurance companies or other institutional lenders for their needs.

Equities To Fore

A couple of public utility companies have initiated steps looking toward substantial financing through the sale of equities. But these operations will involve offering first on "rights" to stockholders.

Consumers Power Co. has registered with SEC to issue 617,669 shares of additional common to be offered for subscription during the second week of January. The company proposes to have underwriters bid for the "standby" job on Jan. 14.

West Penn Electric Co., is projecting the sale of 264,000 additional common shares to present holders, and has filed the necessary registration. Meanwhile its subsidiary, Monongahela Power, will sell 709,000 additional common shares to the parent firm for $5,000,000. It is expected the West Penn offering will be underwritten.

Closing With A Rush

Good-name equities evidently are still enjoying a bang-up market judging from the manner in which a couple of large secondary offerings were snapped up this week.

A case in point is Atlantic Refining Co. common stock. Here a block of 320,000 shares was placed on the market at $32 with a concession of 90 cents a share to NASD members. Books opened after the close of the market on Tuesday and oversubscription was announced within a matter of minutes.

Again, offering of 95,225 shares of Franklin Stores Corp. common at $12.75 a share, was reported as meeting with brisk demand.

Texo Oil Stk. Offered

Petroleum Finance Corp. of Oklahoma City, Okla., and Wistar Ambler Co. of New York City are offering an issue of 934,400 shares of common stock (par 1 cent) of Texo Oil Corp. at 31¼ cents per share "as a speculation."

The net proceeds are to be used to complete test wells and for working capital.

Incorporated in Oklahoma on Aug. 12, 1952, the corporation owns leases in Duval County, Tex.; also owns interests in leases in Live Oak County, Tex.

E. Coyne Maloney

E. Coyne Maloney, a partner of La Morte, Maloney & Co., New York City, passed away Dec. 16 at the age of 43.

Denman Oil & Drilling Common Stock Sold

Hunter Securities Corp. of New York recently offered publicly an issue of 299,500 shares of common stock (par 10 cents) of Denman Oil & Drilling Corp. at $1 per share. All of these shares have been sold.

The net proceeds are to be used to pay for drilling expenses incurred in the drilling of oil and gas wells.

Glazier Director

William S. Glazier, a partner of Lehman Brothers, was elected a director and Vice-President of The Lehman Corporation at the meeting of the Board of Directors held Dec. 17, 1952. Mr. Glazier is also a director of American Potash & Chemical Corporation.

SITUATION WANTED

TRADER

Thoroughly experienced in over the counter securities including knowledge municipals. Highest references. Box M 1218, Commercial & Financial Chronicle, 25 Park Place, New York 7, New York.

LIQUIDATION NOTICE

The Love County National Bank at Marietta in the State of Oklahoma is closing its affairs. All creditors of the Association are therefore hereby notified to present claims for payment to the undersigned, at Marietta, Oklahoma.

G. C. McMAKIN,
Liquidating Agent.

DIVIDEND NOTICES

Exide BATTERIES

THE ELECTRIC STORAGE BATTERY COMPANY

209th Consecutive Quarterly Dividend

The Directors have declared from the Accumulated Surplus of the Company a year-end dividend for the year 1952 of fifty cents ($.50) per share on the Common Stock, payable December 22, 1952, to stockholders of record at the close of business on December 15, 1952. Checks will be mailed.

H. C. ALLAN,
Secretary and Treasurer

Philadelphia, December 5, 1952.

CORRECTED DIVIDEND NOTICES

OLIVER

Common Stock Dividend:

The Board of Directors has declared a quarterly dividend of 30 cents per share on the Common Stock, payable January 2, 1953, to shareholders of record December 5, 1952.

Preferred Stock Dividend:

The regular quarterly dividend of $1.12½ per share on the 4½% Cumulative Convertible Preferred Stock has been declared payable January 31, 1953, to shareholders of record January 15, 1953.

ALVA W. PHELPS, Chairman of the Board — **A. KING McCORD**, President

THE **OLIVER** CORPORATION
Chicago, Illinois

DIVIDEND NOTICES

The New York Central Railroad Co.

New York, December 10, 1952.

A dividend of Fifty Cents ($.50) per share on the capital stock of this Company has been declared payable January 15, 1953, at the Office of the Treasurer, 466 Lexington Avenue, New York 17, N. Y., to stockholders of record at the close of business December 19, 1952.

E. E. PANCOST, Treasurer.

NATIONAL SHARES CORPORATION

14 Wall Street, New York

A special dividend of two dollars and thirteen cents ($2.13) per share has been declared this day on the Corporation's capital stock payable December 26, 1952 to stockholders of record at the close of business December 18, 1952. It is expected that approximately one dollar and fifty-nine and two-tenths cents ($1.592) per share of this special dividend will be designated as a "capital gain dividend," pursuant to the provisions of the Internal Revenue Code.

The Directors have also declared a dividend of fifteen cents (15c) per share payable January 15, 1953 to stockholders of record at the close of business December 31, 1952.

JOSEPH S. STOUT, *Secretary.*

December 11, 1952.

THE GARLOCK PACKING COMPANY

December 10, 1952

COMMON DIVIDEND No. 306

At a meeting of the Board of Directors, held this day, a quarterly dividend of 25¢ per share and an *extra* dividend of 25¢ per share were declared on the common stock of the Company, payable December 29, 1952, to stockholders of record at the close of business December 17, 1952.

H. B. PIERCE, *Secretary*

pf

PACIFIC FINANCE CORPORATION

DIVIDEND NOTICE

On Dec. 10, 1952, the Board of Directors declared regular quarterly dividends on Preferred Stock of this corporation, payable to stockholders of record Jan. 15, 1953, as follows:

	Date Payable	Rate Per Share
Preferred Stock, $100 par value		
5% Series	2-2-53	$1.25
5% Sinking Fund Series	2-2-53	$1.25
Preferred Stock, $25 par value		
$1.25 Sinking Fund Series	2-2-53	$0.31¼
$1.25 Series	2-2-53	$0.31¼

B. C. Reynolds

B. C. REYNOLDS, *Secretary*

DIVIDEND NOTICES

TECHNICOLOR, Inc.

The Board of Directors has declared a dividend of fifty cents (50¢) a share on the Capital Stock of the Company, payable December 30, 1952, to stockholders of record at the close of business December 19, 1952.

L. G. CLARK, *Treasurer*

December 11, 1952

PACIFIC GAS AND ELECTRIC CO.

DIVIDEND NOTICE

Common Stock Dividend No. 148

The Board of Directors on December 10, 1952, declared a cash dividend for the fourth quarter of the year of 50 cents per share upon the Company's common capital stock. This dividend will be paid by check on January 15, 1953, to common stockholders of record at the close of business on December 22, 1952. The Transfer Books will not be closed.

K. C. CHRISTENSEN, Treasurer

San Francisco, California

DIVIDEND NOTICES

United Shoe Machinery Corporation

The Directors of this Corporation have declared a dividend of 37½ cents per share on the Preferred capital stock. They have also declared a dividend of 62½ cents per share on the Common capital stock. The dividends on both Preferred and Common stock are payable February 2, 1953, to stockholders of record at the close of business January 2, 1953.

WALLACE M. KEMP, *Treasurer*

United States Plywood Corporation ® Weldwood

For the quarter ended October 31, 1952, a cash dividend of 35c per share on the outstanding common stock of this corporation has been declared payable January 12, 1953, to stockholders of record at the close of business December 31, 1952.

SIMON OTTINGER, Secretary.

New York, N. Y., December 3, 1952.

WESTAB

Western Tablet & Stationery Corporation

Notice is hereby given that a dividend at the rate of $0.60 per share on the issued and outstanding shares without par value of the Common Stock of Western Tablet & Stationery Corporation has been declared payable on January 15, 1953, to holders of record of such shares at the close of business on December 29, 1952.

E. H. BACH, Treasurer.

CALL FOR PHILIP MORRIS

105th COMMON STOCK DIVIDEND

Philip Morris & Co. Ltd., Inc.

Our Institutional SHARE OWNERS

Corporation Dividends Are Good Providers

The Beverly Hospital, Beverly, Massachusetts, like many other institutions, supplements its operating revenue by investment in free enterprise.

It has shared in Philip Morris ownership for years. Corporate dividends provide a source of income enabling the hospital to maintain a recognized and approved laboratory for the training of Residents and Student Laboratory Technicians.

Here, a laboratory technician prepares a specimen test for sugar.

CUMULATIVE PREFERRED STOCK

The regular quarterly dividends of $1.00 per share on the 4% Series and $0.975 per share on the 3.90% Series have been declared payable February 1, 1953 to holders of record at the close of business on January 15, 1953.

COMMON STOCK ($5.00 Par)

A regular quarterly dividend of $0.75 per share has been declared payable January 15, 1953 to holders of record at the close of business on December 30, 1952.

L. G. HANSON, *Treasurer*

December 17, 1952

New York, N. Y.

Digitized for FRASER
http://fraser.stlouisfed.org/

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—House Interstate Commerce Committee is going to undertake in 1953 a re-do of its "walking tour of inspection" of the SEC, Federal Trade Commission, Food and Drug Administration, and other agencies under its legislative jurisdiction—but with a difference.

Under Democratic control, with Rep. Robert Crosser (D., O.) Chairman, the Committee undertook to inquire into the activities of these agencies for which it legislates with a view to ascertaining (a) how they were operating under their basic statutes and (b) what new legislation they claimed they needed.

Under Republican control, with Rep. Charles A. Wolverton (R., N. J.) as Chairman, the Committee will next year repeat the process of hearings and studies for the same two ostensible objectives. There will be a major difference in emphasis, however, it is reported. Under Mr. Wolverton the Committee will spend a great deal of attention looking into attempts of the quasi-judicial, quasi-administrative commissions and bureaus to constantly extend, by their interpretations of law, the frontiers of legal regulation.

It is said that the Committee will search into efforts to make work for the commissions not only by attempts to broaden the terms of their basic statutes, but by any other form of "make work" boondoggling.

Rep. Heller's proposal that the special inquiry into SEC be carried further, has not yet been given tentative consideration. Mr. Heller, in the report on the year's inquiry by a special subcommittee of which he was Chairman, concluded its several months of studies and hearings with a severe criticism, as to several cases, of SEC "laxity."

Mr. Heller recommended that the inquiry be continued. Inasmuch as the Republicans will organize the House, Mr. Heller could not continue as Chairman of the SEC subcommittee. It is said that the whole committee will later make up its mind whether to single out the SEC for more intensive scrutiny than it proposes to give the several other regulatory agencies under its jurisdiction.

Russell to Bat Opposite Taft

Democrats have decided tentatively that Senator Richard B. Russell of Georgia shall, as it were, go to bat opposite Senator Robert A. Taft.

For some years, Mr. Taft has been Chairman of the Republican Policy Committee, and acknowledged No. 1 man in his party in the Senate, whilst others acted as floor leader. Before his death the floor leader was Senator Kenneth Wherry. After Wherry's death, it was Senator Styles Bridges of New Hampshire.

Senator Joseph C. O'Mahoney of Wyoming, the Senate Democrat's Policy Committee Chairman, was defeated for re-election. Southern Democrats say they are backing Dick Russell, unsuccessful aspirant for the Democratic Presidential nomination, for O'Mahoney's place as Chairman of the Policy Committee.

This would leave the spot of minority floor leader to the probable successful candidate for that post, Senator Lyndon B. Johnson (D., Tex.), Chairman of the Subcommittee handling the continuing investigation of the war program.

Russell is said to have become considerably more conservative since the late Presidential campaign than his Congressional voting record would indicate. He is said to have been impressed by the remarkable showing General Eisenhower made, particularly in the South, and by the poor showing in the election made by Gov. Adlai Stevenson.

Furthermore, some of the stoutest-hearted conservatives are backing Russell for the job. This is, just incidentally, an opportunity for the White House if it sees the need for courting the Congressional conservatives of both parties.

To Put Trade Bill First

When the Ways and Means Committee gets organized and ready for serious business early in February, along with the rest of Congress, it probably will consider the extension of the Reciprocal Trade Agreements Act as its first major piece of legislation, it is now planned tentatively.

In the first place the Trade bill expires June 12, unless continued by Congress. There will be controversy about the form of the extension, particularly if the Eisenhower Administration adopts the view that it is a responsibility of the United States to make up European dollar deficits by importing more merchandise regardless of cost and quality. This bill can easily provoke a spirited debate and it might as well be taken up and disposed of as soon as possible.

The basic reason for taking up Reciprocal Trade first, however, will probably be that members of the Ways and Means Committee want to wait a while before committing themselves to tax reduction.

In general, GOP leaders in Congress haven't a thought of continuing the Excess Profits Tax when it expires June 30, unless there is some more serious emergency than now foreseen. However, members think that it is not feasible politically to allow EPT to expire without affording income tax relief for individuals at the same time. The form of this relief, which most hope to see enacted, is to push up to June 30, from Dec. 31, 1953, the expiration of the 1951 "second or 11% bite" in personal income tax boosts.

The two forms of tax relief, however, would cost a few billions in revenues over a full fiscal year.

Prevailing opinion of tax leaders in Congress is that while these two taxes (with expiration of one accelerated) should be allowed to die, it is better not to make an irrevocable decision until April or later.

By April the taxing committees of Congress will have some idea what success the appropriations committees are having in recapturing outstanding military and other authorizations, so as to guarantee that the projected actual expenditures for fiscal 1954 shall fall substantially below $80 billion—the figure they could easily reach without the most determined economy drive.

BUSINESS BUZZ

"No, no, MacGinnis — just the children — just the children!"

Tax Study Future Will Be Tame

For the most part the future of the investigation of the Bureau of Internal Revenue and tax administration will be a tame affair, as the control of the investigating committee passes to Republicans.

There will be an investigation, however, Republicans promise. For one thing, the Ways and Means subcommittee actually made very little progress in checking up on the Treasury Department's Alcohol Tax Unit. For another thing, Republicans want to give the closest study both to the scheme and its operation, which retiring Treasury Secretary John Snyder instituted for reorganization of the Bureau of Internal Revenue

Despite the desire of the subcommittee to avoid scandal and headlines in its continued tax investigation, there will be some scandal and some dramatics, it was indicated. There are at least two malodorous cases which the subcommittee has not yet been able to dig into, and which must be investigated.

After these couple of cases are out of the way, however, then the subcommittee hopes to settle down to a quiet inquiry into the Alcohol Tax Unit and the theory and operation of reorganization in the Bureau of Internal Revenue.

New Chairman of the Tax Investigating Subcommittee is Rep. Robert W. Kean (R., N. J.).

See FR Credit Policy Secure

An ostensibly "secondary" appointment to a major department has seldom aroused such keen interest as that of W. Randolph Burgess, Chairman of the Executive Committee of the National City Bank, New York City, to become special Deputy Secretary of the Treasury on debt management for the new Secretary of the Treasury, George M. Humphrey.

If there is anything peculiar and specialized about the job of being Secretary of the Treasury, it is the necessity of having a savvy about the government bond market. "Randy" Burgess, for years the New York Fed's open market man, brings a preeminent skill in this field.

Negatively the decision of Mr. Humphrey to have Burgess assist him is viewed by all Washington as an outstanding event. It rather indicates, observers think, that the flexible credit policy which the new Chairman of the Federal Reserve Board, William McChesney Martin, has carried forward with such vigor, will probably be left undisturbed. Burgess and Martin are rated not merely as good fritnds, but as men who think closely alike on monetary matters.

Furthermore, it is a preliminary indication of the possibility that General Eisenhower as President will probably continue to deal with Mr. Martin as Reserve Board Chairman.

The Burgess appointment, however, is said to signifiy much more than the avoidance of a challenge to the FR tight money policy. Mr. Burgess, among other things, oversees the editing of the National City Bank "Monthly Letter." This "Letter," in December, pointed out that some 60% of the outstanding debt, as of Dec. 31, will be in the form of demand obligations or securities maturing in 1953.

This newsletter outlined this situation in detail and suggested the need for "reconstructing the public debt in a way and at a pace that will aid economic stability and assure the investor in new issues that he will get paid back money as good as he gave."

(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 Man's Bookshelf

American Economy in 1960, The — Gerhard Colm — National Planning Association, Washington, D. C.—paper.

Foreign Exchange Regulations in Great Britain, 6th Supplement—Monetary and Economic Department, Bank for International Settlements, Basle, Switzerland—paper — 15.00 Swiss francs (the complete compilation of Foreign Exchange Regulations in Great Britain—original publication with six supplements — is 70.00 Swiss francs).

How American Business Is Done in the London Market—Reprint of address by Ben D. Cooke before the Southern California Insurance Buyers Association—Agency Managers Limited, 102 Maiden Lane, New York 5, N. Y.—paper.

Latin-American Business Highlights—Quarterly review featuring industrialization of Latin America — The Chase National Bank of New York, Pine Street corner of Nassau, New York 15, N. Y.—paper.

New Housing in Metropolitan Areas, 1949-51—Bulletin No. 1115, United States Department of Labor, Bureau of Labor Statistics—Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.—paper—35c.

Productivity and Economic Progress — Frederick C. Mills — National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y.—paper—75c.

Some Observations on Executive Retirement—Harold R. Hall—Harvard Business School, Soldiers Field, Boston 63, Mass.—cloth—$3.75.

Strengthening Our Foreign Policy—Report by a study group of the Woodrow Wilson Foundation—Public Affairs Committee, Inc., 22 East 38th Street, New York 16, N. Y.—paper—25c.

FIRM TRADING MARKETS
FOREIGN SECURITIES
CARL MARKS & CO. INC.
FOREIGN SECURITIES SPECIALISTS
50 BROAD STREET . . . NEW YORK 4, N. Y.
TEL. HANOVER 2-0050 . . . TELETYPE: NY 1-971

TRADING MARKETS
Gear Grinding Machine
Riverside Cement A & B
Crosse & Blackwell A & B
Seneca Falls Machine
National Company
Gorton Pew Fisheries
George E. Keith Pfds.
Middlesex County Nat. Bk.
Rumford Printing
Deerfield Glassine
Plymouth Rubber
LERNER & CO.
Investment Securities
10 Post Office Square, Boston 9, Mass.
Telephone HUbbard 2-1990 Teletype BS 69

gitized for FRASER
p://fraser.stlouisfed.org/