Shall We Have Global Parity Prices?

BY MELCHOR 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 fresh inflationary outburst is "not in the cards." Points toward, in overruling of existing capacities, and calls Palyi Report "primitive rehash of the discredited Maltheusian Theory."

One of the numerous international organizations which are supposed to make the world a happy 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. Fazal Elahi of Pakistan said that "the raw material-producing countries were already suffering from a recession. "They have apprehensions about further depressions on their economies" as well as on their development prospects 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 was 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 T. 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 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. Court, of Courts & Co., Atlanta Ga.; Lewis Miller, of The First National Bank of Chicago, Chicago, Ill.; Ralph B. Phillips, of Dean Witter & Co., Los Angeles, Cal.; Walter A. Schmitt, of Schmidt & Co., Philadelphia, Pa., and Norman Smith, of Merrill Lynch, Pierce Fenner & Beane, New York City.

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; E. H. James, President, Canadian Ambassador to the United States; Harry A. McDonald, Administrator of the Reconstruction Finance Corporation; Mr. H. Hume Wrong, Canadian Ambassador to America; and William A. Patterson, President of United Air Lines. (These addresses, and

Continued on page 77

IRA 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 61 incl.

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IRA HAUPPT & CO.

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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 a vital question: "Is Life Worth Living?"

Living on this earth carries it with both pleasure and the responsibility of molding character and educating the human soul to be 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 the children and the esteem of relatives and friends as well as the respect of neighbors.

Moreover, he is deprived of the privilege of appreciating the work and accomplishments of those who have imagination and genius to compose musical harmonies, to paint pictures, to sculpture figures, to write poems or books, to perpetuate the classics, or to heal the sick.

One is gifted, indeed, too, who has the sensitivity to appreciate the nobility of ocean, the summit of the rockies, the beauty of a rainbow, the ocean vista, the sky, the sturdy constellations, 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 enjoy in "rocks and rills, woods and temples, Math," thrilled blessed.

The drama of life in all its broadest manifestations, its successes and failures, its mysteries and possibilities is worth living even when unknowingly or cynically individuals conclude that the quality of life is just becoming a monotonous round of routine and uneventful movements.

So, all honor to him or to her who follows in the footsteps of the Master by daily effort not to make this old world a better place to work and live in.

There is always hope and courage in this world for every one of us. This is the time of the year when we are daily reminded of the man or woman who is a successful failure—like the Savior of mankind whose ignominious death on the Cross has been the inspiration for all religious thought and belief through the Ages!!

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*Editorial writer on political and international problems.

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New York Central and Hudson River RR. Collateral 31st of January 1938

Arthur Marx

President and General Manager, New York City

New York Central & Hudson River R., St. Louis Office

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.)

ARThUR MARX

President and General Manager, Inc., New York City

New York Central & Hudson River R., St. Louis Office

There are $19,396,000 of the above securities still outstanding. They are secured by deposit with the Guaranty Trust Co. as trustee of 168,143 shares out of a total of 187,280 outstanding shares of Michigan Central stock, being at the rate of 3% of these bonds for each share of Michigan Central stock. These bonds were acquired by the Guaranty Trust Co. in 1888 by exchange of these bonds for the Michigan Central stock at the rate of one share for each $150 of bonds.

In February, 1930, N. Y. Central Mortgage and had agreed to pay $9 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 basis the Michigan Central stock would have been worth $10 a share and the collateral in both of each N. Y. Central collateral 3% of 1928 would have been worth approximately $750. On Dec. 31, 1928, the last year before the lease took place, Michigan Central RR. had a total列为 of about $615,000. By May 1931, this had been reduced to $17,796,000, and there was enough cash or equivalent on hand to carry the 4% bonds of the Michigan Central RR. (if the management wished to) which would reduce the debt to a little over $6 million. This naturally $20 a share of the stock at the Michigan Central RR. is a great deal more valuable now than it was in 1928.

I believe that, because of the value of the old stock and the N. Y. Central-Michigan Central 3% of 1928, the value of the stock in the N. Y. Central system.

BERNARD F. SELIGMANN

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

Maine Central RR., Company Bg., PIA.

Maine Central is a Class 1 railroad with slightly less than 100 miles of track. The company serves the area from Portland to Bangor, around Augusta through towns of Maine, and as far west as Johnsvile, VT. There Maine Central connects with Canadian Pacific and gives the company access to traffic from eastern and all Western countries.

Principal freight handled by the route includes coal, coke, dirt, iron ore, coal, wood pulp, 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 1929, and its had only two years in which they showed no profit since 1933. (We have no available records prior to 1933.) Earnings on the 3% preferred are more than adequate to cover current dividend payments. More than 34 was earned on each preferred share to cover the $7.50 disbursement.

Current figures show an increasingly fine trend of economic conditions. Operating ratios have tended to be steadily lower since a high of 64% in 1945. Present earnings are running generally $4 million, a decrease of 76%.

Cautious financial operating policies have resulted in decreasing the company's funded debt from approximately $31 million in 1939 to less than $30 million currently. In October of this year Maine Central offered publicly $1.5 million in guaranteed and non-guaranteed mortgage bonds and have offered to pay up to $4 million in preferred shares of Maine Central stock ($8 million worth of first mortgage bonds and preferred stock)

The stock of the Company has been quoted in the New York Stock Exchange since 1928. The stock was trading at 33% of par, which is approximately $5 per share, and is currently trading at 31%. The stock has been very active in the past year, with a lot of interest shown. The stock has been quoted as high as 35% of par in the past year, and is currently trading at 28% of par.

Security analysts believe that the stock is undervalued and that there is room for a significant increase in price. The stock is considered to be a good buy for investors seeking a steady income and capital appreciation.
Among the many striking economic changes to be delineated as 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 bonds and stocks and other investment by individuals. Corporate bonds in the 20s were distributed primarily to individuals in the form of stocks. Dwight Morrow, while he was a partner in the firm of Morgan & Company, studied the distribution of a large corporate bond issue in collaboration with the Morgan syndicate and found that the average sale was $5,000. The business was different then because the market was known to the general public for bonds was primarily individual and not institutional.

The market for stock in the 20s came largely from individuals in the higher income brackets. They were 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 enhance the buying power of the lower tax brackets.

The Savings Trend
In the last 20 years there has been a steady, unremitting trend toward the industrialization of savings. There are several reasons for this. One thing, as a result of severe depression losses, people lost confidence in their ability to invest directly with savings.

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 1860 and 1943, fully 90% was held by individuals. The actual yield on those bonds, after deducting losses due to default, reorganization, was well below than the contractual yield based on offering price.

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Resurgent Rails, or the
Choo-Choo Named Expire

By IRA U. COLEIGH
Author of "Swing and a Miss Year"

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

Railway shareholders are getting this year presents this year—expanding earnings, fatter dividends and the h o n o r a n d capital gains which are customarily accompanying 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 railroads were ranked among the most of all, new diesel. Depend on the type of service, a diesels can save from 18% to 55% in operating cost, over the steam en-gine it replace. Multiply that by the number of trains you get at the vital factor in back of restored railway earning power, and you are riding forth on the high road to future earnings. And you will see the new first-hand at this year's earnings statements.

Most of rails, however, were at a low in the spring of 1952, and there should be a high by the end of the year, probably for the December quarter. The railrate revenue seasonal swings in the economic cycle has made the railroad business a most consistent and reliable way to make a profit. This is partly because of the nature of the business itself, in which the goods and services are sold in quantities of millions of dollars, and partly because of the large volume of business that is done each year.

Chicago & Northwestern

Chicago & Northwestern is highly leveraged, and I think it should be appreciated. The company's earnings are $765 million, and the stock is trading at about $15, or a little over $5 per share. This means that the railroad is earning a profit equal to its total investment. This is a most impressive record, and I believe it is possible for the railroad to continue to earn this high rate of return. However, I think it is important to remember that the railroad is a very risky business, and that there is a great deal of uncertainty about its future earnings. Therefore, I think it is important to be careful about investing in the railroad, and to make sure that you understand the risks involved.

New Haven

New Haven's dividends are at a high of 300 and its stock is selling at about $22, or a little over $7 per share. This means that the railroad is earning a profit equal to its total investment. This is a very impressive record, and I believe it is possible for the railroad to continue to earn this high rate of return. However, I think it is important to remember that the railroad is a very risky business, and that there is a great deal of uncertainty about its future earnings. Therefore, I think it is important to be careful about investing in the railroad, and to make sure that you understand the risks involved.

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, Calif.)
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 7-4, 1953 (San Antonio, Tex.)
Investment Bankers Association of America Spring Meeting at the Plaza Hotel.

May 12-16, 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 baking 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-out on the juicy arithmetic gross profits, with the anguish reminder, particularly to the shorter-term speculator that he is playing a deadly-you-win-tails-I-lose game. Fortunately for his peace of mind, if not for his understanding, amplification of his anguish is being vouchsafed to him by outpourings of advice on various tax-saving moves.

But we feel constrained to offer four quite colorless objects above a smug barrelage 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 irremovable. In the second place, some prevalently popular tax-saving devices through omission of material counterbalancing factors are not all that they are reputed 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 face of behemoth planning making complete recognition of all the pertinent factors in “the deal” is the prevalent year-end switching between securities to reap 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 stemming from brokerage houses to swap tax losses. It assumes that an accrued paper loss can be used against an outstanding gain to a maximum extent of 36%, or against ordinary income up to $1,000 annually for five years.

The Unrealized Catch
But this ast omits consideration of the aftermath with the offset of the 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 losses that can be registered.

Thus the net result of “paper-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.
Numbers New York Stock Exchange

December 17, 1952

NEW ISSUE
$11,625,000
New York Central Railroad Equipment Trust of 1953
3½% 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

| Year | 2.90% | 3.00% | 3.20% 
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These certificates are offered subject to prior sale, when, as and if issued and receivable by us, subject to approval of the Interstate Commerce Commission.

SALOMON BROS. & HUTZLER
DREXEL & Co.
UNION SECURITIES CORPORATION
STROUD & COMPANY

December 15, 1952

The State of Trade and Industry

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 89,600,000 by 1954, according to the Office of Business Economics. That would compare with 63,600,000 last month and 41,000,000 in 1950. The 1954 projection "implies" an annual average increase of 1.5%, the department said. This would be slightly under the rate of growth over the past 30 years.

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

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. Auto, appliances, oil and gas, freight cars, construction, and military hard goods are a few front-line items that are in demand. But other less easily classified consumers are just as hungry for steel, it states.

Auto makers have plotted an ever-rising production line for themselves since the first half of 1953. During the entire year they would like to build 6.5 million cars and 1.5 million trucks, this weekly 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 and aluminum summer, have over-corrected inventories that had grown fat. Christmas sales in the United States Department of Commerce. 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 matching a new 1952 (weekly) high of 150,000 units (cars and trucks)," the publication said. This year's weekly high was in the closing week of October, when 146,604 cars and trucks were rolled out. Last week the car-truck total was 111,746.

"Shorpurt plunge a week ago came at Chevrolet," said the agency, "where change to '93 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.

In a recent report from 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 $23.3 billion in the final quarter of the first 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 capital outlays in the third quarter by 12%. This amount will be spent in the final quarter this year and in the subsequent quarter.
EQUITIES vs. MORTGAGES as Savings Bank Investment

By ALFRED L. 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. He points out that during the past five years, savings banks have been buying mortgages as a substitute for equities that were not available to them during the past five years. He shows that in 1952 savings banks held a little over $26 billion in mortgage holdings, compared with only $1.2 billion in 1942.

The increase is due to the higher yields and lower service costs on mortgages as compared with 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 nature and other characteristics, equities have become more popular as savings investments.

The chart below shows the average yields of clearing house rates for savings banks and for Federal Reserve banks, after adjusting for differences in credit risk. It shows that although the difference was very small in recent years, it has increased since 1948.

Alfred L. Casazza

EQUITIES vs. MORTGAGES as Savings Bank Investment

FINANCIAL CIRCULAR

From Washington

AHEAD OF THE NEWS

By CARLISLE BARGER

It is a fact that General Eisenhowe repeatedly emphasized during the campaign that before the signing of the Peace Treaty with Korea, that he had no quick panic measures for bringing the war to an end. But there is going to be a terrible disappointment among the American people, but in this time, he doesn't evolve some method of ending it.

There is no way of definitely evaluating the importance of the various issues in the campaign, but one observation which is two weighed most against the party in power in Korea that has been in power for three years, and in the Washington government, corruption figured in the picture of it, Governor Stevenson has been more gracious, 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 men and business and political leaders, a yearning to punish the Administration on account of the Korean War, 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 a political effect, and there is no doubt in my mind that on that 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. So there are many of the General's well wishes 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 the Great Depression will mean the end of Stevenson and the Truman administration.

The Administration's outward attitude has been that it doesn't want to add another burden, that it is going to give wiping out the Chinese bases, because Russia might "come in," might attack Europe, might invade Iran. China might move on Indo-China. The reasoning in regard to Indo-China is that China is not a serious power, a worry to China, and that the Russia might be a reasonable and not so serious, but now, too, we are going to Korea.

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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) casualty losses; (4) net operating carryback losses; and (5) tax reform legislation primarily for sale in regular course of business.

As we look back over this past year, it is almost unbelievable that the Congress has been so busy in making the necessary adjustments in the laws governing the tax revenue. Some of these changes have been speeded up and some delayed. Some of the changes will be effective immediately, while others may be postponed until the year 1953.

Reinstatement of Excessive Depreciation Deductions

The first major tax change was the fact that it reflects the Congress' attempt to give back to taxpayers who have overpaid their taxes due to the fact that their tax laws were not as effective as they could have been. When we look at the tax laws that were passed in 1952, we find that there are several provisions that were not as effective as they could have been. One example of this is the fact that the courts have not always ruled against the taxpayers in their cases. Another example is the fact that the Congress has been so busy in making the necessary adjustments in the laws governing the tax revenue. Some of these changes have been speeded up and some delayed. Some of the changes will be effective immediately, while others may be postponed until the year 1953.

Charitable Deductions

In 1952, the law was amended so that the taxpayer could claim a deduction for contributions to charitable organizations. The deduction was limited to 20% of the taxpayer's income, with a maximum of $5,000. However, this deduction was not effective in all cases, and in some cases the deduction was not allowed at all. This was because the courts did not always rule against the taxpayer in their cases.

Amortization of Leased Property

As we all know, generally speaking, a corporation cannot amortize property that it leases. However, in 1952, the Congress passed a law that allowed a corporation to amortize property that it leases for a period of 20 years, with an additional deduction for 10 years in the event that the property is sold before the end of the 20-year period.

One advantage—the way to obtain a much higher deduction—however, was that the Congress did not pass a tax law that would allow the corporation to amortize the property even if it was sold before the end of the 20-year period. This is because the Congress felt that it was not fair to allow a corporation to amortize the property even if it was sold before the end of the 20-year period.

One advantage—the way to obtain a much higher deduction—would be to have the property amortized before the end of the 20-year period. This would allow the corporation to amortize the property even if it was sold before the end of the 20-year period. However, this is not possible because the Congress has passed a law that prevents the corporation from amortizing the property even if it is sold before the end of the 20-year period.

In conclusion, it can be said that the Congress has been busy in making the necessary adjustments in the tax laws. Some of these changes have been speeded up and some delayed. Some of the changes will be effective immediately, while others may be postponed until the year 1953.

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.

F. EBERSTADT & CO. INC.

December 11, 1952

Audit of the financial statements of the company for the year ended December 11, 1952, was made by Messrs. Wolder, Wolder & Co., New York, N.Y.

Price $16.75 per share

250,000 Shares Common Stock, $1 Par Value

Price $100,000 5% Convertible Subordinated Debentures

Due December 11, 1957

Crosstown

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Standard Coil Products Co., Inc.

$5,000,000 5% Convertible Subordinated Debentures

Due December 11, 1957

Price $100,000

plus accrued interest from December 11, 1952

250,000 Shares Common Stock, $1 Par Value

Price $16.75 per share
Recent Inflation Developments In Western Europe  

By Mrs. VERA LUTZ, Ph. D., Princeton, N. J.  
Formerly Economic Adviser to the International Credit PAC in Rome, Italy.

Mrs. Lutz traces new inflation sport 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 reversal to orthodox monetary policy which had been a dictum for 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 are pressing. 

In Western European countries as in the U.S. 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 has been halted or checked, while in some there has even been a slight falling tendency, except in the U.K., Italy, and France where continued rises are evident. These rises are a result of living in some of the countries, notably in Great Britain where it is, however, largely due to the importation of foodstuffs. On the basis of the wholesale price indexes, in the case converted to the base June, 1953, of the major Western European countries major increases into the second half of the last quarter of the year. In Great Britain the rise was small, for the first quarter of the year there was an actual decline. In Western Germany and Italy, the increase was small, for the first quarter of the year there was a decline. However, the rise in the second quarter of the year was very sharp. In France, on the other hand, there was a sharp increase in the second quarter of the year. In Italy, there was a sharp increase in the second quarter of the year. In Great Britain, the rise was small, for the first quarter of the year there was an actual decline. In Western Germany, the rise was small, for the first quarter of the year there was a decline. In France, on the other hand, there was a sharp increase in the second quarter of the year.
Investing for Pension and Profit Sharing Trusts

BY JOHN HARDY WEDDON

Vice-President, The First National Bank of Chicago

After tracing development of pension and profit-sharing trusts, Mr. Weddon describes basic differences in types of funds that affect growth of them. Also, growing investment in equities by both Pension Fund and Profit Sharing types of trusts, and lays down investment principles for each. Revals composition of stocks held in Pension and Profit Sharing Trusts for which a bank is responsible.

What has been the history of the Pension Plan Trusts and how have their development and political conditions affected their development and influenced their investment policies? While a few present operative Pension Plans had their inception prior to the turn of the century, U. S. Treasury lists 110 qualified plans in existence prior to 1930, by which time the pension fund had grown to 659.

Prior to 1930, the investment portfolios of these Funds were largely invested in fixed-income securities. For the first time, fixed-income securities and corporate bonds afforded a better investment than was available through the purchase of government grade stocks.

Further than this, the political climate that influenced the purchasing power of the dollar was in years past, and the decline was an orderly one and did not greatly concern either investors or investors.

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 concern with governmental spending. Governmental policies of spending our way out of depression, and of maintaining the depressed level of wages, were aimed at financing and maintaining the full employment rates which made it possible for corporations to refinance 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 new dynamic phase in the creation of voluntary Pension Plan Trusts dates from the advent of World War II. During the preceding decade, many employers had undoubtedly become more conscious of the desirability of providing some degree of future security for the current employees. These plans were largely considered good employee relations devices.

In reference to pension plan arrangements for small companies, Mr. Weddon said, "Various schemes have been presented that would prevent merger of qualified plans. Some of these are very interesting but they would probably be impractical, or unwise, if not both. In any case, since contributions to pension funds are tax-exempt, high-risk, time-lapse taxes made it possible for many corporations to adopt such plans with relatively little effect on their earnings—after-taxes. While no actual figures were available, we would guess that by the end of the way 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, while prices and wages were under government control. The rapidity mounting government control and the radical change in national income trend heightened the inflationary potential.

Another important development that affected the investment policies of many trustees was a marked trend in the utilization of the laws in many Figures were in practice of establishing the investment powers of these Funds. For the first time, in many States, including Illinois, New York, and some other states, certain plans were adopted states 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 their portfolios at that; so that, through this period, perhaps initiated a trend toward the idea that some stocks might be acceptable for these portfolios, investments in most Pension Plan trusts continued to be very largely confined to fixed income.

The period 1946-49 was one of a declining trend in the number of new plans offered for sale to the public. 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 is the period of commercial recovery and expansion in 1948. In that year, the United States Supreme Court confirmed a ruling of the National Labor Relations Board that pension plans 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 post-war period, now became vociferous in its pension plan demands.

This period, therefore, has seen a very large increase in Pension Plan organization. As of the beginning of 1949, the number of plans and the number of employees affected their plans, were almost 35,000 and the number of smaller firms with pension plans increased by 60 percent in the previous two years.

The Treasury Department reported that as of Aug. 1, 1949, company contributions with respect to 9,700 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. & Hurtler estimated that private Pension funds of all types were investing at the rate of almost $100 million a month. If even as much as 20 percent of these funds is invested in common stocks, we can say that almost $50 million a month are being invested in common stocks, which 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 visualized 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 salary or profit plans and other conservative actual 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 made at any time, and in any amount, and are not necessarily considered in amount from year to year. It is therefore more difficult for a Profit Sharing trust to obtain average investment results over a period than is the case with a Pension Plan trust.

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

A second basic difference is the current low general price level persists.

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225,000 Shares

Consolidated Engineering Corporation

Common Stock

(Par Value $0.50 per share)

Price per share $15

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

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December 15, 1962
Outlook for Petroleum Industry

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

Despite the current high level of oil prices, the outlook for the petroleum industry remains generally attractive, despite some long-term uncertainties.

Petroleum companies are currently benefiting from the global oil shortage, which has driven prices to historically high levels. The demand for oil continues to grow, driven by increases in global economic activity and population growth. This has led to a significant imbalance between supply and demand, resulting in higher oil prices.

The outlook for the oil industry remains strong, as long as the current high levels of demand persist. The oil companies are expected to continue to generate substantial profits, as they are able to pass on the higher costs to consumers in the form of higher fuel prices.

The global oil market is expected to remain tight in the short to medium term, which should support oil prices. However, there are several factors that could impact the outlook for the oil industry in the long term. These include advancements in alternative energy sources, such as wind, solar, and electric vehicles, which could reduce the demand for oil.

Despite these potential challenges, the overall outlook for the oil industry remains optimistic, with strong fundamentals supporting the sector's resilience.
Employees' Profit-Sharing Trusts—Key to Solving Retirement Problems

By GEORGE P. JOCUM 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. Jocum and Fulton point out this system allows no long-term fixed commitment on employers, and requires no action from employees apart from their experiences which will no longer be respected. Earl Bunting says resolution dins hope of foreign investment in undeveloped areas.

“Funston, G. Keith
in the same resolution he denounced a resolution approved by the Economic Financial Committee of the General Assembly of the United Nations which he said was "abusive and long-lasting effects on the free flow of ideas and the need to safeguard the national sovereignty."

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

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 "abusive and long-lasting effects on the free flow of ideas and the need to safeguard the national sovereignty." Since it permits nationalization of industries without compensation.

When we talk about Profit-Sharing Retirement Plans it makes one think of the employee of 20 years ago who would tremble with hope of living in his own country. The Committee said in a resolution it adopted in 1952 that "The Committee approves the resolution approved by the Economic Financial Committee of the General Assembly of the United Nations which he said was "abusive and long-lasting effects on the free flow of ideas and the need to safeguard the national sovereignty."

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Value of Municipal Financing
In Preserving Local Autonomy

By DAVID M. WOOD
Senior Partner, Wood, King & Dawson

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 local government do not know the importance of creating public facilities and improvements as engineers, architects and other construction employees.

I suspect that if I were to say to you that you are all engaged in a business which involves considerable political and possibly even moral aspects of your life, you might probably be greeted with an a¬ moun¬t of skepticism. And yet, I am going to make that very statement, and I hope before I am through I will convince you that you are engaged in a business which profoundly and profoundly affects many rights and liberties of the people you govern.

I hope to demonstrate to you that a municipal bond is more than a piece of paper on which a few zeroes are impressed upon it, having coupons that entitle you to a specified amount of money to time to time to receive income upon your investment.

That was the issue in the Presidential election which was held throughout this country for the last month. At that election you voted a 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 except you and yourself know how you were going to vote unless you disclosed your intention of your voting to your family or your friends. And yet it is not correct to say that there were no national politicians. Had you recently come to this country from Europe, or from any other country in the world, you would have been aware of the fact that many of your leaders were filled with 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 for the purpose of maintaining order. You probably never gave them a second thought. You did not care if you had any fear of voting as you saw fit. You have always felt free to do as you pleased. You felt this way because you have experienced surveillance by the State. You can experience a similar business you please without ob¬ taining a license to do so.

In the same way your business bureau at the capital, and you can travel over all the country without the necessity of registering with the police of every town in which you go. You take all of these freedoms for granted as a matter of course.

But you may say, admitting all this is true, what has municipal financing got to do with it? In other words, why is it necessary for us to give con¬ sideration to how these freedom are exercised by the people. In the Declaration of Independence we are told what has conceived to be the rights of free men and said they were self-evid¬ ent. Men never regard anything as self-evident, however, until they have believed it so long they have forgotten its origin, and that is the nature of what we are discussing.

After the fall of the Roman Em¬ pire we entered a period of anarchy which we call now the Dark Ages. In that period the ordi¬ nary man had no rights and liberties. He was the creature of the State in the age of 400 years, the State that had gone to commerce in the days of Plastene's commercial and merchant commerce. The State that had been Wealth accumulated in these towns and the king and the people were for the first time in the history of men, had by themselves impressed upon them. They sold their rights for cash, and to solic¬ ite the people to trade their cash in for riches on grants of rights and liberties. And so, the people pur¬ chased more and more freedoms for the over all, until many of the towns became part of the State and nothing in a position to defy both the king and the overlords. The men in these towns considered themselves free men, and not the bondmen which they were. It is a well-known principle of the law of the land that if a bondman escaped from his master in a town unclaimed for a year and a day, he was then free. And there was a popular saying in the early 18th century that the town made men free. Historians recognize the fact that the idea of liberty and individualism are current among us, begun in these towns, and we were a part of the State that were civic notions long before we became national ideas. In these few lines you have impressed 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. They were, in my estimation, and I point out to you that the struggle for freedom was a struggle of the individual against the State. In those days the commonwealth was in its struggle for freedom, the people have always found that it is easier.

The early colonists who came from Europe, when they first brought these ideas of personal liberty along with them. The first people who were set up were local governments, and when the State legislature was set up to set state governments, they went to the State constitution for those lim¬ itations upon these governments so that they would not become the thing the State. And that State had been in its household. And upon the states which they organised vast amount of powers and a huge government, and those powers were far too many for that. The states which they

Continued on page 97

Connecticut Brevities

The annual report of Plastic Wire & Cable Company for the fiscal year ended Sept. 27, 1952, showed that the company had a profit of $55,000 for the year. This was a $35,000 allowance for price of goods re¬ duced for the preceding year. Formerly net before taxes in the fiscal year amount to $1,370,000 and after taxes to $414,000, both before renegotiation. In 1951, the company paid no taxes, but in 1952, taxes was $770,000, $2.71 per share. Net for the 1952 year was equal to $3.81 per share on the increased number of shares.

At the annual meeting of the board of directors, the board declared a $1.81 dividend, compared to $1.81 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 to increase output at a cost of about $110,000.

In a letter to stockholders, Gen¬ eral Dynamics Corp., estimated consolidated earnings for the current year at present $5,000 a share, compared to $3.50 a share in the smaller number of shares. Con¬ solidated net sales are estimated at a record of over $1,300,000 for the year. The backlog at Oct. 31 was about $300,000, and substantial increase in sales is ex¬ pected in the near future. The military aircraft by the Canadian subsidiary, Canadair, is scheduled to be increased.

The name of Hendey Machine Works has been changed to Hendey Corporation. On Nov. 24, stockholders voted the new name and the consum¬ mation of the new company. The ini¬ tial steps were taken by calling the Class A Preferred on Oct. at $25 a share and accrued dividends, and a preliminary notice for a new organization which it can utilize to further its encroachments on the bureaucracy.

Purposes of Municipal Colleges

In this country the municipalities have set up organizations for the purpose of serving the interests of their inhabitants. In practically every state there is a law in the books of the United States Conference on the level of higher education. In the wide, for the purpose of fund¬ raising, and in the establishment of several municipalities and of their inhabi¬ tants against encroachments by Government. These agencies have been most effective in opposing the attempts by the state or national municipalities to impose the rights of the citizens of the municipalities. While many other organizations have been very effective in protecting the rights of individuals against bureaucracy, it has been my ex¬ perience that the most effective agencies of the noblest of the citizens against such encroachments are these municipalities and these state organizations which have set up.

It is evident, therefore, that the establishment of small, autonomous municipal governments in any nation constitutes an effective check on the encroachments of the bureaucracy. Every total¬ larist recognizes that fact. One of the first things Hitler did, for instance, was to grant the autonomy of the local government in Germany and the last thing the Communists in Russia did was to take that autonomy away from the local governments.

J. P. Morgan & Co.
Announces Promotions

By C. Alexander, President of J. P. Morgan & Co., has announced that the Board of Governors has elected the following officers to be Vice-Presi¬ dents: G. S. How, and G. W. Stoll.

Both Mr. Howe and Mr. Stoll have been with the company for years they were graduated from college, Mr. Howe from Yale and Mr. Stoll from Tufts in 1935. Mr. Howe is a member of Corporate Trust matters and Mr. Stoll is in statistical and financial analysis.

Mr. Watson B. Dickerman has been promoted to the rank of As¬ sistant Vice-President, and Mr. Menas, Ann. B. Davis and Robert Shrestha has been appointed Assistant Secretaries.

In MEMORIAM

FREDERICK J. KLINGLER
January 22, 1805-November 22, 1932
A Reader and Subscriber to The "Chronicle" for Over Sixty Years

Frederick J. Klingler passed away on Nov. 23, 1932, from shock and other complications resulting from his recent illness. He was re¬ sident at his residence, "Ivycrest," 1404 Mapleton Avenue, Boulder, Colorado.

Mr. Klingler, 93 years of age, was born in Galicia, Russia, the age, and was Mayor of the Uni¬ versity town of Boulder, Colo., in 1917.

Mr. Klingler's physical vigor and mental alertness in a spirit of 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 was in world, national and local affairs, covering a wide area of political, religious and social problems.

Mr. Klingler is survived by his son, Ruth, of Atlanta, Ga., and two grandchildren, and by his daughter Marion, wife of Harlow Case Phillips of Boulder and three brothers.
Recent Political Developments And the Gold Standard

By FREDERICK G. SKULL.

Connecticut State Chairman, Gold Standard League

Mr. Skull, acting Republican party has a gold standard plank in its platform. Below is the support of expert opinion. Holds we have enough gold to support a true gold standard and passage of the Reed Bill that calls for a firm fixing of the value of the dollar at $35 an ounce? This is a question: What has been said on the subject.

The subject, the "Gold Standard," promises to become increasingly important in the meeting months for the Republican Convention that will win the election on Nov. 4. As a matter of fact, the standard is the one that is missing in the platform, and it is a question as to whether or not that Party will do anything constructive to return this nation to a sound money basis. After 28 years of operating with an inconvertible "paper" money, it is the country's turn, says Representative Skull, to "do a dollar on a fully convertible gold" basis. It is now time to mean a return to the Gold Standard.

Why is a Gold Standard Necessary?—A nation's currency function depends largely on its ability to measure the relative value of commodities in general; such a unit is the "gold" bank. A United States dollar is, therefore, as is the 36-inch yardstick the people in the country, and not for less, and the value of the dollar has been officially set in terms of a definite weight of gold. If it can no money be changed, properly, than one can change the length of the 36-inch yardstick; or the number of coins in a pound of avoirdupois.

Just What Is Meant by the Gold Standard?—It means the firm fix- ing of the "value" of the dollar, so that we can find out what its worth by counting any other money. It is also include according to all holding bank notes. When a person, in converting the privilege of exchanging that money, money-paper, for gold, to a real public bankruptcy in the gold, it is the assurance of a personal payment of any debts.

Then, 100 years later, Dr. Andrew D. White, in his money-paper, wrote the "Money Inflation in France," referring to the paper money of the country. He summed up his views in these words: "Every other attempt of the same kind, for whatever circumstances, has been a failure. It has been a failure. It is not in degree. All of them show the same story over and over. The financial laws as real as their operators, which hold the planets in their places."

And, finally, a group of outstanding experts and financial writers, known as the "Mac- millan Committee," rendered its unanimous verdict: "There is, perhaps, no more im- portant current subject in the field of human techniques than that of the way of the world as a whole to achieve a sound and scientific monetary system. But there can be little question that the proposal to make a move at an early date for the monetary system in the world as a whole, except as the result of a process of legislation from the high-gold standard.

Has the United States Ignored the Protests?—This demand greatly to the detriment of the people of this nation. In 1923, the Party opposed to the gold-standard principles for the country, our political leaders threw overboard expert opinions, and the pro- fessional economist that the country was not needed the gold standard.

Since 1906 years ago France, at the period of the French Revolu- tion, was reported to have been inflected on the people of this nation.

How Did This Penalize the People?—In 1924 the people owned dollar-assets, all payable in defi- nite numbers of dollars regardless of the "value" of the dollar, and that, aggregating about $32 billion, was made up of government bonds represented by the national debt, bank deposits of all kinds, and life insurance benefits already paid. About 41% "devaluation" or the demand penalized more people of more than $50 billion of the real value of their dollar savings. The people's accumu- lated dollar-assets, today, of the three types mentioned, are worth more than $50 billion; and as little as a one-time "devaluation" of the dollar, which would result in the official price of gold being raised to $40 an ounce, would deplete 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 1932 platform, to return to "a dollar on a fully convertible gold basis." We, therefore, can write in again the demand for a policy of irre- dembtable paper-money—to the detriment of the people of France; and also in France, the gold Standard, in 1924 to the people of France, is as the only solution to the problem. If either of would be on the order of one-half of the demand of gold, therefore, cannot properly support the claim that we have not enough gold on which to base a 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 com- modity used in the arts for jewelry and other commercial applications, performs other im- portant functions.

(1) Gold is a Standard-of-Value. (2) It is a Medium-of-Ex- change, and (3) It is a Store-of-Wealth.

These three functions far tran- scend in importance the use of gold as a commodity in commerce. It becomes evident, therefore, that the "value" of a nation's currency has been established in terms of a definite weight of gold, the value of the dollar. Any further change, either for good or evil, will be in the dollar. It is to be expected that the dollar will be a single currency, cannot be changed. To reach any other conclusion, therefore, is not to do the people of this nation any good. And if Congress ever did so thing as a "stand- ard-of-value," under such a conclusion, the dollar has played so important a part in the economic welfare of this nation, and of the world, would thereby have vanished into thin air.

Legislation by Congress Proposed?—Yes, each Janu- ary for the past few years, Congressmen Reed (New York) has introduced his gold-standard bill, known as the Reed Bill. On each such occasion the bill has been promptly pignolled and nothing further heard of it. That bill calls for a firm fixing of the "value" of the dollar at $35 a fine ounce of gold, and for restoration of the aged privilege of "redeemability," on de- mand, at that fixed value. Same bill, revised only as to identification number, was intro- duced in Congress in January, 1932, 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, 1933. This time, however, there would appear to be a good chance of getting favorable Congressional action; for the incoming Republican Administration has pledged itself, in its platform, to see that such legislation is enacted. It is up to the public, therefore, to get in behind the demand for a dollar-savings law, to see that this legislation, or something comparable, he enacted and made the law of the land.

What Purpose Are We Trying to Achieve?—We are trying to make clear that the ques- tion of the gold-value of the American dollar is everybody's business; that strong organiza- tions, such as the Rotary Club, can be most helpful in bringing about a return to sound-money; and urge our influence in getting your brother-organizations to express themselves in this most worthy cause.

Bondwomen's Lunch

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

With Hamilton M'g'nm't (Special to The Financial Chronicle)

DENVER, Colo.—Nebost A. Rockwell, General Manager of the Service Corporation, 444 Sherman Street.

Joins Inv. Service

DENVER, Colo.—Helen J. Guzy is now with Hamilton Manage- ment Corporation, 445 Grant Street.

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Mortgage Finance in 1953

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

Forecasting continued good demand for mortgage loans and lender supply of funds with which to make them, Mr. Colson finds that Federal Reserve in 1953 will not be in excess of 1952. Sees greater demand for mortgage loans as investments from insurance and savings institutions. Holds interest rates at a more modest level below 6 per cent...for broader mortgage loan powers of savings institutions.

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LONDON.—One of the major problems in the jurisdiction of the Conservative Government from its formation in 1936 is the regulation of the large size of the sterling balances in London by British Colonies. Owing to their close economic re¬lationship with Britain it is natural that they should have substantial balances in London. Dr. Paul Eizig, a member of the Colonial Office, makes the announcement that the entire staff of The Bayside National Bank have been invited to come to London to organize the Bank. It was also announced that J. Wilson D. Caroll, chairman and president of The Ba¬yside National Bank, will be responsible for building the building of the bank, will become vice-president of the institution. He will remain in Bayside to take care of business while the building is under construction.

Mr. Dayton organized The Bay¬side National Bank in 1929, and has been president of the bank since then. He has been president of the Long Island Real Estate Board, a member of the National Association of Real Estate Boards, and a member of the ad¬visory committee of the board of directors of the Chamber of Commerce of the Benjamin Trust Co. He has also served as vice-president of the National Association of Real Estate Boards. The plan is to use a portion of the bank’s capital for the purchase of stock, on the basis of four-fifths of a share of Bankers Trust Com¬pany’s stock for each share of Bay¬side National Bank. The statement of condition of The Bay¬side National Bank as of June 30, 1932 shows that it has more than $27,000,000 in total assets and more than $26,000,000 in cash. In all, there are 3,500,000 shares outstanding, approximately 35,000 new accounts.

Corn Exchange Bank Trust Company of New York announces that it has been made a vice-president and director of the company. Mr. Veitch has been an assistant vice-president and director of the company.

Manufacturers Trust Company of New York announces the appointment of John F. Lebkuecher, Edward J. Wilson and Paul M. Bower as assistant secretaries. The office of each of the new secretaries is located at the 37th Street Office.

The Board of Directors of Bankers Trust Company of New York and of The Bayside National Bank of New York in Bayshore, Borough of Queens, have approved a plan of merger, and the proposal will be submitted to the stockholders of both institutions on January 25, according to a statement made on December 16 by officials of the two banks. The plan is subject to approval by various State and Federal regulatory authorities as well as by holders of a majority of the stock of each institution. It is expected that the closing of the merged institution under the name of Bankers Trust Com¬pany and present plans call for the completion of all merger details so that operations can begin on February 2, 1952. Mr. Cohn is president of The Bayside National Bank.

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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 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.

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, vital economy built on peace and not on war. Let us, therefore, ask earnestly for the realization 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 despoothing 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.

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On all sides we see the limitless opportunities for steadily increasing production and prosperity. Wherefore, we insist 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?

Continued on page 67
Foreign Investment Is Job for Private Capital

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

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.

*Mr. Johnson, 66, is retiring President of the Investment Bankers Association of America, founded in 1904. The IBA's most recent convention was held in Hollywood, Fla., Dec. 9, 1952.

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As president of the Investment Bankers Association, Mr. Johnson is well informed about the problems of the securities world.

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30 Pine Street, New York 5, N. Y.
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.

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 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 de-}mertz, did give me the opportunity to tell him—about an incident 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 holding it might have been—without dis-

*Biographical report of an address by Mr. Martin at the 41st Annual Convention of the Investment Bankers Association of America, Hollywood, Fla., Dec. 5, 1952.

Guaranty Trust Company of New York
140 Broadway
New York 15, New York

Dealers in

UNITED STATES GOVERNMENT SECURITIES
STATE AND MUNICIPAL BONDS

Voluntary. Continued on page 44
Trends and Problems of Life Insurance Investments

Investment bankers and life insurance companies cooperate at many points, compete at some points and both are part of a team in building 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 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 Restriction 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 Restriction 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 habits of the life companies, of course, are a constant support to the nation's need for credit for the war effort.

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

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 costs leads to the keen competition between life companies in their investment operations. It explains the sensitive responsiveness of life insurance policies to changing yields 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, all investment of these securities by the nation's life insurance companies amounted to $21.8 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 $19.3 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 reduce 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 $6.8 billion, or 14.5% of assets. By the end of 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 area of most remarkable 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 holdings of industrial securities, for example, have grown to about $11 billion at the end of 1952, representing 24.7% of all assets. By the end of August, 1952, holdings of these securities had increased slightly over $30 billion, representing 42.5% of assets. Of the total increase of $19 billion in these holdings, public utility bonds were up $10 billion, corporation and industrial and miscellaneous bonds for $11 billion.

Here again the rate of increase was to be expected. As the war and period of Governmental controls on the economy continues, the need for funds to finance reconstruction and expansion became obvious. It was obvious that if life company holdings of the securities of business and industry and the consumer came in response, the demand for funds on the part of life companies was going to have to be met, and, in addition, the demand for funds on the part of business and industry, and the consumer would have to be met. The increase in continued (to be continued).

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Continued on page 34
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.

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 $16,000 apiece. Our speed was 90 miles an hour. That was what was representative of things in the airplane field at that particular time. Now let's just go quickly through the development of the airplane, 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-5, seven passengers. Then came the DC-6 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 $10,000. 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 that: stop for a moment; think of the airlines as you observed it grow and develop and as you have flown; look at it today. You will see, in tronic developments, speed, comfort, safety, airline 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 1928 the passenger-revenue for that year of all the airlines then in existence was about $75,000. In 1951 it was $591,000. I remember that in those first years we didn't do quite as well as other airlines. Our pas- senger-revenue for the first year of operation was $1,314,972.

The next objective was to be self-sufficient. We started off rece-ieving about $10,400 a ton-mile. The first year $9.410% 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 organi- nation 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 approxi-mately 5250 in revenue to the Post Office Department on a ton-mile performance of mail service and, as I said, the four trunk 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 enter- prise and to an administration in government which used private facilities through which to ad-

Continued on page 81
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 "sinner 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.

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I want to talk to you today about the Reconstruction Finance Corporation, and I want to talk about the RFC as it is today. I have observed some of the things that happened this morning from this platform, and I have been rather close to some of the things that have happened to me. I have been rather close to some of the things that have happened to me. I have been rather close to some of the things that have happened to me.

The RFC was established in 1932 to provide financial assistance to banks and other financial institutions during the Great Depression. It was intended to help stabilize the banking system and promote economic recovery. However, theRFC's role was criticized for its perceived bias towards large corporations and its failure to prevent the concentration of economic power.

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By HON. H. HUME WRIGHT
Canadian Ambassador to the United States

After reviewing slow economic progress in Canada covering a period of two centuries, Mr. Wright recites the impressive and exciting developments and discoveries that have taken place in the 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.

In addition, very substantial resources 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 900 million will be spent to bring into production and to transport the ore.

The building of the 300-mile railway through virgin wilderness of terminal facilities and ore-loading docks, of power installations and townsites. Proven reserves now total over 450 million tons of open-pit ore averaging 10% higher in grade than the standard area 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 Steel 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.

Development of primary resources is only one aspect of Canada’s economic dynamic. The growth of population and output in recent years has made necessary a corresponding growth and modernization of the basic utilities and transportation facilities.

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 growth. Among the more notable developments during the recent years have been the growth of the automobile, electronic, and chemical industries, the expansion of the steel industry, and progress in pollution control research.

Since 1945 population has risen by 16% and national product by over 25%; the comparable growth of the United States is 11.4% for continued on page 38
The report of the IBA State Legislation Committee was presented to the 41st Annual Convention at Hollywood, Fla., by Charles S. Vrits, 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. 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.

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 the 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," 1922. 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 50th 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. Vrits (Glore, Forgan & Co., Chicago), Chairman of the IBA State Legislation Committee; Roger L. Severna (a partner in the law firm of Isham, Lincoln & Beale, Chicago), and Gordon L. Calvert (Assistant General Counsel of the IBA). The statements of the three industry representatives are summarized as follows:

Mr. Vrits: (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 fringes of the industry but in the process unwaranted shackles and restrictions are placed on the reputable dealers who do the bulk of the country's business.

(3) Additional reasons for new type laws in many states may be found in (a) tendency toward assumption of arbitrary administrative discretion under many existing laws, and (b) need for elimination of all unnecessarily costly and delays incident to the public distribution of securities in order to provide protection to dealers and to remove present inequities which tend to favor private placement.

(4) A notification type of law, such as 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 use of all unnecessary costs and delays incident to the public distribution of securities. People commit fraud; 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 fraudulent sales, would simplify the principle that there is no substitute for integrity.

Mr. Severna: (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 terminology and pattern of Blue Sky legislation and in administrative interpretations of such legislation, (c) the delay in qualification, and (d) obsolete and archaic provisions in state statutes.

(2) Obstacles are placed in the way of almost every new offering 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 Blue Sky law include the need to:

(a) Permit distribution of an "identifying statement" meeting the requirements of SEC's 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 exist in interstate commerce from registration; and
(e) Simplify and make more uniform the registration procedure prescribed for the disposition of securities registered with the SEC by use of a 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 by many reputable dealers to conduct legitimate business without unnecessary restrictions.

(a) The registration administrator (i) to deny right to engage in such business; (ii) to engage in fraudulent activities; and (iii) to forbid sale of securities which may be sold to purchasers (b) A limited number of copies of the complete statements by the three industry representatives on the panel are available.

Still, the three industry representatives on the panel all concluded that a desirable objective for enactment of a notification type Blue Sky law which would simplify the registration and supervision of securities dealers and salesmen and provide that non-exempt securities may be sold by registered dealers as soon as a three-fifths majority of the securities and a copy of the prospectus describing such securities are filed with the state commission (rather than requiring the registration of securities as qualified). Emphasis was placed upon the fact that the notification type of Blue Sky law protects investors against the perpetuation of fraud by requiring the purchase and sale of securities with a minimum of restrains on the legislation adopted to the sale of securities by reputable dealers.

Since the present Pennsylvania Security Act is a Blue Sky law of the notification type, it is continued on page 69.

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Continued on page 69
High Taxes Depleting Corporate Working Capital

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, 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.

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.

book value of the stockholders' dollars now tied up in brick, mortar, and machinery. It appears that the bulk of all facilities exist, but the war is now fully offset by depreciation re- sources, however, an abnormal amount of these fully depreciated facilities is still on the active list and, 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 a 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 in adequate to take care of the physical replacement of a retired fa- cility. And if 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 which takes over the outlook for industrial securities is at a high plateau at that time. If one is to compare the fore- casts with the actual events. The forecasters expect that all in- dustry, including utilities, mining and transportation, but excluding commercial and miscellaneous facilities. Also in 1947 gross national product in the early 1950's was forecast on an average level of less than $290 billion.

Actually, it is now running at an annual rate of 7% higher, or around $340 billion.

The forecasters of 1947 and 1948, I am informed, no longer expect anything about the change in the financial picture of corporations that will rise in the next. And even though we may have reached the peak in tax rates, we have not yet reached the point of their maxi- mum impact on cash require- ments. 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 expected to increase payments and calls for an increasing proportion of taxes to be paid in the first half of each year. By 1953 all taxes for one year must be paid in the first half of the next year. As the Mills Bill be- comes effective, it will be necessary to provide much more cash. This will be a permanent and not a temporary problem as long as corporations continue to publish their financial statements and the Mills Bill becomes effective. It is rather too bad that by 1953 is equal to 81% of all cash and government held at the year- end, compared with a correspond- ing figure of only 29% in 1939. In other words, the increase in 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 re- sources, with little delay, the large amount of cash necessary to pay the preceding good year's large tax bills by June 15.

In 1951, tax accruals were equal to 21% of pre- ferred 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 3% since 1939. This 3% rise in book value of plant seems modest and con- servative compared with the 260% 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 250 days. Part of this relative high rate of sales and the increase over 1939 is, of course, due to the facts that in 1939 industrial output was below capacity levels and that much of the current plant in- vestment represents dollars which had a much greater purchasing power than the dollars with which we are currently measur- ing the sales volume. Yet, even if that, it would seem to indicate that the present times are not so far removed from the above comparable times. It is a reassuring consideration, that plants and facilities currently account for not more than one-third of total assets compared with almost one- third in 1939.

Accelerated and otherwise in- creased depreciation rates have helped to keep within rated satisfactory proportions the net
Menace of Federal Power to Private Investment

Charles C. Glavin of the First Boston Corporation, Chairman of the IBA Public Service Securities Committee, rendered the report of the Committee at its meeting in Hollywood, Fla. The report, in addition to furnishing data on public utility earnings and investments, called attention to the menace to private enterprises of a plan for 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 26% of the nation's power needs. There are 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 utility 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 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. Holds private enterprise could do the 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.

Private Enterprise Can Do the Job

Another approach of the public power proponents is to assert that private enterprise can't do the job of meeting our large present and future electric power needs and that the great size of these government power projects makes government construction necessary. This is lost and misleading talk and the facts provide the answer. In the six years, 1945 through 1951 the private electric industry has increased its generating capacity from 40 million kw to 60 million, spending over $10 million 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 million. This record speaks for the viability 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 new dam generating plants in the Northwest, and to push us on in and further down the power road of public power.

We have already mentioned thegentlemannerinwhichtheprivate enterprise has chosen to take on the development of the Snake River Power Project and the development of the Snake River. Electric Energy, Inc., was formed and financed by five private companies in New York, and by private enterprise. The Federal Government has been put on notice that these utilities will not be starved out of business. The private enterprise bill has not been reported out of committee favorably and 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 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 $300 million for just the dam and power plant. Private development would cost less and provide 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 a back door approach to establishing a Columbia Valley Authority. Hell's Canyon is a project of the Bureau of Reclamation and the power plant 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 80% of the cost is for just the dam and power plant. Here again, a clear case of decision before the purpose; private enterprise is ready, willing and able.

The public power issue is not confined to such glamorous issues as flood projects. Little understood or realized is the controversy raging an over the "preference clause." In the Flood Control Act of 1944 Congress provided that power generated by a U. S. Government dam shall be sold, exclusively, to any of the agencies of states and cities or other public bodies and to cooperatives for distribution and sale to consumers. Congress sought to establish a workable power marketing policy and stipulated that only absolutely necessary transmission
In its report to the 41st Annual Convention of the Investment Bankers Association of America, Mr. 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 of 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.

Hugh Knowlton

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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 the revival of investor interest in railroad securities, but warned that the railways 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 $1.76 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 $750,700,000,000 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 earlier 1952 results, these figures included substantial amounts of retroactive mail pay, property allocable to earlier years. Dividend payments in 1952, at over $10,000,000 was 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 25%, have covered the cost of a large extra investment in new plant. The figures announced for 1952 and the resulting net earnings exclude a large extraordinary charge for the depreciation of equipment having a high 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 outstanding stock.

In 1953 it does not seem likely that the railroad rate will be lowered, if anything there is the possibility of an increase. Except in unusual cases, the adverse conditions which have been the cause of the depression are still in effect. The business outlook for the future is not very favorable. The public is not流出 to increase its expenditures. The railroad industry is operating at about 80% of its capacity.

The outlook for 1953 is far from rosy, but there are some hopeful signs. The increase in business activity during the last part of 1952 has been encouraging. The rate of economic growth is expected to be steady throughout the year. The prospects for improved earnings are good, although the extent of the improvement is uncertain. The industry is well equipped to handle the increased traffic and is ready to meet any emergency that may arise. The outlook for the future is optimistic. The industry has made significant progress in recent years and it is expected that this progress will continue in the future.

Charles L. Bergmann
Reports 1952 Municipal Issues at Record High

Lewis Miller, Assistant Vice-President of the First National Bank of Chicago, Chairman of the Municipal Securities Committee of the FRB, 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 evidenced that the amount of new long-term municipal bonds put out this year will be substantially in excess of any earlier year. The previous record high in the full year amount issued was made in 1929 when the total was about $304.5 million. During the first ten months of this year corresponding figures exceeded that amount by about $80 million.

For the purpose of comparison there is noted below the amount of new issues of municipals, both long 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: blocks of new issues of municipal bonds:

1. (1) The local housing authorities put out two blocks of bonds totaling $304.5 million, the larger being about $170.7 million; and

2. (2) On June 4 of this year the Ohio Turnpike Commission sold $320 million of State of Ohio Turnpike bonds, with the largest single issue of revenue bonds ever authorized by the Commonwealth of Pennsylvania issued $337 million with revenue bonds.

This is the record high in the amount of any single issue of revenue bonds ever recorded, as such generally, are overall obligations of the state and municipal security.

The records indicate a substantial accumulation of authorized but unsold issues of new issues of long-term municipals for which the states are expected to be marketed during the balance of the year. The future 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 end of March to 1.98% at the end of May—using the "Bond Buyer's" market index of average yields of bonds of 20 large municipal units—to a 2.05% basis through April.

The BMA Municipal Securities Committee, headed by Lewis Miller, Assistant Vice-President of the First National Bank of Chicago as Chairman, points out pew 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 opposition to use of municipal credit in financing private projects.

Since then, however, beginning in May there was a steady decline from the 1.98% to a 2.29% basis in October. As of Nov. 29 the yield basis shown by the index was 2.29%.

The market, of course, affected by the bond buying during the year including the resale of the above mentioned large public highway bonds, with the second of which was postponed from March until the latter part of September. Also the removal of the Voluntary Credit Restraints around the first of April helped to accelerate the volume of new issues.

Negotiability of Municipal 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 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 the National Conference of Commissioners on Uniform State Laws, the American Law Institute and the American Bar Association, for the purpose of recommending appropriate language to be included in all of our states for adoption by those states.

A great deal of work and careful study was devoted to this proposed 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.

The problem of having negotiability in its application to state and municipal securities of which there are currently standing about 27 billion dollars in new issues to be marketed totaling each year several billion dollars. We have particularly in force distribution and subsequent markets for municipal of long-term purposes of 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 by Article 8 of the Code in its application to commercial paper. Included in that Article is a provision which might well have been provided provides 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.)

The market to the Code in its present form separates negotiable 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. Further, the proposed law by its terms, would authorize new issues of state and municipal securities, supersede the Negotiable Instruments Law in 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 in their respective state laws 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 state law is the primary source provided for investment securities in Article 8 it could be said that these securities are negotiable instruments. If the attributes of negotiability are in fact provided state and municipal securities in the Code, that Article to be "negotiable in

State, Municipal and Revenue Bonds

Lehman Brothers
Foresees Federal Deficits, with Only Moderate Tax Cuts

The Federal Taxation Committee of the Investment Bankers Association of America, through its Chairman, James M. Hutton, jr., has predicted continued heavy government spending in years immediately ahead, with resulting budget deficits and little change in high scale of taxation. Urges IBA committee 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.

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a material decrease from the $85 billion estimate, given 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 Hampshire will have his choice as to which he will head, and if he chooses to be the Chairman of the Appropriations Committee, the majority of Massachusetts will be in line to be Chairman of the Armed Forces Committee.

President Truman, who must now report the budget, will ask for $70 billion, Underwriters and Distributors

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The Commercial and Financial Chronicle . . . Thursday, December 18, 1952
Treasury Bonds to Free Market

Stressing the importance of the free market in government bonds, which has resulted from the separation of the Treasury Department and the Federal Reserve Board, the Governmental Securities Committee, through its chairman, Herbert N. Repp, president of Discount Corporation of New York, has held this approach to restoration of sound money policy and a constructive influence on the economy. Points out this Committee report principle of independent Federal Reserve.

The text of the report follows:

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 reductions in the fiscal policy of the Reserve System. It has been described as 'neutral' the practical effect, however, has been one of restraint. The unwill- ingness 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 totaling $24.5 billion bearing 2 1/4 and 2 1/2 percent coupons which might have been called during the year, were not called because they could not be refinanced at any interest saving.

In the Spring, the Treasury offered a 2 1/4 percent non-marketable bond, the same bond which was offered for exchange against 2 1/4 percent securities in May, following the Treasury-Federal Reserve Bank agreement. This time it was offered as a combination of cash and exchange against certain 2 1/4 percent bonds not included in the earlier operation. The issue was successful from the standpoint of raising new cash. In fact only $315 million of new money was retained from private investors.

The Treasury Police, including new sales, only $1.75 billion of non-marketable 2 1/4 percent bonds were issued. We believe this record of subscriptions reflects 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.
Canada Not Oversold in U.S.!

For the fourth consecutive year, the Canadian Committee of the Investment Bankers Association of America has reported to the Annual Convention of the Association in meeting at Hollywood, Fla., Arthur S. Torrey of W. C. Pitfield & Company Ltd., New York and Montreal, the chairman of the Committee, declared the talk that the favorable publicity which has spread throughout the United States regarding Canada's progress has caused "Canada to be overvalued 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.

The text of the Committee's report follows:

So much has been written and said about Canada during the last 12 months that there is little new information that the Canadian Committee of Bankers can add.

In this Fourth Annual Report of the Canadian Committee, however, we will continue by summarizing the position of various classes of industry and giving it the favorable publicity which has spread throughout the United States regarding Canada's progress. The data we have received has not overvalued 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 overvalued position.

The record of the Canadian Wheat Board has brought 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. This will, of course, ultimate, and will more money for the Canadian farmers.

In the early part of the current year we heard considerable about economic difficulties in the United States. Such industries, namely, transportation, retail trade, and various others, had similar problems in the United States which brought about a serious drop in their production again became keen. This adjustment was different, however, in spring and early summer some improvement was shown and these industries felt much better about the future.

The 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 since as the first six months of 1952 export trade increased 29%, 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 the majority of economists. Abbot in his 1952 budget and this budget was based on the assumption of a 3% growth of national product of $22 billion.

With this increase in economic activity the cost-of-living index dropped from 1951.3 in January to 1973.2 in July, while the wholesale-price index for this period declined about 4%. Incomes, on the other hand, continued to rise. The average weekly wage in Canada rose from January to June about 7% in current dollars.

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 not been disillusioned as the period of good, average prosperity. This is not to say we are without problems—in fact every economic area always has some problems. Currently we are confronted 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 in good shape. However, consumers have been encouraged by some 400,000, our population is now estimated at 14,000,000, our labor force approximates 5,000,000 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—"whether expenditures something like 16% ahead of a year ago. Definite spending is proceeding at a rate of about one-third higher. Capital expenditures, some associated with the defense program, 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 $3.2 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 75 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 days of fast-moving events, things may happen between now and the end of the year 1952 that will upset these calculations but there are good grounds for believing that the gross national product of 1952, of $22½ billion, will be equalized if not exceeded.

Turning briefly to the future and 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 equalized if not exceeded.

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Rights-Scrip-Warrants
Trends and Problems of Life Insurance Investments

Industrial and miscellaneous bonds, held by life insurance companies at the end of 1951, were acquired by direct placement.

The principal advantages of direct placements, as I have already pointed out, are these: First, the direct placement makes it possible to tailor the terms of the loan to meet the particular requirements of both the borrower and the lender. Second, it is possible in the case of the Prudential, and I am sure life insurance companies in general, this advantage bodes 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, who may want to facilitate adjustment of indenture provisions and in the terms of original loan agreements, and who are mutually beneficial to both the borrower and the lenders. Facility of adjustment is important in the case of large loans, for which corporations operate today. It is also advantageous in non-corporate loans, such as in the New Jersey Turnpike issue where it was possible to obtain consent to additional financing.

Perhaps one of the most significant advantages of direct placement financing is that it is a means of achieving financial stability. This is true primarily because direct placements do not allow for refinancing. Direct placements can usually be changed at times of general business decline, and this can help to

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The Commercial and Financial Chronicle... Thursday, December 18, 1952
The Federal Reserve, in order to contribute to the stability of the economic system and to prevent the occurrence of large-scale inflations, maintains a line of credit to the government, which acts as a "pied Piper" to the private economy. The Fed acts in the market for government securities, buying and selling them at prices that reflect its assessment of the economy's condition. It does this to keep the economy from overheating or cooling off too much, maintaining a steady growth in real output and prices.

The Fed's actions are guided by its dual mandate of maximum employment and price stability. It is the central bank of the United States and is independent of the government, yet its policies are subject to oversight by Congress. The Fed has the power to set interest rates, buy and sell Treasury securities, and regulate the money supply. It also supervises and regulates banks and other financial institutions.

The Fed's monetary policy decisions are influenced by a variety of factors, including economic data, forecasts, and the views of its governors. The FOMC, which consists of the chairman and vice chairman of the Board of Governors of the Federal Reserve System and 12 members of the Federal Reserve Banks, meets 8 times a year to set monetary policy. The FOMC sets the target federal funds rate, which influences other short-term interest rates and credit conditions throughout the economy.

In conclusion, the Fed's role in the economy is crucial, and its decisions have a direct impact on the health of the economy. It is a complex and influential institution that plays a vital role in maintaining economic stability.
Proposed Code

The type of securities defined by the Code would be enhanced 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 securites 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 AIA, reading:

"Be It Resolved, by the Section of the Municipal Law of the American Bar Association:

(1) That the proposed Uniform Local and Municipal Code is 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 public acts of Article 3, notwithstanding the fact that it is not issued from a special fund.

(2) That the Chairman of the Section of Municipal Law is hereby authorized to communicate this action to the Sub-Committee on Uniform Local and Municipal Law 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 declare 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 proper wording or arrangement of the amended article but urge one that will definitely eliminate the existing marked contest respecting this feature of Article 8 of the proposed Code. We consider it essential 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 aid in the protection of holders of such securities, and
(2) of those who are responsible for the underwriting, placement and subsequent security of billions of dollars of such securities every year.

Public Credit for Private Operations

It was at our Annual Convention a year ago that the Association passed a resolution expressing deep concern as to the latent risks inherent in the issuance of bonds for financing privately operated industrial developments in the name of municipal credits. This action was taken at a time after a protracted period of study of the situation and 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 municipal obligations to construct or acquire manufacturing or industrial plants for the explicit 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; and

"Whereas, similar practices in the past have had injurious effects upon public credit; and

"Whereas, if this practice is not checked it may react to the detriment of our present system of credit and further may ultimately endanger the valuable position of State sovereignty as 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 in the exercise of his best efforts to inform voters, state legislators, prospective issuing units of local government, and other interested parties of the past explicit obligation bonds of such municipalities in 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 reviewed 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 16th century, state and local governments loaned money to the Extensive, turnpike, and railroad promoters in the interests of economic development. Some of these programs were successful, and many more were not, 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 Middle West.

The article is concluded under the heading, "Competitive Bidding for Industry." The article states:

"One dangerous possibility is that the extension of industrial financing to new factory building in cities bidding against one another in their efforts to attract new plants. To outside rival cities, they will find easy to expand the degree of subsidy. This will enable cities to ever more serious effects in the event of unfavorable economic developments. In the past, its annual Conference on State and municipal subsidies would tend to cancel out and firms would locate where they would have gone without any public aid.

"Another drawback of these programs is that the tax abatement features involve redistribution of the tax burden. Taxpayers, local, state, and federal do not pay property taxes, and proportionate answers in the communities face higher tax burdens than they might otherwise.

"Similarly, the income tax exemption of the bonds sold to build new factories is a marketing device. The programs are more widely adopted and used, a shift in state and Federal income tax burdens from taxable income interest to other sources.

"Finally, widespread defaults on bonds issued for new plants, such as many of the projects fall upon economic downturn, could impair financial marketability of their local government's bonds in local, state and Federal income tax burdens from taxable interest income to other sources.

"OneCarefully consider the long-term adverse effects of the use of public credit from tax-exempt interest income to other sources.

"Aid in the construction, or the operation of industrial plants; and can adopt a resolution similar to the one adopted at last year's meeting of the Municipal Bond Association of America in this regard.

The Municipal Finance Officers Association of the United States and Canada adopted a resolution last year at its Annual Meeting in New York, in which it recommended that municipal finance officers and legal representatives of municipalities:

"(1) Carefully consider the long-term adverse effects of the use of public credit from tax-exempt interest income to other sources; and

"(2) Advise the issuance of municipal debt obligations to acquire property of the kind mentioned in the resolution under other conditions.

On Sept. 16 last the Section of Municipal Law of the Municipal 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 government units and to sound local finance policy to allow such local government units to issue their obligations to provide industrial plants or factory facilities for the direct benefit of private business.

During the year there has been much discussion of this character in a few of the States, principally in Michigan, where general obligations are the property of the Bond Buyer. It was asked in Michigan by the Supreme Court of that State held such financing illegal.

That 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 securing aid to private companies in the development of industries.

Investment Banking Seminar

The second Investment Bankers Education Conference was held last February, 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 members and the Education Committee is to be congratulated upon the caliber of the speakers and the success of both of these Seminars.

The subject of municipalities was Industrial Development, held in Philadelphia, acted as moderator. Mr. Craigie in his talk discussed prospects and outlook in the municipal field; also industrial municipal bonds. Mr. Mit
cell of the Municipal Officers Association of New York City, folded the discussion of various aspects of housing authority bonds.

Advertising Municipal Securities

An advertising campaign this past year during which the "Bond Buyer" continued its annual ad contest. As will be recalled from our previous reports the purpose of the contest is to promote public interest in and develop effective methods of advertising municipal securities and to deliver a message respecting the factors which make them attractive.

From advertisements entered in the contest each January through October — a winner is selected by a committee of judges chosen by the "Bond Buyer." It is expected that this activity will be the best for originality, effectiveness and leadership. From among these monthly winners, the
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:


The winner of the annual award for 1959 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 continuation of this contest in 1953 on a somewhat broadened basis with results of the ads as one of the determining factors of the award, 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., Epton L. Liptrot of the "American Banker" and William T. Hall, Jr., of the "Bond Buyer."
Continued from page 23

Canada's Development
And Its Prospects

population and about 10% for national product. But of course Canada, except in lumber, and her international trade, is relatively a small market—under a population only one-eleventh of years 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 the 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 uran-ium can be assessed. One thing is already clear, however; the sum total of the developments 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. To the extent that American expansion Canada has relied on capital imports to provide part of the necessary savings, and has run a deficit in her current balance of trade. This deficit was amount of $200 million in 1895 and the first half of 1931, when Canada had a very large current account deficits which were more than balanced by capital imports, though it is worth noting that even in Canada's years of five-sixths of investment outflows were financed from domestic sources. During the past 12 or 16 months, however, Canadians have apparently been able to finance themselves entirely out of their own resources, or it is not subtle meaning by a net capital inflow. It is perhaps surprising that the Canadian has been able to carry both am- bition of basic development and a large scale defense effort without incurring a large deficit in the current balance of payments and indeed with a substantial increase in the foreign exchange value of the Canadian dollar. This has been achieved without the artifi-cial protection of either exchange restrictions or import quotas. As has been indicated, in past periods of heavy investment activity payments. This pattern was still deficit and it would not be possible to maintain this pattern itself in the future.

Capi...
high taxes ever popular? Yet it provided a reasonably effective break on prices before the financial panic of 1929.

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 in which we are pursuing similar objectives, the trade relationship between the United States 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 these two countries has grown about seven times in value and three times in volume since being broken in 1939. It is now perhaps the major obstacle to trade in raw materials and manufactures, we are told, however, that Americans still do not buy as much from the United States as they could if they wished it.

Both to our countries the position of our overseas markets is of critical importance. Their ability to continue buying goods which they need and which we in North America can and should supply is limited to the dollars they obtain by trade, aid and loans or investments—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 in the postwar world is, in this dangerous era, the foundation of its military power and political security. North America there is developing a better public understanding of the role of the good debtor and the good creditor. Both must play their proper parts.

In this matter Canada has a strong voice. In no other country has Canada been the recipient of a large volume of foreign investment; total non-resident investments in Canada are valued at some $1.2 billion, of which over $720 million is 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 postwar reconstruction. Thus, if be- bores Canada to act both as a good debtor and as a good creditor. In order to serve 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 you only if they can sell goods either in your country or through multi¬ plied direct or through multi¬ lateral settlements. It is a very hopeful sign that in both your country and mine we have, at last, gained general public understanding of the role of the good creditor. In this process of public education and fi¬ nancial planning, we are, I think, playing a very important part.

The biggest international eco¬ nomic 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 should not be satisfied with just some special forms of aid to continue. Military aid by the United States is an excellent example. But, I feel, you have to get our foreign policy to make sure that the aid is not only trade. The goods which reach the countries of the world today are generally favorable to the United States, and are not favorable to some other countries. We should be willing to trade with them.

In the context of this discussion, I wish to mention the importance of the dollar. The dollar, as a world currency, has been in the forefront of the great changes in the postwar world. The dollar is the basic unit of the world economy, and it is the unit in which most international transactions are conducted.

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Canada Not Oversold in U.S.!

Foreign Trade

As most of you are doubtless aware, foreign trade is vital to the health of the Canadian economy. Exports now earn 23% of our national 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 1950 with a net deficit on current account of $325 million. This, however, was mainly capital inflow from the United States. Capital funds received from the States were about $650 million last year. Nonetheless, the trading deficit was so large that Canada still needed $400 million with which to balance its 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 $329 million in the previous year, the reason for this improvement is disturbing. Although the deficit with the United States is down slightly at $226 million, our 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 the need for expansion and diversification of our export trade, as it is questionless as to whether the overseas countries mentioned above can maintain their purchases from Canada at current levels.

Securities and Stock Markets

The tabulation reproduced below points out very clearly the financial reliance of the United States which rose slightly during the final quarter of 1951, and remained at the same high level until July of this year and then started to rise again.

The Canadian stock market, in its efforts to follow the general pattern of the American market, the exceptions being the Government bond yields, those classes of stocks which were affected by the financial situation. The most striking example is represented by the stocks which have declined in the past three months just as sharply as they advanced in the previous 12 months. Speculation, of course, is rampant, and we do not feel 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 resource or any other, their time will come in time to come. No doubt some of the universal speculation is fostered as a result of the publicity given by American public and official bodies which have also been greatly resented.

We appreciate that American Investment Bankers have been giving an excellent and valuable service to inquiries regarding Canadian securities and the made by an ever increasing number of requests from U.S. members for information received by us. Further evidence of such is the recent formation of the Canadian branch of New York based merchant bank, a move that will have far reaching and beneficial results being listed for trading in New York. The move by the Canadian Investment companies in the United States to invest solely in Canadian securities.

We also wish to record that American banks and insurance companies are being reciprocated and that Canadians are being given a better opportunity by any share to the larger American companies doing business in Canada. It is witnessed by the listing on Canadian Exchanges of the shares of Standard Brands, Johns-Manville and General Electric.

It may be hoped that as the economy grows and American investors continue to make investments in our shares, members of the Invesco Financial will consider a scheme of a low risk nature, as a sizable purchase or sale can affect prices appreciably in our market.

Extradition Treaty

In June the Canadian Parliament, by an Act amending the Supplementary Convention between Canada and the United States, has provided for the extradition of citizens in case of fraud. The Convention is based on the act ratified by the U.S. Senate.

The Supplementary Convention amended the existing extradition treaty to conform with those set up by the American State Code which deal with the fraudulent concealment of property, and this turn, these sections have corresponding clauses in U.S. Federal Statutes.

We wish to commend this bill to the Government and call attention to its value. This is to be hoped that the economy grows and American investors continue to make investments in our shares, members of the Invesco Financial will consider a scheme of a low risk nature, as a sizable purchase or sale can affect prices appreciably in our market.
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, lending 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 up to write down the net assets and increase the Federal debt, with the result that since March 31, 1946, this debt had 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 capital in debt 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 a revised plan for consumers' durable goods, Canada reduced or eliminated excise taxes on such items as washing machines, stoves, electrical appliances, cars and radios, and subsequent months have shown the efficacy of this action.

In addition, measures taken in the present Federal Budget to check inflation were revoked in April and May of this year with the consent of all concerned, credit restrictions and as a result reduced prices of many items to a considerable rate. The increase in the sale of durable goods over the same months of the previous year has been substantial and all other lines of business have improved, although in a less spectacular fashion.

Revenues for the year to date unquestionably will be at least $500 million above the Federal budgetary forecasts of April 1, 1952, and to continue its regulation for balancing its budget and while the surplus for the current fiscal year is expected to be a huge surplus of a year ago, it is indicative that the financial integrity of the country continues. Indications are that in the near future, the budget 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 18.7%. 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 in is in excess of $3.1 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 20%, non-ferrous metals 50%, iron and steel 65%, petroleum and coal 60%, rubber 52%, railways and water transport 32%. On the other hand, the wholesale and retail trade, commercial services, financial, insurance and real estate activity should decline.

Foreign investment at the end of 1951 had a book value of $9.4 billion—up 9% from 1940. Of this amount, 76% was invested in the United States and 18% 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. Foreign funds invested in new enterprise last year, residents supplied about 85%. It must be emphasized, however, that this much of the venture capital is coming from abroad, particularly from the United States.

The Canadian Government has taken steps to reduce tax mind from the huge surplus of a year ago, and the financial integrity of the country continues. Indications are that in the near future, the budget 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 18.7%. 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 in is in excess of $3.1 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 20%, non-ferrous metals 50%, iron and steel 65%, petroleum and coal 60%, rubber 52%, railways and water transport 32%. On the other hand, the wholesale and retail trade, commercial services, financial, insurance and real estate activity should decline.

Foreign investment at the end of 1951 had a book value of $9.4 billion—up 9% from 1940. Of this amount, 76% was invested in the United States and 18% 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. Foreign funds invested in new enterprise last year, residents supplied about 85%. It must be emphasized, however, that this much of the venture capital is coming from abroad, particularly from the United States.

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**Take a look at Canada**

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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 increased greatly last year. Alberta's reserves are estimated at about 9 trillion cubic feet and a little more than 2 trillion cubic feet have been developed in British Columbia and Saskatchewan. Most discussion of Canada's natural gas now focuses on exports and imports. 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 which would connect the country to Eastern Canada. Many of you are familiar with the discussion 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.

Field Forests

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 sulphate and sulphite pulps have risen much more rapidly than newsprint and there has 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 weaknesses in the demand from the United States and within Canada, has improved and other export markets such as Japan, appear well suited to future possibilities. The market for Canadian lumber is a bit brighter now than it was during the summer months. To do 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 the most exciting projects in the world. When it is realized that present installed capacity is 21% of potential and that almost one-half of this potential is in the Province of Quebec, it is clear that this great country is only at the beginning of new developments within our economy.

Aluminum

The Aluminum Company of Canada Limited, the world's largest individual producer of aluminum ingots, is finishing up an expansion program designed to raise Canadian production by 50%.

On the west coast the Kitimat project is well under way. Completion of the initial stage by 1954 at a cost of $100 million will bring 90,000 tons into production. When the entire $500 million plant is finished it is expected to be capable of 500,000 tons annual production. The project is designed to place an additional 125,000 tons of aluminum on the market in the next 7 years.

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 project 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 project near the Canadian border. The ore 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 under-ground mining operation. Capacity is expected to be maintained at 250 million pounds of nickel annually.

A low-grade copper body of 65 million tons of ore has been outlined on the Gaspé 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 in additions and 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

The Commercial and Financial Chronicle. Thursday, December 18, 1952

Canada Not Oversold in U. S.
reserves in this area at approximately 2 billion tons. By 1954 ore should be moving at the rate of five million tons a year.

In addition, Canada has several other iron developments of a less spectacular nature. The St. Lawrence Seaway has been undertaken production is to be stepped up to 20 million tons a year.

In addition, Canada has several other iron developments of a less spectacular nature. The St. Lawrence Seaway has been undertaken production is to be stepped up to 20 million tons a year.

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 approve the project to cooperate with Ontario in carrying out it 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.

We may, therefore, conclude this report with the firm hope that the cooperations between United States and Canada will flourish in the future as in the past.

On this subject 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 these 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,

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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.
A Free Market Propels
Our Economic Machinery

to do this morning is to talk a little about a few considerations that I consider to be the basic principles of propulsation of our economic machinery and of the present competitive enterprise system, which we talk about often, 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 on which our strength rests. Within the framework of a human society — 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 the country, as can emerge from without its borders. It is subtle. It is insidious. It eliminates the conditions which produce controls and regimentation, and it permits the recourse that are able to take 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 another grain 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 of the greatness of the American economy and of the rest of the framework of human nature. 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 time when the waves then you out in the sea—that this inflationary ebb 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. Struggling with the problem of inflation, Western Europe has gravitated around the Marshall Plan, a program that was in its initial stages not only desirable but intelligently conceived. It was not at all — not as a perpetuation of the prewar, or a middle class, or 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 is left on the hospital. We have seen the countries of Europe, acting along with Marshall Plan aid return to the common sense process, one by one, and do it in the hard way. We have seen monetary policy put to work in Belgium and in Italy. We have seen government bonds 'went below par' at a time the United States would be destroyed.

The Role of the Federal Reserve

By now I either enjoy recalling the first three or four months of my experience in the Federal under an unpegged market; but at that time it certainly wasn't a period of a life, and I could 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, when I think "stability" had come to mean "stagnation" and "frozen prisons." 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 sound rules which will give some degree of policy guidance to the market, and those of you who have contacts in the market, an understanding of how the Federal Reserve is thinking, and what it will intervene, and for what purpose it will intervene; also, an understanding of what conditions—depends on the market, and those of you who have contacts in the market, an understanding of how the Federal Reserve is thinking, and what it will intervene, and for what purpose it will intervene; also, an understanding of what conditions will be a maximum and a minimum and a target at any one time.

We had the problem of the concept of 'maintaining an orderly market.' I tried to induce several committees of the Congress to define 'orderly market.' I thought I was very successful, but I was told that gradually our emphasis has been left on the realization that we should not only be the judges of what is an orderly market is; that our efforts should be directed to determining orderly conditions—if you can see the shade of difference in emphasis—and that even there, we ought to be extremely careful about attempting to make unduly in determining the Open Market Committee what a sound or soundless Government securities market. The direction in which we are trying to move is, we believe, the right way to make the fundamental credit of the United States. However, every good friend and I was possibly the terrible distress when his bonds went down. It had no understanding whatever of what a market—stable security was. I had started out by telling me that the credit of the United States had been destroyed—that it had been delusory, and that I was partially responsible. I listened attentively as I could and tried to explain to him that the credit of the United States hadn't been destroyed. The credit of the United States was stronger than it had ever been; that we were trying to get at the core 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 that I happened to notice that on one occasion I thought that the Government securities at 103.75, every good friend and I was paying for those 'securities.' It turned out that he had gotten them at 103.75. As he was a man on subscription, through my broker, and he sold the Treasury a check for the face, he thought he had had a terrible profit. That was the only thing that made an impression on him.

In my early experience in finance, I was trained in the view that 'the market' was the Government, securities. Certainly in a government like the United States, it is the government, whatever you depend on that completely. The only risk is in currency depiction. That risk, we are confident, should be acceptable as we are thinking, within the framework of logic, to reliance on the forces of the market.

Clearing Away Debris in Government Bond Market

Let me show you an illustration which supports that view. The year 1951 was largely a year of clearing away the debris in the

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Government bond market and reflecting some of the forces that make for a freer market. The Federal attempted to move away from several things from moderating the market, and from the so-called open mouth policy. Of course when you have a bond account of the Federal Reserve and of your own bond account, it is very easy to move in the other direction; very easy to say, "What don't we make the market—we will make it what it ought to be. We will do it the way Judge of whether it ought to go up or down or 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 executives of the company had unloaded his stock, and therefore, so far as the traders were concerned, was absolutely worthless. I happened to have 50 shares of General Motors at the time, and thought, "There is no hope for this company, so I had better get over there and sell my 50 shares."

Right then, a little trader for whom I had great respect and to whom I talked a great deal came to me and said: "You said something like this: "You know, that is a great company; it is going down, I don't know whether to sell it or not, the country, the automobile business, is still there, and if the company is going to be around for a managerial change, 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, demonstrated something for which I then and some years later have come to believe. You can't handle our fiscal, monetary and debt management problems properly. Because the Treasury and the Federal Reserve — jointly — are deeply and sincerely interested in restraining inflation and maintaining full employment, none could be more interested than is the Treasury of the United States, and certainly 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

It would be perfectly true that we have gone over the one more experience in clearing away the debris. In the early period extending into 1923, came deficit finance. Now I was greatly disturbed when this was talked about in 1923, 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 2½%, 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, and 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 2 ½% issue came out to the banks at 2 ½% over the market, right, but it wasn't available to them because no bank investors took it up under the subscription technique. Now I won't say this means that they couldn't give you a loan at that that isn't the point of my illustration. You have to learn by step by step to do some of these things, relieve some of the processes that you knew very well at one time, only that time was many 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 reprice their portfolios. Then the short-rate began to go up. And then the corporate 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 server they hadn't gotten from the Reserve System.

I was quite impressed at the end of the eight-week period because, for 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 $2,400,000,000 at the beginning of the period and refunded $2,000,- 000,000 of maturing certificates of deposit before its close. That 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 $2,000,000,000 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 increase of securities in loans by banks against Government securities. So instead of more inflation, we had a touch of credit restraint, of necessity, for the market affecting the banks, and, out of that, came inflation. 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 reasial and readjustment is just beginning. On other things are going all right, and you accept the fact that mortgage were being picked up right and left. An insur- ance executive told me that when the Government was working with the banks and the loans—some of those mortgages had been getting off and found quite a n u m b e r of commitments he wished had been made. Here again was the market, bringing to bear all the power of those banks.

I have been impressed with how effective the effects revealed in our monetary system in the period of 1906-1907 have been overcome by the successful working of the Fed- eral Reserve System. True, the Federal Reserve System must change its course and must adapt itself to changing times and problems like any other organization, but the adjustments that should be made must be made in accord-
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.
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Walter McC. Martin, Jr., Chairman of the Board of Governors of the Federal Reserve System, addressing the Convention.

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Foresees Federal Deficits, with Only Moderate Tax Cuts

there is every reason to believe that a 56% limitation would eventually be held by the courts, and that any decrease in such a result should be shown as was shown in the estimates made by the Bureau of the Budget. (2) With respect to a decrease in the capital gains tax, a shortening of the period during which increased deduction against other income could be taken, and a reduction in the rate that might we make some progress. Last year it will be recalled, Secretary Snyder, following the direction of President Truman, recommended an increase of 25% from 23% to 25% 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 rate of taxation on corporate and free capital markets, Congress saw fit to raise the tax to 25%. At the time it was said, and it is not uncommon, that the increase was not too unfavorable in view of the drastic rates in taxes generally. Since tax reductions seem to be in order, it is our opinion that we should make the following recommendations to Congress: (1) Reduce the Limitation on Capital Gains Tax: A reduction in the tax and in the period during which the holding period to 3 years, and an increase to $50,000 in the deduction for losses against other income.

While there are no actual figures available to support our contention that these recommendations, if adopted, would result in the more favorable treatment accorded to the capital gains than the tax bill resulted in a rather large increase of the capital gains. Furthermore, the Tax Committee has recently consulted with a large number of trustees and investment advisers to try to find out the extent that the present tax rate of 26% on long-term capital gains has acted as a deterrent to make 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, the decrease in the payment of taxes on long-term gains and in addition would help greatly to free capital markets. Not infrequently, the bank's knowledge of many instances where investors have been reluctant to make sales of desirable securities of companies on the basis of the resulting loss of capital to them through the payment of a 26% tax. If this rate was reduced to 10% its objections would be greatly overcome and the changes would be made and the tax paid.

(3) With respect to a greatly increased deduction against other income, we support the present recommendation of the House Ways and Means Committee that there be a maximum deduction 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 of and employees of corporate businesses, 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 considerable attention 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 adjustment because of the lack of strong opposition. It is our purpose to take an active part on this matter when the new tax bill is considered.

IBA Members Should Support Programs

Our program may seem to be ambitious and certainly it will fail unless the members of the IBA realize the wholehearted support. On the other hand, the measures which we advocate seem to be very reasonable and worthy of support 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 S. Gram and the Joint Committees on Internal Revenue Taxation in Washington, New York, 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. Gram 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 Court that he had written to Mr. Gram. We are left to find out if any 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 believe to be getting enacting into the law.

As far as we know there have been no conflicts between our recommendations and those drawn up by others. However, none 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 was sent out highly technical and 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. Gram after this convention which will state 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
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Friedricks & Company,
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Memphis.
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be its advocate and get back to its proper function of regulator and fair referee, the economic fraud of public power can be exosed more effectively and the trend stopped. Under such conditions, we can envision in this generation private enterprise regaining 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% and net income up 13.6%. This is in sharp contrast to our previous report which showed operating income for the calendar year 1951 up 12.8% over 1950 and net income actually down 1% of 1%.

The comparison of 1952 with 1951 requires taking into consideration the impact of income tax changes. The 3 1/2% excise tax was removed as of January 1, 1951 and this is a large factor in the improved earnings picture. However, the taxable portion of normal operating taxes 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 possibilities of a tax 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 renewed the regular corporate tax rate may be increased to 2% or 3% to offset the loss of excess profits tax revenues. Such a change would be a disincentive tax to the net income of the industry since there would be little or no offsetting benefit from the excise tax.

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 that any increment of increased income represents a lower rate of return on the new plant invested. Increased taxes and costs of both operation and capital expenditures, management and regulatory systems 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 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 the first 10 months of the year 1952 as compared to the comparable 1951 period.

Total financing of the industry has increased 20% for the first 10 months of this year over the same 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 some will be dependent to some extent upon market conditions. During 1951 there was a sharp change in the level of the bank market. Moody's utility bond yield averages for A bonds hit a high of 3.32% from a low of 2.80% in 1951, a change of a full 1/2 of 1%, and the 1953 market has not varied much from the high of 1951—the 1952 range being 3.31% to 3.32%. More importantly, 31 actual new issues of A bonds were offered in the first 10 months of this year at an average yield of 3.26%, with the general level holding in the neighborhood of 3% for 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 increased from 35 to 75 basis points over the past 12 months, and there is a trend toward a further increase. In the 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 management, when given freedom of action, is not dependent on negotiated underwriting method is the preferable way to sell preferred stock—particularly when markets for such issues are something less than ideal.

While bond and preferred stock markets have been volatile throughout the year, 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 average of all electric operating company common stocks listed in The Financial Corporation's utility stock booklet. On Nov. 7, 1952 these 53 stocks were selling at an average of 14.0 times earnings and yielded an average of 5.31%. On Dec. 10, 1951 these same stocks were sold at 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 voting this seeming attraction of the utility common stock market. The trend has been augmented by high short-term rates which have been due to any extent in an unusually strong defense 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 financing results. Affiliated companies in the Bell System have sold an aggregate of $95 million of debt securities through the end of November, 1952, and in addition have sold $181,305,700 of capital stock. However, most of this stock was sold to the parent company and the proceeds are therefore in large part reflected in the parent company's sale of the convertible debentures.

Telephone Companies

In August, 1952 American Telephone and Telegraph Company and Telegraph Company successfully completed the largest single corporate security offering in the country's history by means of the offering to stockholders of $498,656,303 of 3% Convertible Debentures due 1964. This financing comes on an order established in recent years by this company in selling debentures.

Earnings of Privately Owned Electric Utilities

<table>
<thead>
<tr>
<th>Year</th>
<th>First Eight Months</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>$1,531,371</td>
<td></td>
</tr>
<tr>
<td>1952</td>
<td>$2,822,280</td>
<td>+20.9%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Two Months to October 31</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>$1,531,371</td>
<td></td>
</tr>
<tr>
<td>1952</td>
<td>$2,822,280</td>
<td>+20.9%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Purpose of financing</th>
<th>Total</th>
<th>Change</th>
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<tr>
<td>New money</td>
<td>$1,495,410</td>
<td>$1,351,980</td>
</tr>
<tr>
<td>New stock</td>
<td>202,082</td>
<td>174,028</td>
</tr>
<tr>
<td>Common stock</td>
<td>234,815</td>
<td>209,377</td>
</tr>
</tbody>
</table>

| Total | $1,531,371 | $2,822,280 | +20.9% |

(Based on 1952 First Eight Months)

Bond and preferred stocks have been valued at book values, 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 average of all electric operating company common stocks listed in The Financial Corporation's utility stock booklet. On Nov. 7, 1952 these 53 stocks were selling at an average of 14.0 times earnings and yielded an average of 5.31%. On Dec. 10, 1951 these same stocks were selling at 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 authorities in voting this seeming attraction of the utility common stock market. The trend has been augmented by high short-term rates which have been due to any extent in an unusually strong defense.
Continued 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 reversal in the direction of 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 all 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.

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 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. The traffic demand has been an 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.

2. The ability of the airlines to please the travelling public with the services they provide in competition with other forms of transportation.

In 1951 for the first time scheduled air passenger miles exceeded those traveled in Pullman cars. The airline industry can be said to have come of age, now that it is a full-fledged adult it must be ever vigilant against a deterioration in the quality of its service. By this time some 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 airline industry between June 1951 and December 1952 in the number of passengers. This is the interchange of equipment, whereby a plane can originate at one point and be flown on a through trip over another line or lines. The CAB's policy appears to support interchange agreements where traffic warrants it. The question well be that developments along those interchange arrangements may be regarded as operating mergers stopping short of complete mergers. CAB approval is required in the case of interchange agreements as well as mergers. It is unfortunate that the procedures involved in obtaining the necessary approvals are so cumbersome as to cause the most burdensome delays. After the large benefit made by the CAB to streamline its procedure as to market the desire and the demoralizing uncertainties and heavy expenses involved 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 government aid in this, the predictable of airline operations, is that it is only a question of time before a technical equipment of the short-haul carriers a real utility. Those lines want in some extent to be prophesy, be the helicopter.

Under the impetus of the Demon Program there has been made in helicopter engineering and production. The results are performed by the helicopter for the military forces and other services (Coast Guard, etc.) are matters of common knowledge. The helicopter is now emerging as a factor in commercial transportation. Three helicopter companies have been scheduled operations, confined so far to the coast of California and the not distant future to carry passengers as well, within a limited and popular area. Helicopters capable of carrying eight or 10 persons are now operating and models capable of carrying 30 to 40 persons have been seen and should be flying for the military within a year. In addition to the many proponents mail and passengers between airports and other points within the large urban areas, the helicopter may eventually prove useful in carrying passenger traffic on short-revenue air lines, but on trunk-line flights 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 commercial 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 DC3.

Much attention has been given recently to the potential of the jet transport. British jets are being used on certain routes of the British airplanes. 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 and to operate and it does not seem probable that a jet transport suitable for operation by our domestic airlines, will be in service before at least six years. In addition to the fact that the present day jet plane is so expensive to operate, there are technical obstacles in the way of incorporating it into service on the highly congested routes of this country. The jets made by the British airlines operating in any substantial numbers in and out of thickly inhabited communities would be so appalling as to be unendurable.

The development of one of the roles 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 lines will not be able to move to points ways outside of metropolitan areas. As a result of that the jet passenger one can see an other important role to be played by the helicopter for carrying passengers from the center of cities to these relatively distant airfields.

The subject of the turbo-prop

Continued on page 66

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NEW YORK 5
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**Continued from page 65**

**Finds Little Grist in New Aviation Financing**

engine has received much atten-
tion and its proponents believe
that such a powerful plant is
some respects superior to that of
the jet. Yet whether the future
will see this type of engine de-
developed to a point where its use
in commercial transportation will
precede or take place simulta-
neously with that of the jet will
still be a matter of question which
many 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 car-
rriage 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
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 serv-

**TABLE I**

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<th>Domestic Truck Lines (Millions)</th>
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<tr>
<td>Operating Expenses</td>
<td>$353</td>
<td>$393</td>
<td>$409</td>
<td>$460</td>
<td>$459</td>
<td>$484</td>
<td></td>
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<tr>
<td>Income Before Taxes</td>
<td>def</td>
<td>def</td>
<td>def</td>
<td>def</td>
<td>def</td>
<td>0</td>
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<tr>
<td>Net Income</td>
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<td>def</td>
<td>def</td>
<td>0</td>
<td>0</td>
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*1952 estimated results based on projection of eight months data.

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**The Commercial and Financial Chronicle**... Thursday, December 18, 1932
A Year of Careful Planning
And Doing Ahead

We must sell properly. Our new film, "Opportunity—U. S. A.", is just one of the many ways of telling the public about the productive investment banking industry. It is necessary for you who fail fully to exploit the opportunities for education made possible by this film, are simply throwing business away from the front door.

The film only raises the tremendous amount of money required by industry and government, if the 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 Chairman to see 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 a large percentage of the people in the investment banking industry represents less than one-half of one percent of our population. So work this tremendous opportunity and rewards of service are beyond comprehension.

We must be courageous and make up 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, in the sixteenth 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.
Continued from page 31

Treasuries Responding To Free Market

interest. The outcome was to sustain the principle of an independent Federal Reserve system. It was reassuring to note the Republican Party platform of 1932 specifically supported this position.

In May of this year the Federal Open Market Committee of the Federal Reserve System held its first public meeting for the examination 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 questionnairenaires and appeared in person before the Committee. This survey, which is still in progress, was a private one and its findings have not yet been made public.

The position of the Federal Open Market Committee was tested by a number of commercial banks and savings and loan associations. The results of its inquiry have yet to be made public.

There are many reasons why the Federal Reserve System is in a favorable position to influence the economy of this country. The Federal Reserve System is in a position to make loans to banks, to purchase government securities, to purchase securities of other financial institutions, and to lend money to banks.

In Defense of the RFC

flucts the best thinking on the economic needs of the country. Notwithstanding these, these ugly facts, which have been minor side issues of the main work of the RFC, still distort a record of a great achievement for a key factor in preserving our system of free competitive enterprise.

When you think of RFC, what should come to mind is not the acquisition of develop¬ment in the American economy. The RFC has in many instances shown the way in new develop¬ments 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 not easy to the traditions 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 and potential 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 against the might 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 in a sound competitive basis. Today the situation is such that we need no longer have any fear that such an industry cannot 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 more of the highlights of the his¬
tory 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 na¬
tional economy as they arise. In its short history of 20 years the Corporation has had many roles. 

It is not easy to do justice to this work of saving and endangered industry by bolstering our financial and industrial confidence to enable our industry to come through the economic storm that was threatened by disaster. As we came into the World War II period, it moved into the next phase of its work. By controlling the tremendous production required to make us militarily and economically strong to face the destruction of ourselves and our allies. During the post-war years it served as a cushion against shock to American industry and helped a new era from an all-out war economy to a peace-time 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 interna¬
tional situations. For tomorrow it stands ready with a capable, efficient organization, keenly aware of its changes taking place in our economy, to meet the problems of our economy as they develop.

THOMAS & CO.

Municipal and Corporate Securities

prospectus from PHILADELPHIA, PA.

UNION TRUST BUILDING

PITTSBURGH 19, PA.
New State Legislation Affecting Securities

Texas Securities Act. The members of this special subcommittee were:

H. H. Dewar (Dewar, Robertson & Pancoast, San Antonio), Chairman.
E. O. Cartwright (Merrill Lynch, Unger & Beane, Dallas), Vice-Chairman.
Harland Mayes (Rauscher, Pierce, & Co., Dallas).
Robert E. Moroney (Moroney, Beisner & Co., Houston).
J. E. Harris (Rauscher, Pierce, & Co., Dallas).

The subcommittee and its counsel discussed the points upon which it had desired with the Secretary of State and the Securities Commissioner of Texas at a meeting held in December. 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. Changes approved under the law’s amendment were listed upon those exchanges and a new registration statement has been registered under the Texas Securities Act.

The subcommittee and its counsel, the IBA legal counsel, then prepared briefs pro and con to present Texas Securities Act. These proposed amendments were presented to the Securities Commissioner of Texas at a meeting held 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 the proposed amendments. The proposed amendments would include provisions (1) to permit the registration of securities of commercial companies by affidavit and (2) to clarify and simplify the exemption of sales of certain securities by registered dealers in the secondary market. The Texas officials indicated their willingness to cooperate with the special subcommittee in preparing the present Texas Securities Act to embody such of the proposed amendments as are agreed to and to clarify certain ambiguous and incomplete provisions of the present Act.

In Washington a committee has been appointed to prepare a draft of a complete new Blue Sky law, which in addition to the provisions of the Securities Act, provides for a new registration system of self-regulation. Members of this committee include:

Fred Blanchett (Conrad Bruce & Company, Seattle).
Sherron Ellsworth (Win, P. Harrington & Son & Co., Seattle).
John J. Hasfurther (Blyth & Co., Inc., Spokane).
J. H. MacPhail (Waldo Hemphill, Houston).
E. B. Smith (Richards, Merrill & Peru, Inc., Spokane).
S. B. Lesk (S. B. Lesk & Co., Seattle).
Copies of the IBA model Blue Sky law have been furnished to all of the committee members above for their use in amending or revising the existing Blue Sky laws. The Blue Sky Law Exemption for Revenue Bonds

In the report of the Committee we reported that the Director of the Securities Division of the Texas Securities Commission had taken the tentative position, in connection with the $90,000,000 State of West Virginia Turnpike Revenue Bonds, that the exemption under the Virginia Blue Sky law for “An Act to provide for the issuance . . . by any state or political subdivision or agency thereof which 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 25th to discuss this problem with him. The members of this special committee were:

Homer L. Ferguson, Jr. (Mason-Hagan, Inc., Richmond).
Walter S. Robertson (Scott & Gorton, Inc., 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 complete in the committee members, reversed his previous tentative position and 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 made up promptly and informally with state regulatory authorities.

Legal Investment Laws

The legal 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 saving banks.
New Jersey: for savings banks, fiduciaries and insurance companies.
New York: for saving 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 and other 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 by fiduciaries, have been revised and the general Blue Sky law of Virginia has been recodified and revised.

We think it important to call particularly to your attention the

Continued on page 79
New State Legislation Affecting Securities

fact, as reported in "IBA Washington Bulletin No. 2-23," 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 45% 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 when it was enacted 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 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 dividends alone, 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 commission.

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 16 of each year, all property which on the preceding Dec. 31 was (1) "Any amount received in this state after June 30, 1948 by a broker or dealer or nominee of such broker or dealer as 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, 1948 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 by 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. Any bill vetoed last year would have applied to amounts received in any other state," whereas the bill vetoed this year has applied to amounts received by brokers or dealers at branch offices in New York (as well as to firms which have their principal place of business in any other state) regardless of whether the unclaimed property was received in New York. Under the new law there still remains the possibility of liability to pay the same abandoned property to one 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 in the general session in 1952 at a figure of five-tenths of 1% to four-fifths of 1% on various sales and services; it seems evident that the opposition to it was unsuccessful. As a result of the increased last year, it will not have moved their offices from New York City to another state, and a few investment funds have closed their New York City offices.

Since most of the state legislatures will be in regular session in 1953, and since we anticipate that as a considerable amount of legislation will be introduced and 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, law, legal investment laws, abandoned property laws, and corporate bond laws, and to acquaint themselves with the legislation of each state. In conclusion, the State Legislation Committee urges all members and participants to acquaint themselves in any problem relating to state legislation.

Respectfully submitted,
STATE LEGISLATIVE COMMITTEE
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Chicago
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INDIANA GAS & WATER CO., INC.

The Commercial and Financial Chronicle, Thursday, December 18, 1952

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profitably in whatever part of the world the Union Jack was flying.

Challenge of the Suspended Crisis

It seems clear to us that the precise economic factors of the suspended crisis which America and other great nations now face offer a special challenge to us as investment bankers.

The suspended crisis 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 restoring 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 duplicitous true that government assumed economic functions without consulting responsible leaders in industry, and if it is true that the independence or hostility or inability of industry created a situation under which government could take over default.

On this point "Business Week" recently reported, a special report, "Foreign Aid: What Comes Next?" which follows 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 and French capital did in the nineteenth century. But there have been, in the last few years, opportunities right here at home that private capital, by and large, has not touched even normal risks abroad. Then, too, "American dollars and cents 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 situation. Our experience with government invasions of private financings has convinced us of the inadvisability of government involvement in foreign investment. 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 is the same as the flow of private capital into the foreign countries concerned, but that government guarantees of private investment.

We can reach agreement that it is largely the job of private risk capital to establish a wholesome economic climate, that is, a country and responsibility as an enterprising source to provide technical leadership become clear.

When foreign investment is regarded as a straight business ven
ture, and not as some form of national idealism or charity, the process of channeling investment funds into various areas of the economy that 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 having it right more often than we are wrong. The government investor risks only the taxpayers' money and suffers no personal embarrassment if his judgment proves bad. On the other hand our investment mistakes are held to a minimum because they are self-correcting: the only way we can make mistakes is by that process of identification and personally, the effects of these mistakes. Our greatest strength lies in that sober sense of responsibility—of characteristics we whole profession: responsibility to those who entrust their funds, our skill is basic, and, in lessor sense, responsibility to those who see us.

How would this responsibility seem to one not in the area of foreign investment of private capital? Consider the difficulties associated with the idea of the American investor today when he imagines himself as an investor in the Investment climate abroad has changed in the last century. Undoubtedly the present day "ward downward, I' no longer have the warm man spread of investors. They fear they will be robbed of their birthright of national and republican power and nation.

Iran is perhaps the outstanding example at the moment of a country which is discouraging private capital from investing. The government created the worst possible climate for foreign capital; and abundant evidence is found that $500,000,000 initially invested would mean in the undeveloped areas involved will be fully seen only after some years of development; of course there are new roads, new installations, new schools, new hospitals and a record of which 'American private enterprise may well be proud.

The climate is favorable within American industry itself. There is no question but what we have been able to read the views of investors on a "Private Point" program. Despite some reservations, there have been very few that are similar to the one made by Mr. Paley:

"I am not just a humboldianist to talk about wanting other nations to match or better our growth. It is sound business and political sense."

Lastly, and perhaps most important, the climate seems to be favorable in Washington. The incoming Administration, we are assured, is interested in de-mapping the foreign investment in those fields where government has no prior business and is in serving "new ideas" as to the solution of the problems which concern all of us. It is here that industry might well be able to make big strides toward defusing 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, the "IBA Conference Committee" meeting in Washington, was received by officials of the Department of State. On this occasion I shared with Mr. Harold Linder, Assistant for Economic Affairs, some of the data on private investment abroad which I intended to incorporate in my remarks today. As a direct result of this conversations, I have received from Mr. Harlin Robinson, Assistant Chief of the Investment and Economic Development Staff, a statement on the position he takes to Mr. Robinson indicates the problem posed for the United States is roughly in the low standard of listing 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:

There are both the fields in which government has not, and should not, probably cannot be effectively.

While recognizing the fact that private investment alone cannot solve the problem, he asserts:

Greatly to this effect, and the only way to get results is by putting in liberal amounts of funds for grain, meat, dairy products and other essentials. After all, it is the foreign trade that makes our country rich."

Because we have today touched upon the subject of government investment in these economic enterprises, you will be interested in how this government can work in terms with the United States.

Mr. Robinson's suggestions as to how this government can work in terms with the investor are, of course, in line, to our proposals.

Guarantees against certain non-business problems; and more liberal policies in foreign trade will be abroad. To me, at least, Mr. Robinson's comments give evidence that our government is making a difficult effort to understand the difficulties of foreign investment, as they appear to the governments concerned. Guarantees and policies have been given to these governments to help them deal with the problems of the 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, which will spur a new approach to the problems of the free world.

This ports a greater emphasis on self-help and less on the international greater reliance on the methods of free enterprise. It's wonderful news, this potential, to undertake our success at home.

In this there is implicit for our country a distinctly new role of a call for a specialized technical knowledge and experience. Our talents should contribute significantly to the directed effort to aid underdeveloped and underprivileged lands, and the effort to so analyze the free world against the totalitarian threat, while at the same time releasing our wealth and enriching our life at home. Indeed, can this industry will measure up to the responsibility and the opportunity of the future.

In the preceding pages we have taken up how you as investors are to proceed with your efforts. In this we have been guided by the plan 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," as the policy of much of this European, in that England's Finance Minister, is said to have recommended 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 which stand to profit enormously if private American capital is available with the ideas of developing these countries, of despising them. Here there are very few areas that point to a logical plan.

(3) 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 show a steady flow of high-grade iron ore, abundant coal and sufficient private capital, what with the $500,000,000 initially invested will mean in the undeveloped areas involved will be fully seen only after some years of development; of course there are new roads, new installations, new schools, new hospitals and a record of which 'American private enterprise may well be proud.

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(4) Lastly, and perhaps most important, the climate seems to be favorable in Washington. The incoming Administration, we are assured, is interested in de-mapping the foreign investment in those fields where government has no prior business and in serving "new ideas" as to the solution of the problems which concern all of us. It is here that industry might well be able to make big strides toward defusing 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, the "IBA Conference Committee" meeting in Washington, was received by officials of the Department of State. On this occasion I shared with Mr. Harold Linder, Assistant for Economic Affairs, some of the data on private investment abroad which I intended to incorporate in my remarks today. As a direct result of this conversations, I have received from Mr. Harlin Robinson, Assistant Chief of the Investment and Economic Development Staff, a statement on the position his agency takes to Mr. Robinson indicates the problem posed for the United States is roughly in the low standard of listing 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:

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In Attendance at TBA Convention

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FRICK, JR., B...
IN ATTENDANCE AT IBA CONVENTION

SMITH, HOWARD C. - De Caux & O'Neall, New York
SMITH, J. RAYMOND - Martin & Co., New York
SMITH, JOSEPH E. - Chase Securities Corporation, New York
SMITH, NORMAN - Merrill Lynch, Pierce, Fenner & Oakes, New York
SNICKER, OTTO - Chicago Sun-Times, Chicago
Sected, BESSEL - Salomon Bros. & Co., New York
SPACE, JOHN L. - Johnson, Lane, Space & Co., Savannah
SPAK, JAMES J. - First National Bank, Atlanta
STALLERS, ALBERT - Paine, Webber, Chicago
STANLEY, JAMES - Salomon Brothers, New York
STEAKS, GEORGE R. - The Economist, Chicago
STECKEL, PHILIP M. - Erskine & Co., Boston
STEPHENSON, EDWIN A. - Chase National Bank of the City of New York, Chicago
STEVENSON, G. C. - Salomon Brothers, New York
STEVENSON, J. ROBERT - American Securities Association, Chicago
SZTEFAN, RAYMOND D. - Equitable Securities Corporation, New York
STOCKWELL, BERMAN G. - Chicago Sun-Times, Chicago
STOLLE, CARL - Engel, Stolle & Co., New York

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Shall We Have Global Parity Prices?

Good are easing up, the underde-
veloped countries are finding it increasingly difficult to pay for
these goods and services toward
their own development. Senator
Angel Maria Cuazo of Uruguay said his country also needed the "security of just prices, without
the worry of disquieting fluctuations, in the markets of the world."

Donald E. Nichols
21 New York City

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 eco-
nomic and financial policies were
misguided accordingly. Indeed, no
major "breaks" of the interna-
tional price level have occurred
since; but instead of recovering,
prices kept slipping, notwithstanding
short-lived interruptions of the downward trend. The Down-
ward trend, of course, was supported by the soaring of fantastic prices sparked the commodity
markets. The irony of the situation is that the reluctance of the governments to add to their reserves of materials helps to cre-
ate surpluses; the ampler supply of commodities in turn dampens the in-
terest in stockpiling.

In Europe, purchases for stock-
pling have been almost stopped and are not supposed to be re-
started 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 an-
nounced that through June 30,
1952, $2,566 million, one-half of the appropriation, had been spent.

Continued from first page

of farm, plantation and mining production.

Stockpiling
One reason is the slowing down, if not the virtual cessation, of of-
icial stockpiling. (American re-
FUSEALI, 1951, to keep buying tin and natural rubber at fantastic prices sparkled the com-
modities markets.) The irony of the situation is that the reluctance of the governments to add to their reserves of materials helps to cre-
ate surpluses; the ampler supply of commodities in turn dampens the in-
terest in stockpiling.

In Europe, purchases for stock-
pling have been almost stopped and are not supposed to be re-
Continued on page 76
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 subsidiary fear grows that war affects the authorities: the Italians, who first invested $2.5 billion 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 durable, and a fresh flush of flaxitional 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 world prices for manufactured goods, which would be as disastrous as Votteler in Brazil and Hushpichao in Chile. Farm mechanization and the growing use of fertilizers do their damage in that respect as in many others. The U.S. Marshall plans and Points Four programs have provided a further stimulus. And it is the synthetic fibers which are cutting deep into the markets of such significant materials as wool, hides, deterrents, natural rubber, etc. And promise more of the same in the near future, no elaboration.

Presently, some commodities show signs of fresh buoyancy, as for instance this time last year. But if cotton and wool have lately gained price-wise, it is because there is a postwar 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 any other buying spree. In fact, so far, the recovery is less extensive and less intensive than its counterpart of less than 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. That is one of the points 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 so much of the world's commodities, both domestic and foreign, to be sent to the economies that are destined merely to be "deflationary pressure."
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 37.)

Boles Calls for Sounder Federal Debt Structure

After the adjournment of the Convention, Thomas T. Boles, 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 from influence of 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 reestablishment of orthodox credit policies has been significantly successful in arresting monetization of the debt and furthering an 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 66% of the marketable debt maturing within five years. In addition to these actual maturities, approximately $60 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 program would minimize the risks associated with inflation, and, for the banks, it would minimize greatly the risks associated with inflation, and, for the banks, it would minimize greatly the risks of inflationary pressures in a relatively short period of time. These problems are of growing concern not only because of the immense size of the debt but also because of the inflationary factors that have operated in recent years."

"The Association has, therefore, recommended to the Treasury that steps be initiated toward the funding of a proper proportion of the floating debt. These recommendations would be made in the interest of the country and the banks, and, in addition, there is a growing concern for the banks and the public, that the Treasury will be able to meet its financial obligations in the future."

"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 the facilities to aid in the distribution and placement of securities for Sounder, debt structure. The Investment Bankers Association believes that an increase in the extent possible outside the banking system, and preferably through the sale of longer term, fully marketable instruments."

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The IBA of America Holds
41st Annual Convention

registered branch offices of mem-
bers. These totals compare with
758 members and 957 registered
branch offices on Nov. 30, 1951.

Report on Finances
Charles R. Perrigo, of Horz-
blower & Weeks, Chicago, Chair-
man of IBA Finance Committee,
presented the balance sheet of the
Association as of Oct. 31, along
with the income and ex-

Charles R. Perrigo

Nurman P. Smith

expenses statement
covering the first 10
months of 1952, along
with an exhibi-
t showing the details on purchases and
sales of secur-
ties during this
period. The Committee's es-

timates for the full year based on the figures for the first 10 months indicate income of $332,218 and expenses of $214,545, thus
providing an operating profit of $17,672. From the figures, income for the first 10 months totaled
$217,443 and expenses (exclusive of convention expenses to be covered by convention receipt after Oct. 31) were $182,905, leav-
ing an operating profit of $34,535.

potentially, U. S. A.," in meeting with a number of banks in the
interest of 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 Na-
tional Thrift Committee, Inc.; and
Invest-in-America Week sponsored
by the Invest in America Committee.
These organizations in turn reciprocated.

Concluding the proposed Gradu-
ate School of Investment Banking,
patterned after the Rutgers Gradu-
ate School of Banking maintained-
tained by the American Bankers
Association, the Committee re-

commended that "we complete ar-

rangements 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. Class-

room work would be supple-
mented by required reading and
by the solution of selected prob-
lems in the interim periods. The annual registration fee for the
program, including meals and
hotel housing would be only
slightly higher than the $15 fee
for the 1952 referee course... This
Graduate School, the Com-
mittee noted, would provide an
integrated course of study for the
prospective investment banking
executive. It would prove of last-

ing 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 Associa-
tion for three-year terms begin-
ning at the close of the 1952 Con-
vention:

California
William S. Hughes, Wegesener &

Durst, Inc., Los Angeles.

Canadian
Arthur S. Torrey, Jr., W. C. Pittfield
& Company, Ltd., Montreal.

Central States
Robert G. Mead, Stone & Web-
ster National Bank of Chicago,

Chicago.

Charles S. Vreis, Glor, Yonatan &

Co., Chicago.

Mississippi Valley
Garfield J. Tausig, Tausig,


New England
Forrester A. Clark, H. C. Wain-
wright & Co., Boston.

New York
Walker, Budge, Goldman,


Hugh Bullock, Calvin Bullock,
New York.

Pacific Northwest
Henry L. Wilke, Conrad, Bruce &

Co., Portland.

Rocky Mountain

Western Pennsylvania
Nathan K. Parker, Kay, Richards &

Company, Pittsburgh.

NATIONAL COMMITTEE CHAIRMAN
The following National Com-
mittee 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, Mer-
rell Lynch, Pierce, Fenner &

Beane, New York.

Federal Legislation: William K.

Barclay, Jr., Stein Bros. & Royle,

Philadelphia.

Peach Taxation: James M.

Hutton, Jr., W. E. Hutton & Co.,

Cincinnati.

Finance: Charles R. Perrigo,

Hornblower & Weeks, Chicago.

Governmental Securities: Robert
H. Craft, Guaranty Trust Com-
pany of New York, New York.

Group Chairmen: Andrew M.

Baird, A. G. Becker & Co., In-
corporated, Chicago.

Industrial Securities: Claude F.

Turban, 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
DeVourey, A. Webster Dougherty &

Co., Philadelphia.

Oil and Natural Gas Securities:

Francis Kernan, White, Weld &

Co., New York.

Public Service Securities: War-
ner H. Crowell, Crowell, Weedon &

Co., Los Angeles.

Railroad Securities: Charles L.

Bergman, R. W. Presbrey &

Co., New York.

Research and Statistics: W. Yost

Fulton, Fulton, Reid & Co., Clevel-
land.

State Legislation: Paul L Mul-
laney, Mullaney, Wells & Com-
pany, Chicago.

Stock Exchange Relations:

James F. Burns, Jr., Harris, Up-
ham & 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. Pitt-
field & Company, Montreal.

Central States
Lee H. Ostrand, William, Blair &

Company, Chicago.

Eastern Pennsylvania
Robert G. Rowe, Stroud & Com-
pany, Incorporated, Philadelphia.

Michigan
Alonzo C. Allen, Blyth & Co.,

Inc., Detroit.

Minnesota
Wilbur W. Wittenborn, Blyth &

Co., Inc., Minneapolis.

Mississippi Valley
W. Guy Hendren, 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, Seaseongood &

Mayer, Cincinnati.

Pacific Northwest
Albert O. Foster, Foster & Mar-
shall, Seattle.

Rocky Mountain
Alexander F. Forth, Calvin

Bullock, Denver.

Southeastern
John C. Hagan, Jr., Mason-

Hagan, Inc., Richmond.

Southern
H. Wilson Heald, Arnold &

Came, New Orleans.

Southwestern
Harry Beecroft, Beecroft, Cole &

Company, Topeka.

Western Pennsylvania
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The Commercial and Financial Chronicle... Thursday, December 18, 1952
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 1987-72, with buying from private sources giving some fillip to the longest restricted issues.

Year-End Changes Bill Market Factor

Treasury obligations are still ranging 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 1962 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 opposite, 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 2½s due 12/15/56-57 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 2½s due 12/15/60-60 being the favored issue. The 2½s due 6/1/58-60 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 1½ due 1955, the 1½ due 1955, and the 1½ of 1956, have been acting well and some have been opinion. Less securities should do better considering the tax selling tapes off. Nonetheless, the 2½s due 1958 still appears to be the leading issue and there is considerable activity in this bond, with the commercial banks, according to reports, building positions in limited amounts at present levels.

Economic Conditions to Dominate 1955 Market

Although there is considerable talk about the possibility the new Administration in halving the debt problem in 1955, there appears to be a growing opinion now that no real improvement in policy unless economic conditions will be made, and that a 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 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, which have been some switching among the New York 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., Palme, Webber, Jackson & Curtis; Vice-President: David B. Ingram, Tucker, Anthony & Co.; Treasurer: J. Russell Potter, Arthur W. Wood & Co.; Secretary: Alfred A. Wagner, Coffin & Wadlin; Publicity Chairman: John M. Bleakie, W. E. Hutton & Co.

Ferdinand Eberstadt, Chairman of the Board and President of F. Eberstadt & Co., 39 Broadway, New York City, has announced the election of Nelson Loud as Executive Vice-President. Mr. Loud, who joined the firm in 1923, 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 Diversery Corporation, Chicago, Illinois; Porcello Corporation, Philadelphia, Pennsylvania and Webster-Chicago Corporation, Chicago, Illinois.

May, Bord Admits

May, Bord & Co., 61 Broadway, New York City, members of the firm announced that they had admitted Robert Schwarz to partnership and private placements of securities.

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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 a $1.10 dividend was declared payable in January. This was identified as the year's dividend, as there had been some rumors, 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 of the speculative selling seemed considerable. 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 shares earnings amounted to only $1.28. With its substantial unprofitable passenger business, large amount of short haul and I.C. 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 2.0% in 1947 to a high of only 6.9% in 1950.

In its initial stages the dieselizeation 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 dieselizeation can not be realized unless the train lengths can be increased substantially, thus reducing the ratio of train miles to ton-miles. Two-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 throughout 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, however, even such earnings do not, in the opinion of many analysts, support such 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, Brash, Slocumb & Co.
Vice-President: William M. Witte, Dean Witte & Co.
Secretary: Robert Mann, Davis, Skaggs & Co.
Treasurer: Robert Goshen, Dean Witte & Co.


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Financial and Commercial Journal... Thursday, December 18, 1952
Progress and Problems
Of Aviation Industry

vaunce new ideas for our social and economic needs.

What About the Future
Now we must look forward to the future. What are the critical decisions and problems confronting the industry? If we are an independent banker, I would be particularly interested in four rather important segments that management in air transportation must consider, namely: the railroads, 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 rail or wrong course. As Mr. Knott of the American Council has informed you, this morning, the aviation industry is in excellent shape this year.

Number one among our problems is the question of labor. I favor labor unions, I favor high wages, I favor anything that helps 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 be forced on us the feather-bedding practices of the railroads. 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, I am sure that there will be technological advances in air transportation of something we have never been able to find but which always seems to be labor's pet subject. I think I can appreciate the attitude of labor, I think I can understand why we may not agree on what is an obvious commitment; they couldn't visit trains that might travel at 75 miles an hour an hour. It means nothing at all to them the time but it is a very important selling road hurdle. Present maintenance costs are high and there should be a better job if they had been saddled with so many feather-bedding regulations. But we are making it almost impossible to take advantage of the speed and efficiency of air transporta-

It would have been very useful for us last year to have said that 20,000 miles or 50,000 miles was a month's work. We don't know. So I think the attitude we take in re-

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A. Auber

Jackson

Jaffe, Lewis & Co.

Formed in Cleveland

(IBIS is 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 of firms and in Jaffe, Siegler & Co., with which Mr. Lewis was also asso-

Charles S. Garland

John Clifford Fuller

Jaffe, Siegler & Co., Mr. Fields as Lorain, O. representative, will be connected with the new firm.

Edward Siegler Forms

Own Investment Firm

(UBS is THE FINANCIAL CHRONICLLE

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ler & Co. has been formed with the same New York offices, with Mr. Fields, former partner of firms and in Jaffe, Siegler & Co., with which Mr. Lewis was also asso-

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Continued from page 81

Progress and Problems Of Aviation Industry

planes with perfect confidence. You are at our mercy. We should respect that responsibility. We were forced into the coach business by three things. First, 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 extended. 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 nickel 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 worry about the extent to which they are permitted to play the police with engineers and the men who fly the airplanes.

We have reduced the maximum load on our coach planes. It will cost them right now that it was not a popular thing to do. The governmental reaction was 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.

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Dwinnell, Harkness & Hill Formed in Boston
BOSTON, Mass. — Dwinnell, Harkness & Hill, Incorporated, has been formed with offices at 70 State Street, to act as dealer in securities, specializing in tax-exempt bonds. Officers are R. B. Harkness, President; Draper Hill, Vice-President; and Dwinnell, Treasurer. Mr. Harkness was formerly co-manager of the municipal department of Reliance & Co. Mr. Dwinnell was with the First National Bank of Boston, and Mr. Hill was associated with John Nye & Co.
Heavy Public and Private Debts

Call for Cautious Credit Policy

Henry H. Heimann, Executive Vice-President of the National Association of Commerce Credit Men, believes that men and women are warned to take a cautious policy in extending business credits, 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 St. Louis Branch, points out that the debt of corporations, now at around $160 billion, has doubled in the past six years and that individual debt, now exceeding $23 billion, which is twice as much as it was six years ago, is due to the total of borrowings of member banks from the Federal Reserve System which he estimates is at a new 30-year high.

"We will do 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 dangerous nature of the debt situation. "It is, therefore, a good idea for all, both business owners 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 closely will be the government, both national and local. Unless we can reduce the cost of government and therefore provide more for individuals, there will not be further in debt, but we will bust 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 the budget. We have 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 deprecatied 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 psycho-logical effect of such a move 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."

The 1953 Convention of the Investment Bankers Association of America will be held in the Hollywood Beach Hotel, Hollywood Beach, Florida, December 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 13-15 in the Greenbrier Hotel, White Sulphur Springs, West Virginia.

Henry H. Heimann

Canadian Securities

Further evidence of increasing world-wide investment interest in Canada is the development 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 real estate ventures principally in Canada. The two firms in question are Kuhn, Loeb & Co., 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 an extensive business interest in the United States and Canada. He is Chairman of the Siegmund 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 will bring the end of the last war was confined to a number of international financial transactions. After World War II, when the company's name was changed to S. G. Warburg & Co., Ltd., it became active in placing and managing export business in Great Britain, as well as in developing its interest in London 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 reductions in Canadian security 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 sustained in the nation's history. However, this remarkable recent Canadian bank President, cautioned that the new business "could not go much further, since the banks have not enough capital." In addition, there is now need for some recession in the provision that "the provisions and reserves are efficient is exercised in the conduct of our affairs."

The conventional production figure of close to $23,000,000,000, Mr. Stewart said, was more than 7% higher than last year because of greater productivity, rising prices and bumper crops.

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We invite your inquiries.

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 by 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 company purchased 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 computers 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 machinery and structures. 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 have been used for research, engineering and development, and for the general expansion of the business.

NATSD Dist. No. 8 Elects New Officers

CHICAGO, I11. — The annual election in District No. 8 of the National Association of Securities Dealers, Inc., composed 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.


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, 1950.
The Institutional Market for Equities

League, although they are enjoying a spectacular percentage gain.

These six types of institutions are gathering $3 billion in new savings. By contrast, individuals as a group would have turned 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 Markets

What are the consequences of this great revolution in the investment habits of the American people? For one thing, the demand for bonds is artificially enlarged because these institutions pump the bulk of their funds in credit instruments and not in equities.

Similarly, the demand for equities is artificially not contracted. As capital flows 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 upper income brackets who provided the chief market for stocks have a smaller proportion of the nation's savings and are also restricted in their purchases by the tax returned after taxes is often insufficient to finance capital gains, except for capital gains.

Distortions resulting from the institutionalization of a savings flow have been exaggerated by the fact that the savings which have flowed into institutions have not been the usual long-term, but have been largely invested in the new issues of large savings banks. These banks them limited equipment trust certificates with relatively short maturities, they are able to limit the rate of flow of savings in equities, for capital gains, except for capital gains.

The result of the institutionalization of savings and reluctance of corporations to finance with bonds has created a very unusual yield relationships. We have figured that the relationship between bond yields and stock yields was roughly 2:1 between 1919 and 1935, yields on bonds were almost constantly higher than the yields on stocks. In those 17 years, the average yield of corporate bond yields was higher than the average yield on stocks in every year but two.

Take 1929. The average yield of stocks on all New York Stock Exchange for 1929 was 3.3. The "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.

IBA Past Presidents

1924
1931-32
1939-40

Wood, Walker Admits
Wood, Walker & Co., 63 Wall Street, New York City, members of the New York Stock Exchange, will admit George E. Mendon to partnership, who will acquire membership in the Stock Exchange on Dec. 23.

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LD 39 TWL 77
The New York Stock Exchange will retire from partnership in James E. Bennett & Co., Dec. 31.


Robert V. Nehrus, member of the Exchange, will be made to date for two reasons.

First, insurance companies lean towards the dollar-averaging principal in buying equities. They don't want to buy at any one price, but put it in their purchases "diversified over time." They not only want diversification of what they buy, but they want to diversify. Thus, they will buy and sell and buy and sell and buy and sell. When they buy, they are buying on a percentage to what they buy common stocks eagerly. These insurance companies prefer to buy common stocks when they have a basis 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 on the basis they will buy common stocks eagerly. These insurance companies prefer to buy common stocks when they have a basis and not as a matter of choice.

This survey points to the following conclusion:

First, that the institutional market for equities is still relatively small, but it is growing and it is sure to continue to grow.

Second, there are two jobs to be done if the institutional market for equities is expanded to fill its potential. These are the job of selling legislators 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 management of these institutions, after they get that authority, that they will be ready to 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 more normal. Their savings in bonds and mortgages will be available in smaller volume, while equities may appear more attractive on a long-term basis.

Investors have different interests from individual buyers. For one thing, they are less interested in capital gains as a rule, than in dividend income.

A mutual savings bank, which is subject to Federal income tax and which is subject to supervision and regulation, and strives, has 12% of deposits, has to provide adequate dividend payments of 5.8% dividend income.

This makes equities extremely attractive. A good mortgage giving 4% after servicing cost would give the bank an effective yield of 32%. A high grade utility stock yielding 5.5% would, after income tax of 55% and after dividend tax of 35%, give a net yield of 3.26%. It is thus the exact 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 to them. At this stage, their chief need is for liquidity analysis. For the most part, they will buy standard loans, and they have talent for the analytical job. Rather, they need

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The Commercial and Financial Chronicle, Thursday, December 13, 1927.
a long-term philosophy for equity investment adapted to their spe-
cial requirements and objectives.

Trustees are fearful of losses and the criticism to which they will give rise. They believe that the device that can minimize losses on equi-
ties: dollar-creating, normal plans, and reserves builds up out of income. Thus, a savings institution, which 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 real-
ize 4% after reserve, if the divi-
dend is sustained. When the re-
serve has been accumulated to the 20% maximum, the yield becomes, not 5%, but 5% on the net book value of 80% of cost, after re-
serve, or 4½.

Institutions prefer riskless in-
vestments. They would buy govern-
ment securities almost exclu-
sively, as they did during the war, if the yield were high enough.

Actually, there are two ways of making a virtually riskless in-
vestment. One way is to buy a United States government security. The other is to buy risk invest-
ment of earning equities, and cut-
ting 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 creating, regular plans, and reserves constitute the great bulk of equity investment. One reason why some have not suffered from a shortage of in-
vestment since the end of the war has been the high 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 num-
ber of families in this country, this year will be closer to 500,000.

If the number of families in the United States now 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 mort-
gage today are installment mort-
gages, so that a large volume of new loans must be made each year just to replace amortization pay-
ments received on old mortgages. If dwelling starts drop to 500,000-600,000 a year, there may be little net increase in the mort-
gage supply.

In that case, institutions will be
more eager for investments outside the accustomed fields, in-
cluding 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, in connection with the New York Stock Exchange, on Jan. 1, will admit Matthew A. Anderson, J. Ray-
ford, William F. Krug, and J. R. S.
Los Angeles; Douglas B. Lewis
and William D. Kilduff of San
Francisco; Thomas P. Widge-
 of Dallas, and Maurice F. Sum-
mer to partnership in the firm. Mr. Summer, a member of the New York Stock Exchange, has been active as an individual floor
Continued from page 8

Recent Inflation Developments
In Western Europe

price level until employment be-
comes full.

A deliberate policy of this kind may mean an increase of any increase, however small, of the cost of living. There is even the danger that unemploy-
ment will be partly caused by the gov-
ernment as a reason for giving an increase in the scale of wages and inducements to these differ-
doing, thus keeping the labor there instead of encouraging its release and move-
ment elsewhere. What is needed is obviously to overcome this kind of difficulty in order to avoid a nothing less than a change in political climate—towards one which is willing to accept the prin-
ciple of labor mobility including what inevitably goes with it, namely a somewhat higher une-
employment rate to the numbers of people that will at some time be moving between jobs; a willingness to rule out a ratio of unemployed to the working population amount, however, not even 5%, rather than the ratio of 10-12% that has prev-
aded her already.

A Breathing Space

To sum up, there seems as yet no indication of a new phase of in-
flation in Britain's position, as expressed for example, in the stoppin of the drain on her gold and foreign exchange reserves, is anything more than one more breathing space, one more sur-
mounting of a balance of pay-
ments crisis, achieved partly at the expense of some own in-
ventions as a result of more stren-
uous political controls over im-
ports.

A second major problem, the so-called capital problem, is a syn-
tactic element in Britain's power to compete in foreign markets, is that of getting and retaining new capital investment in British indus-
tries. It is obvious that these tech-
nical discoveries and improve-
ments must, and anything less, increase productivity. As a result of the various effects of taxation on one of the main forms of sav-
ing, industry is having increasing difficulty in obtaining new capital, and especially risk capital.

The shrinkage of the market for
capital and the experiences of past inflation, of course, are in-
volving a major problem in most Eu-
ropean countries. It is one of the causes of the increased demands for credit from the banks, and as a result of the policies of the Central Banks are appro-
imately strait. An illustra-
tion of this is to be seen from French experience. Over much of the postwar period, the demands for additional bank credit in France are evidently not from the private sector rather than from the public sec-
tor. A third cause of private borrowers are tradition-
ally supposed to be easier to re-
fuse than are the demands of the government. The French experience seems for some time consciously to have attempted, through its direct policies which were unnecessary for the insufficiency of genuine sav-
ings, to avoid any movement towards an increase in industry by additional bank credit. The story of the French high price-
level spiral became caught in a rapid price-
level spiral. The inflation made the financial situation very difficult to stop once it had started, and during the postwar period at other times in French history—inflation

has overshadowed other economic problems. There has been a con-
stant increase in the money sup-
ply since the war at rates which have varied between 15 and 20% per annum. Through the 12 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 above 1% per month duration is more an other breathing space, similar

To this point may be illustrated in both its aspects by the case of M. Pinay—a long sensational, for example, in the recent story of the price of gold which is set at the local currency as a store of value. The recent solution adopted by M. Pinay—a loan of a much larger des-

tion value is tied to the mar-
ket price of gold—may seem satis-
factory for the time being, but it as a permanent solution applied over the whole field of private and public debt it repre-
se another long step—towards the with the sliding scale of minimum wages which M. Pinay was also able to accept in a process which has been gaining ground in many countries and which raises its own problems: the process under which increas-

ingly 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 com-
monly, the basket of goods under-
lying a cost-of-living index num-
ber. Carried to extremes this would mean guaranteeing all cate-
gories of the population a certain real income—an objective which would seem to be unattainable, and to proceed only when we consider the added complication that some la-
obligations and securing guarantees not merely of stable real wages but of real wages out of real wages that are con-
munist raising at a rate which keeps pace with the increase in the cost of living.

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Drivers

Dealers

Dealers

Dealers

Dealers

Dealers

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Dealers
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 peak (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 still 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 speed 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 of the Central Bank (through the purchase of gold and foreign currency reserves or the granting of credits) of the surplus in Belgium’s balance of payments with the European Payments Union. The situation became very acute in 1951, especially during the second half of the year, and the National Bank resisted by placing limits on the amount of credit it was willing to give on foreign accounts. This was part of the leading against the export surplus, and 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,

The Commercial and Financial Chronicle... Thursday, December 18, 1952
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.

**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 returning. 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 a sound 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, 130 South LaSalle 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 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 LaSalle Street.**

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**Oliver Kimberly to Be Starkweather Partner**

Oliver 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., 129 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Walker G. Buckney and Robert G. Howard, members of the Exchange, to partnership.

On Dec. 31 Joshua A. Davis and Emmens Bryant will retire from partnership in the firm.
Building an Investment Clientele

By JOHN DUTTON

"The Ups and Downs of the Security 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 and genuine reasons why 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 up-grade, 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 gos that was lagging behind, and never mention the many "good buys" which they brought to their attention.

Lack of Understanding of the Business Cycle

The public also does not seem to understand the mechanics of business. Some people expect the prices of stocks to go up forever. Although we have had booms and reces-
sions down through the ages, there are periods when one is apt to wish to believe that this time it will be different. Of course, there is no period.

In 1929 there was the "New Era" which turned out to be a "New Depression." During the New DEAL thirties we had a "bull" market whereas stock market broke sharply in 1937, and many stocks declined 50% or more. There was talk then that the government could manage
evency, 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 recovery from that in 1950. The dollar has been down, and there is some reason to doubt whether prosperity can be per-

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 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 total sum of the need is that of reducing tariffs imposed by this country upon the imports of foreign goods. Any of these diagnoses, 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 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 purposefully so, are also very serious barriers to the entry of foreign goods. The system of classification of goods for customs purposes and the "defective" measures 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 not valid 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
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. Corroboration of these intimations is not easy, but it is the only way which in the long run is likely to be successful.
Commissioner. did the Taxpayer limitation a Constitutional income. In the time of his father, the taxpayer was living in 1952, it is a five-year statute of limitations which comes into play. 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 come out to 25% of his gross sales. The Commissioner said that the unreported income exceeded 25% of the reported income (i.e., sales less cost of sales) and hence, the five-year statute applied. The Court held the Commissioner. So there is the situation very clearly defined.

Deductibility of Alimony and Separation Payments

One of the latest sources of tax litigation during the past decade came out of the law which permitted deductibility of alimony payments by a husband to a wife. To the extent the husband has to report the payments and the husband gets the benefit of deductions, a deduction of financial obligations of the husband and wife is done. What is involved here is whether such support payments are deductible in a settlement or divorce decree. Payments made pursuant to a separation agreement or settlement, first of all, are not deductible by the husband or reportable by the wife. Payments made under an agreement not included in the legal separation or divorce decree are not deductible.

Now let us say that a husband is making payments to the wife pursuant to a separation agreement which was incident to the dissolution of the marriage or settlement pending of another marriage and 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 he changes his mind. If this is contemplated, he extenuates the limitations of the law. He does not have the right to the deduction and the wife might not have to report the payments if the husband does not go the way.

The obligation of the husband created under the new agreement is not essentially a divorce or separation agreement; hence great care must be taken that the agreement is made under the law. The danger is that the obligations created under such agreements are more permanent. Sometimes before—sometimes after. Sometimes the agreement is made by the parties, 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 marriage or divorce of separation, regardless of whether the fact is mentioned in the decree or not. Payments made pursuant to a separation agreement or settlement, before the divorce or separation decree are not deductible by the husband or reportable by the wife. Payments made under an agreement not included in the legal separation or divorce decree are not deductible.

Abandonment Losses

In recent years not too many cases arise involving the deduction of alimony payments dealing with the deductibility of a payment, if not deductible. Perhaps with there being more and more declines in the economic position of the husband, the wife will more and more arise. The fact now is that the husband is not able to make a deduction from his income. The general rule is that it is deductible in full as an ordinary loss deduction. If a deduction is allowed for it, whether the husband could have it as a long-term or short-term capital loss, dependently immediately. A capital loss may be deductible in the year in which it will have to be treated as a long-term or short-term capital loss, dependently immediately. A capital loss is that a $1,000, or ordinary income, or a maximum of $1,000 in any one year. But where the capital gain is more, the loss can be deducted first against ordinary income as well as capital gains. An example of this was clearly portrayed in a recent Tax Court case, where the taxpayer's company faced major capital improvements on real property. The Court held that for the four years before the taxpayer was able to deduct the depreciation. The Court held that the depreciation would be deductible in the year in which it was deducted from the company's income, but the taxpayer then deducted it in full.

Deduction in Wrong Year by An Acquittal Basis Taxpayer

A claim that a deduction for a deductible item which actually existed is a good trick. Occasionally in a recent court case, the Taxpayer in 1940 deducted $3,000 as a sales tax deduction. It did not pay the tax, but contested it in 1943. In 1943, the local State Supreme Court held that it was not liable for the taxes for the years 1931-37 and it paid the 1940 taxes. The Commissioner of Internal Revenue said that such amount should be included in income for the reason that Taxpayer had received a tax benefit in 1940 from the deduction. The Taxpayer held that a court had a more restrictive obligation than the Taxpayer in dispute. He held that even when the dispute is one of law, deduction by the Taxpayer in 1940 was clearly erroneous. An erroneous determination of a tax benefit may not be treated as income of a later year. The recalled tax benefit rule does not apply here. The taxpayer did not have a deduction properly taken in a prior year, resulting in a tax benefit. Very often the tax benefit did not apply. The Taxpayer in this situation, adjustment will then be necessary in 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 for the running of the statute of limitation cannot be availed of by the Commissioner of Internal Revenue.

Net Operating Carry Back Losses

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 given 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 actually received a refund for the year 1944. The Commissioner said that the statute did not run until January 1951, which was after March 15, 1947, the date for filing the 1948 return. The Commissioner pointed out that the Commissioner claimed for the year 1944 arose out of the tax matters in the year 1944 it did not arise out of anything in the 1946 net operating loss carryback. The Court held that the Commissioner made the deficiency too late,—that anything which arises from the audit of the original return is passed to 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
It is possible 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 setting 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(b) 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 because they were slightly below the basic 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 a munificent employment as well as an 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 the time she 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 this 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 5% 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 $2,500 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 residence in New York City in Janu¬
ary, 1947. It was held that since Cohn & Co. had opened 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.

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, a member 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. Goetz has become associated with Stewart, Eubanks, Meyerson & York, 216 Montgomery Street, members of the San Francisco and Los Angeles Stock Exchange. Mr. Goetz was formerly with Mitchum, Tully & Co.

Pedalky Opens
(Special to The Financial Chronicle)
SAN FRANCISCO, Calif.—Samuel Pedalky has opened offices at 192 Main Street to engage in a securities business. Mr. Pedalky was formerly engaged in the se¬
curities business in Peachtree as an individual dealer and was an officer of Markley & Co., Inc.

Wilson, Johnson Adds
(Special to The Financial Chronicle)
SAN FRANCISCO, Calif.—Al¬
den M. Howells has been added to the firm of Wilson & Higgins, 300 Montgomery Street.

Join Thomson McKinnon
(Special to The Financial Chronicle)
SHELBY, N. C.—Ralph E. Rand¬
dall 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., Truant Building. Mr. Randall was formerly with Harris, Upham & Co. in their Cincinnati office.

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LOS ANGELES NEW YORK
Investing in Pension and Profit Sharing Trusts

between the two types of funds which may affect investment thinking, is that the actuarial cost 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 employees of a Profit Sharing fund are not only aware of the exact amount of cash periodically credited for his benefit but is also informed of and familiar with his proportionate share of the 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 him to have to take best efforts to help create profits if such gains were substantially dissipated in part through investment losses. Moreover, payments from Profit Sharing funds are often subject to payments requiring the liquidation of a proportionate part of the whole fund. Such payments cannot be accurately anticipated because they may result in some case from the death of the beneficiary, or in others, through the breakup of fund to retirement that distribution of the estate be expected in an orderly manner. As the number of employees is usually reduced during periods of depression, it is possible that substantial liquidations may occur from company stock in periods of depressed security markets. For all these reasons, the foregoing is not said with the idea that a proper investment policy for profit sharing trusts would be to confine the entire fund 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 selection of investments, the trustee must keep in mind the problems inherent in these profit sharing funds, and emphasis must be placed upon timing of sales and securities—with more emphasis on the short- to medium-term trend, outlook for the economy and the markets rather than for distant years.

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 vesting periods may be quite substantial in relation to the interests of the remaining participants. From this standpoint, a profit sharing fund might have a better realization in equities than a pension plan trust and at the same time create for the employee 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 from their profit sharing trusts because the ego-in-one-hat theory and because in periods of reduced market values one of the most difficult tasks from this investment is likely to be the constant search for a suitable value lower, which situation might require increased contributions from the company at the very time when the income earned is insufficient to afford increased cash outlays.

Profit Sharing plans, however, differ in that they are primarily incentive plans; and the very fact that an employee expects some possible profit when the fund holds company stock may be a strong argument for the purchase of company stock. Further, there is the advantage to the participating employee of being able to anticipate the reason for some possible returns. There is a natural tendency to anticipate the reasons for business changes in the company, which are reflected in its stock, with much more confidence than if it were the case if the stock of a company not known to him suffered losses.

Investment policies governing common stock trusts should be expected to vary considerably with the peculiarities of various types of participants. In other words, a plan covering several thousand employees might 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 personal interest and perhaps be more cognizant of investment risk than the average participant.

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 to watch at this time no typical investment pattern for such a fund can be rigidly prescribed. I recently saw a report, published by an actuary, which gave the asset distribution of selected typical pension trusts. I do not know the present state of this study but here are the percentages, for what they may be worth:

U. S. Government bonds 33%  
Corporates 30  
Preferred stocks 7  
Other common stocks 3  

corresponding to the 1952 investment goals

The distribution of assets is probably indicative of our present investment policy with respect to at least Pension Plan trusts that have been established for a considerable length of time and into which substantial contributions are expected over a long period of years. Also, however, this asset distribution does not necessarily represent an investment policy to be applied to an investment Plan trust; each trust has its own peculiarities, and within any one of them several different situations are often in danger of being overlooked.

We have also noticed an increase of interest on the part of management and trustees, in other and lease-back agreements; mort-

Composition of P/P/T Assets as of July 31, 1952

<table>
<thead>
<tr>
<th>CLASS</th>
<th>Common</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft and Air Transport</td>
<td>0.2%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Automobiles and Parts</td>
<td>5.1</td>
<td>1.5</td>
</tr>
<tr>
<td>Building Construction Materials, Paper, Glass</td>
<td>10.9</td>
<td>3.1</td>
</tr>
<tr>
<td>Chemicals</td>
<td>1.6</td>
<td>0.5</td>
</tr>
<tr>
<td>Drugs and Pharmaceuticals</td>
<td>2.9</td>
<td>0.9</td>
</tr>
<tr>
<td>Electrical Equipment</td>
<td>15.0</td>
<td>4.3</td>
</tr>
<tr>
<td>Electric Light and Power</td>
<td>2.3</td>
<td>0.7</td>
</tr>
<tr>
<td>Farm Equipment</td>
<td>6.3</td>
<td>1.8</td>
</tr>
<tr>
<td>Financial</td>
<td>6.3</td>
<td>1.8</td>
</tr>
<tr>
<td>Food and Household Products</td>
<td>3.4</td>
<td>1.0</td>
</tr>
<tr>
<td>Machinery &amp; Metal Products (incl. Can Cos.)</td>
<td>5.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Merchandising</td>
<td>3.2</td>
<td>0.9</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>1.6</td>
<td>0.4</td>
</tr>
<tr>
<td>Nonferrous Metals</td>
<td>15.2</td>
<td>4.2</td>
</tr>
<tr>
<td>Oil Production and Refining</td>
<td>0.8</td>
<td>0.2</td>
</tr>
<tr>
<td>Paper, Printing, Publishing</td>
<td>3.1</td>
<td>0.7</td>
</tr>
<tr>
<td>Railroads</td>
<td>1.0</td>
<td>0.3</td>
</tr>
<tr>
<td>Telephone</td>
<td>0.1</td>
<td>0.0</td>
</tr>
<tr>
<td>Telegraph and Telephone</td>
<td>0.6</td>
<td>0.2</td>
</tr>
<tr>
<td>Tire and Rubber</td>
<td>0.9</td>
<td>0.3</td>
</tr>
<tr>
<td>Tobacco</td>
<td>3.2</td>
<td>0.9</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>100.0%</td>
<td>28.4%</td>
</tr>
</tbody>
</table>

The Total Common is 100.0% of the Total Preferred Stocks.

<table>
<thead>
<tr>
<th>CLASS</th>
<th>% Preferred</th>
<th>% Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Railroad</td>
<td>11.0%</td>
<td>9.8%</td>
</tr>
<tr>
<td>Electric Light and Power</td>
<td>20.8</td>
<td>14.6</td>
</tr>
<tr>
<td>Gas</td>
<td>2.3</td>
<td>1.6</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>8.9</td>
<td>6.4</td>
</tr>
<tr>
<td>Industries</td>
<td>20.7</td>
<td>18.4</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>100.0%</td>
<td>60.0%</td>
</tr>
</tbody>
</table>

The Total Preferred is 100.0% of the Total Bonds.

<table>
<thead>
<tr>
<th>CLASS</th>
<th>% Micelleous</th>
<th>% Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Agreements</td>
<td>17.5%</td>
<td>8.8%</td>
</tr>
<tr>
<td>Oil Payment Contracts</td>
<td>82.3</td>
<td>3.9</td>
</tr>
<tr>
<td>Other</td>
<td>1.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Total Miscellaneous</td>
<td>100.0%</td>
<td>4.7%</td>
</tr>
</tbody>
</table>

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PETERS, WRITER & CHRESTENSEN, INC.

DENVER 2, COLORADO

Loveland, Colo.

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INCORPORATED

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DENVER 5, COLORADO

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Teletype: Dne 586

* ERNEST F. STONE

W. J. MAY

HOWARD J. HANNO

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The Commercial and Financial Chronicle. Thursday, December 18, 1952

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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 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 corporate and government securities. 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 at that date. These figures are not weightet in any way to their computation, but 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 maturities, the stability lodged with the bank, etc.

With F. L. du Pont
(Reprinted by The Pennsylvania)
CHICAGO, III. — Edward Flannigan is now associated with Francis L. du Pont & Co., 228 South La Salle Street. He was previously with Farrel & Company.

Continued from page 6

EQUITIES VS. MORTGAGES AS SAVINGS BANK INVESTMENT

Equities vs. Mortgages as Savings Bank Investment

Conclusions

We may thus conclude that, attractive as equities are from the yield and tax standpoint for many savings banks, stocks can diversify at most only a relatively small amount of funds from mortgage lending by these institutions under existing conditions. For one thing, statutory limitations severely restrict the amount of equities savings banks can buy. Secondly, the risks that attach to equity investment will cause some savings banks to reduce 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 small percentage of resources invested in larger 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 maintain the value of the stocks held at the market rate of stocks held exceeding the reserve which has been set up.

Mortgage bankers will want to apprise the position of the individual savings banks, therefore, in determining whether or not the authority to buy equities is likely to lessen its interest in mortgages even to a limited extent.

Seymour Katzenstein
Hirsch Co. Partner

On Jan. 1 Seymour Katzenstein will be admitted to partnership in Hirsch & Co., 23 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 Pennsylvania)

KANSAS CITY, Mo.—John B. Robbins is now affiliated with Waddell & Reed, Inc., 1012 Baltimore Avenue.

Grimm Adds to Staff
(Special to The Pennsylvania)

Phoebe S. Long has become affiliated with Grimm & Co., 65 East Robinson Avenue.

Members Los Angeles and San Francisco Stock Exchanges

HILL RICHARDS & CO.
A CORPORATION
BONDS AND STOCKS

Members Los Angeles and San Francisco Stock Exchanges
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, $20,000. You will see from this, based on the same $50,000 net earnings, that the contribution would be only 20% of $30,000, or $6,000, or 6% of payroll. The Treasury Department will permit wide latitude in the choice of 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 employee making $10,000 annually would be credited with twice as much as a one making $5,000. Another method is that if the employee 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 the Profit-Sharing Retirement Plan is to provide retirement benefits, the employer for logically feels 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 forced promptly to leave his job after a few years of service because of the temporary financial independence. Thus, the employer, in choosing his profit-sharing 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 a principle is common practice, be given gradually, for example, no vesting accruing for the first five years of service. Therefore, 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 the forfeitures would be distributed to the remaining participating employee accounts. In effect, the employee would be paying additional income to the Fund and necessary to have the action of the remaining participating employees. The benefits to be received by an employee cannot be pre-determined in the Profit-Sharing Retirement Plan. The total amount accumulated in the employee's account is proportional to the retirement, disability or death, and the employee's service. This may be paid in one lump sum, or in installments, the present value of 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 is to 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 that the Board of Directors ratify the actions of the Board of Directors ratified by the stockholders. In some cases the allotment of the employer's share 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 place of the trust is allocated to the individual employee's account based on compensation, compensation and length of service.
(2) Upon an employee's retirement his account in the Profit-Sharing Trust becomes distributable. The amount of the retirement wage control it must be paid to him in at least 10 equal annual installments. However, the Plan may provide for the purchase of an insurance annuity with share.
(3) Some of the advantages of a Profit-Sharing Retirement Plan are:
(a) It overcomes the objection 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 the hardship for many companies because it avoids the normal 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 employee but to the employer as well. They are:
(1) An employer's annual contributions to a Profit-Sharing Plan are fully deductible as an operating expense. As a result, the net cost to the 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 on his benefits accruing 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 paying over a 10-year period, it is quite likely that his income in any one year will exceed his personal exemptions and other allowable tax deductions. In that event he would not pay any tax.
Value of Municipal Financing
In Preserving Local Autonomy
In Russia or in any of its satelites.

Importance of Keeping Municipalities Vital
I hope what I have said illustrates
why it is so important to be
serving the American municipality
of any size, and why we all
will now attempt to explain to
you why I feel that the present mecha-

mecanisms of this country plays such a
very vital role in the development of the
autonomy of our municipalities and through those municipalities the
country itself. In doing that, we must make
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granted.

If American municipalities are to remain autonomous they must be
protected from interference to the extent of having the power of
making local laws and administering them in their own way. If these powers are
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The Federal Reserve Bank of St. Louis

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Mortgage Finance in 1953

pended industrial plant, ev en where accelerated amortization has brought these loans down to the point where with normal retentions of earnings these reserves are estimated to be in excess of $15,000,000, the amount of new bulk of industry financing required for equipment and plant development during the remainder of the decade.

The accumulated reserves obviously cannot help finance new business, nor can they support business that will be needed for this purpose. But the total requirements of the different industries are certain to be much reduced.

Subjecting the demand side of the finance picture, the outlook for the wholesale finance is not as rosy as it will want the same, or an only slightly smaller, volume of funds. Local funds for schools, roads, and other public purposes used to be substantial, while the defense and military effort of the first year will continue to take a substantial bite.

Even here, however, the prospect is not altogether gloomy. Credit will be stretched out rather than a sudden withdrawal. The deficit will be less than many earlier contemporaries feared.

Institutional Funds Seeking Safe Returns

This too does not exhaust the sources of demand for institutional funds. Both Federal and State governments are certain to be large borrowers during the next two years. In 1952, and a considerable part of 1953, a large issue of long-term funds. Local funds for schools, roads, and other public purposes used to be substantial, while the defense and military effort of the first year will continue to take a substantial bite.

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Even here, however, the prospect is not altogether gloomy. Credit will be stretched out rather than a sudden withdrawal. The deficit will be less than many earlier contemporaries feared.

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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:

**AMERICAN IRON AND STEEL INSTITUTE:**

**INDUSTRIAL OUTPUT—SALES OF STEELS AND STEEL PRODUCTS**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>100.7</td>
<td>100.4</td>
<td>100.3</td>
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**MOODY'S BOND PRICES DAILY AVERAGES**

<table>
<thead>
<tr>
<th>Date</th>
<th>Average Corporate</th>
<th>Average Industrial</th>
<th>Average State</th>
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<tbody>
<tr>
<td>November 6</td>
<td>100.18</td>
<td>100.28</td>
<td>100.12</td>
</tr>
</tbody>
</table>

**MOODY'S COMMODITY INDEX**

<table>
<thead>
<tr>
<th>Date</th>
<th>Delivery</th>
<th>Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 6</td>
<td>481.7</td>
<td>691.3</td>
</tr>
</tbody>
</table>

**COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE**

<table>
<thead>
<tr>
<th>Date</th>
<th>Average</th>
<th>Wholesale</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 6</td>
<td>705.00</td>
<td>960.10</td>
</tr>
</tbody>
</table>

**American Iron and Steel Institute**

- Output: 100.7, 100.4, 100.3
- Average corporate bond: 100.18
- Delivery: 481.7, 691.3

**Cotton Seated and Cotton Seed Products**

- Average: 705.00
- Wholesale: 960.10

---

**Federal Reserve Bank of St. Louis**

**Government Securities**

- November 6: 100.18, 100.28, 100.12
- Delivery: 481.7, 691.3

**Cotton Seated and Cotton Sead Products**

- Average: 705.00
- Wholesale: 960.10

---

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- Output: 100.7, 100.4, 100.3
- Average corporate bond: 100.18
- Delivery: 481.7, 691.3

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The State of Trade and Industry

three months. For all 1952, these expenditures will total $20.9 billion, or about 3% above 1951.3

Steel Output Set at Fractionally Lower Level

Steel mills will enter 1953 with overloaded order books, reports United States Steel. The 24-week line average fell 2.8% from the first quarter production already is sold in virtually all products, thus, little is available for shipments that period and what does appear will be diverted to high-priced military and defense projects, it states. A second factor is a little chance of getting their requirements fully satisfied with carryover from fourth quarter sales. This, plus a large increase in inventories means heavy turnover in the second quarter, and order books for that period on most products will be lighter, for the reason explained for the first. A third factor is a Government Production Authority estimate, 23 million tons of finished steel will be available for all consumption in second quarter of this year.

All the signs point to sustained demand for hot and cold-rolled steel sheets into a much lighter period in 1953. The demand will shift from construction and machinery, to a much heavier period into the 1953-1954 building season. At the same time, automotive requirements for flat-rolled are presented by the market, "Steel" adds.

As year-end approaches, the furnaces are pouring steel in unprecedented volume. Output for the year is about 28,000,000 tons, against the record 1951 million. But the drop was due entirely to loss of more than 2,000,000 tons the year before. "Steel" notes that January figures for January to August. Actually, 1952 ranks third in the production records for any year. However, production was cut because the industry during the year was impressive, this trade journal notes.

Supplies of raw materials are considered adequate to support year-end calls. But a year of 1952 steel output will result in a just-short of $24 million tons in lake shipments has about

Scrap supplies also are considered ample with mill inventories running at about 4.5 million tons, as against 4.5 million a year ago, concludes this trade weekly.

The amount of electric energy distributed by the electric light and power industry for the week ended Dec. 13, 1952, was estimated at 14.079,000,000 kwh, according to the Edison Electric Institute. This represented a decline from the previous week's all-time high of 14.208,000,000 kwh.

The current total was 25,206,000 kwh, below that of the previous week when output amounted to 16,185,463,000 kwh. It was 25,081,000 kwh below the tonnage for the week ended Dec. 15, 1951, and 1,134,838,000 kwh. In excess of the output reported for the week ended Dec. 13, 1952, were unaudited reports of 5,574,000 tons or 7% below the corresponding week a year ago, and in excess of 4,732,000 tons, or 6.2% below the corresponding week in 1950.

United States Auto Output Declined 5% in Late 1952

Week, But Exceeded Like Period in 1951

Passenger cars produced in the United States last week dropped about 5% from the level of the previous week due to changes in the industry's production schedule.

It aggregated 389,398 cars compared with 484,866 cars in the previous week. It was 4,8% below the tonnage of 496,380 tons for the week ended Dec. 15, 1951, and 1,134,838,000 kwh. In excess of the output reported for the week ended Dec. 13, 1952, were unaudited reports of 5,574,000 tons or 7% below the corresponding week a year ago, and in excess of 4,732,000 tons, or 6.2% below the corresponding week in 1950.

The total current output for the week was made up of 89,924 cars, 26,547 trucks, 26,329 buses and 2,429,429 trucks the previous week and 86,493 cars and 25,227 trucks in the comparable period a year ago.

Business Failures Rise Moderately

Commercial and industrial failures rose to 137 in the week ended Dec. 11 from 129 in the preceding week, Dun & Bradstreet, Inc., announces. The number of failures for the year in 1952 amounts to 150,565 and 143 respectively, but they remained far below, 43%, the pre-war level of 270 in the comparable week of 1939.

All of the increase occurred among failures involving liabilities under $20,000. Failures in the $1 to $20,000 range amounted to 75 and increased the 113 of this size a year ago. Small failures, those up to $1,000 in liabilities, dropped to 22 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 that 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 49 from 30. Slight increases took place in the West North Central and Central States, including the East North Central, remained unchanged. The only decline during the week appeared in the New England States where failures dropped to 45 from many failures as in the previous week. Mortality in that area was down sharply from 1951, but in all regions was not as severe as earlier in the last year's fall.

Wholesale Food Price Index Declines to New 2½-Year Low

The wholesale food price index, compiled by Dun & Bradstreet, Inc., moved irregularly downward last week. The index closed at 282.46 on Dec. 9, comparing to 282.27 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 and a decline in the worst of the demands. Wheat, coupled with strength in the London market and some foreign buying. Eastness prevailed in the domestic spot raw sugar market most of the week but futures rallied slightly following announce-ment by the Department of Agriculture of the 1952 import and marketing quotas which were set at 7,800,000 tons.

Trading in lard was heavy as the result of liquidation which send most lard contracts to new lows for the season. Export market continued weak as Hog marketings were heavy but clearances were good and prices held steady. Quarantine in the Southwest caused work to be lower, influenced by heavy receipts and lower dressed meat. Pork prices remained firm.

Domestic cotton prices registered further declines last week. Fine and linters were weaker as selling interest was reduced, 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 predilection for a moderate increase in the forthcoming Government crop estimate.

A report, issued on Dec. 8, placed the 1952 cotton crop at 13,600,000 bales, as against 14,000,000 bales estimated for the season last year. This year's indication produced comparism with the 1951 yield of 14,000,000 bales. Cotton futures averaged 27 cents above the previous week. Cotton ginnings for this year's growth period amounted to 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 Christmas week.

Retailers had slightly larger receipts than a year ago and were not at all discouraged by the Christmas shopping season would be the largest on record.

Department stores in some large cities, particularly in the East, reported especially strong sales as lagging the diets in the Midwest and the West were attributed to the mild weather and the population shift to the outskirts. Christmas sales in the Chicago area were up 8% and entries of the staple into the CCC loan stock were below expected levels. Losses sustained during the period ended Nov. 28 were 81,300 against 94,500 bales in the preceding week, bringing total entries for the season through that date to 414,900 bales. Cotton ginnings for this year's growth period amounted to 13,419,943 running bales, or approximately 90% of the crop and the highest percentage on that date since 1943.

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**Mutual Funds**

**By ROBERT E. 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 not nearly as many salespersons selling electronics as there are salespersons selling automobiles, he stated, and he feels that the growth of the industry will continue unchecked. Tripp also pointed out that there is no ceiling to the selling of mutual funds, and that the trends in electronics will continue to benefit the electronics industry.

The Television-Electronics Fund was organized in 1954 and had over $300 million in assets at the end of the fiscal year. The fund is managed by Mr. Tripp and his associates, who are all experts in the field of electronics.

**A significant event**

One of the significant events of the year was the opening of the new television sets. The opening of the new sets caused a surge in the demand for the sets, and this demand continued throughout the year. The fund benefited from this increased demand, as it invested heavily in the electronics industry.

**A controversial issue**

Another controversial issue was the question of whether the electronics industry was oversold. Some investors felt that the industry was oversold, while others believed that it was still in its growth stage. The fund managers felt that the industry was still in its growth stage, and they continued to invest heavily in the industry.

**A look at the future**

The fund managers also looked to the future and predicted that the electronics industry would continue to grow at a rapid pace. They believed that the industry would benefit from the continued demand for electronics products, and that it would continue to be a significant industry in the future.

Mr. Tripp ended his remarks by saying that he felt that the electronics industry would continue to grow at a rapid pace, and that the fund would continue to benefit from this growth.
**Securities Now in Registration**

**NEW ISSUE CALENDAR**

<table>
<thead>
<tr>
<th>Date</th>
<th>Company</th>
<th>Proceeds</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 19, 1952</td>
<td>Flower Corp., Long Beach, Calif.</td>
<td>$25,000 common stock (par $1)</td>
</tr>
<tr>
<td>December 20, 1952</td>
<td>Standard Sulphur Corp.,的优势</td>
<td>$100,000 common stock (par $1)</td>
</tr>
<tr>
<td>December 21, 1952</td>
<td>Colorado Fuel &amp; Iron Corp.</td>
<td>$100,000 common stock (par $1)</td>
</tr>
<tr>
<td>December 22, 1952</td>
<td>Garrett Freightlines, Inc.</td>
<td>$50,000 common stock (par $1)</td>
</tr>
<tr>
<td>January 5, 1953</td>
<td>Filtorp Corp., Milwaukee, Wis.</td>
<td>$100,000 common stock (par $1)</td>
</tr>
<tr>
<td>January 6, 1953</td>
<td>Commonwealth Corp., Boston, Mass.</td>
<td>$200,000 common stock (par $1)</td>
</tr>
<tr>
<td>January 7, 1953</td>
<td>Moore (William S.), Inc.</td>
<td>$75,000 common stock (par $1)</td>
</tr>
<tr>
<td>January 13, 1953</td>
<td>National City Bank of Cleveland</td>
<td>$100,000 common stock (par $1)</td>
</tr>
<tr>
<td>January 14, 1953</td>
<td>Consumers Power Co.</td>
<td>$100,000 common stock (par $1)</td>
</tr>
<tr>
<td>January 20, 1953</td>
<td>Kansas City Power &amp; Light Co.</td>
<td>$100,000 common stock (par $1)</td>
</tr>
<tr>
<td>January 22, 1953</td>
<td>Southern Ry. &amp; Equip. Trust Co.</td>
<td>$100,000 common stock (par $1)</td>
</tr>
<tr>
<td>January 26, 1953</td>
<td>Culver Corp.</td>
<td>$50,000 common stock (par $1)</td>
</tr>
</tbody>
</table>

**INDICATES ADDITIONS SINCE PREVIOUS ISSUE**

**ITEMS REVISED**

- **Commonwealth Oil Co., Miami, Fla.** (1/6)
  - Nov. 28 filed 150,000 shares of common stock (par $1) for sale. Price—To be supplied by Commonwealth. Proceeds—For investment of potential oil areas and for general corporate purposes. Underwriter—Gordon Graves Co., New York, N.Y.

- **Consumers Power Co.** (1/14)
  - Dec. 16 filed 617,668 shares of common stock (par $1) to be offered for sale at $8.75 per share. Price—To be supplied by Commonwealth. Proceeds—To purchase additional equipment. Underwriter—Commonwealth.

- **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 multimillion-dollar Midwest market. For an analysis of your listing and space needs, get the full story from your advertising counselor or nearest Chicago Tribune advertising sales representative.
Insipre Corp., New York

Oct. 29 filed 1,000 shares of common stock. Price—At par ($100 per share). Proceeds—To finance purchase of necessary equipment, materials and oil and products for resale in Israel. Underwriter—Israel Securities Corp., New York.

Israel Industries and Development Corp., New York


Kalamazoo Stone & Furnace Co.


Kopp Scientific, New York


Kroger Co., Cincinnati, Ohio

Proceeds—For 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 Weico Foundation. The options are exercisable in 1953. Underwriter—None.

Lancaster Co., San Diego, Calif.


Leavenworth Home of Nevada, Inc.


Gyrodyne Co. of America, Inc.

Nov. 14 (letter of notification) 255,500 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 the remainder will be offered for sale. Price—To be sold by amendment. Proceeds—For expansion and promotion of business. Underwriters—None.

Hawthorne House of Nevada, Inc.


Hemisphere Western Oil Co.


Hi-Pac Corp., Hillside, N. J.

Dec. 5 (letter of notification) 4,590 shares of 5% preferred stock (par $50) and 4,593 shares of common stock (par $1). Price—$45 per share preferred and one share of common stock. Price—$50.10 per share. Proceeds—For new equipment and working capital. Office—358 Hillside Ave., Hillside, N. J. Underwriter—None.

Holiday Plastics, Inc., Kansas City, Mo.

Nov. 23 (letter of notification) 600,000 shares of common stock (par $2). Price—$7 per share. Proceeds—For working capital. Office—To estate of Maurice Buover, deceased. Underwriter—Prugh, Conzem, & Land, Inc., Kansas City, Mo.

Hoffman, L. J., New York City.


Idaho Maryland Mines Corp.

June 6 filed 200,000 shares of common stock (par $1). Price—$13 per share. Proceeds—For working capital. Office—Kansas City, Mo. Underwriter—Prugh, Conzem, & Land, Inc., Kansas City, Mo.

International Paper Co., New York

Dec. 10 (letter of notification) 1,000,000 shares of common stock (par $10). Proceeds—To be offered in units of one share of preferred and two shares of common stock. Of remaining 2,000,000 shares, 1,000,000 will be reserved for directors and sales representatives. Price—$13 per share. Proceeds—For working capital. Underwriter—None.

Insurance Exchange Corp., Walla Walla, Wash.

Nov. 17 (letter of notification) 7,789 shares of common stock (par $10) and 14,000 shares of preferred stock (par $50) of which 28,000 shares are to be offered for sale to members of the corporation and 2,350 shares are to be offered in units of one share of preferred and two shares of common stock. Of remaining 2,000 shares, 1,000,000 will be reserved for directors and sales representatives. Price—$10 per share. Proceeds—For working capital. Underwriter—None.

Insurance Securities, Inc., Oakland, Calif.

Dec. 9 (letter of notification) 1,000,000 shares of common stock (par $1). Price—$15 per share. Proceeds—For working capital. Office—To estate of Maurice Buover, deceased. Underwriter—None.
Ohio Edison Co. (1/7)
Dec. 11 filed 479,846 shares of common stock (par $1) to be offered for subscription by stockholders at rate of one share for each nine preferred shares held, $153/4 rate to expire on Jan. 8, 1953, on the basis of one new share for each nine preferred shares held. (par $1).—Republic Aviation Corp., Farmingdale, L. I., N. Y.
Dec. 15 (letter of notification) 344 shares of common stock (par $100) to be offered for subscription by stockholders at rate of one share for each ten shares held, $10 rate to expire Dec. 20. Underwriter—None.

Sapphire Petroleum Ltds., Toronto, Canada
Oct. 26 (letter of notification) 10,000 shares of Canadian stock (par $5) to be offered for subscription by stockholders, who will offer the shares from time to time either on the Toronto Stock Exchange or in the over-the-counter market. Underwriter—None.

Schweizer's (George) Sons, Inc., Fremont, Neb.
Oct. 17 (letter of notification) 7,000 shares of common stock, non-votable preferred stock. Price—At par ($100 per share). Proceeds—For working capital and expansion of the company's manufacturing facilities. Underwriter—Kidder, Peabody & Co. (jointly); Lehman Brothers and Bear, Stearns, Inc., 23 Wall St., New York, N. Y. Underwriter—None.

First Boston Corp. Bids—To be received up to 11 a.m. EST on Nov. 16 at offices of Commercial Securities Inc., 20 Pine St., New York, N. Y. 5. N. Y.

Pitney & Telephone & Telegraph Co.
Oct. 24 filed 703,373 shares of common stock being offered for subscription by stockholders at rate of one share for each nine preferred shares held, $153/4 rate to expire Dec. 3, rights to expire on Dec. 30. American Telephone & Telegraph Co. (par) to have 4,200,000 shares presently owned more than 90% of the outstanding shares. Price—At par ($100 per share). Proceeds—For retaking bank loans and for new construction. Underwriter—None.

Pacific Western Oil Corp.
Aug. 19 (letter of notification) 6,000 shares of common stock (par $4). Price—At the market. Proceeds—To J. Paul Getty, Presi-
dent. Price $34 per share. Proceeds—To be handled by brokers on the New York Stock Exchange.

Paradise Valley Oil Co., Reno, Nev.
Aug. 28 (letter of notification) 265,000 shares of common stock (par $1). Price—At par (10 cents per share). Proceeds—To drill six wells on the acreage of the company. Underwriter—None, with sales to be made on a commission basis. Underwriter will sell two classes (par $2 per share).—Oil & Gas Record, Jan. 16, 1953, p. 3.

—Phillips Petroleum Co., N. J. V. Nov. 10 (letter of notification) 550,000 of 7% subordi-
nated debentures. Price—At par (in denominations of $1,000 each). Proceeds to be used for working capital, materials, and expansion of the company. Underwriter—Kidder, Peabody & Co., 250 Vesey St., New York, N. Y. Underwriter—None.

Oct. 29 (letter of notification) 100,000 shares of preferred stock (par $1) to be offered in units of one preferred share and one common share. Price—$31.25 per unit. Proceeds—For operating capital. Address—c/o N. A. Tilton, Special Sec., 14 E. 40th St., New York, N. Y. Underwriter—Garrett & Co., Inc., Dallas, Texas. Underwriter—None.

Plywood Corp., Polson, Mont.
Dec. 8 (letter of notification) 180,967 shares of common stock (par $1). Price—At ($5 per share). Proceeds—To be used for sales agencies. Lows—Law and Commerce Bluff, Dallas, Texas. Underwriter—None.

Power Manufacturing Co. (1/5-9)
Dec. 2 (letter of notification) 60,000 shares of Class B common stock. Price—At a rate of one share for each share of Class A common stock held. Underwriter—First Boston Corp. (par) at a rate of one new share for each share of Class A common stock held, $153/4 rate to expire Dec. 1 at rate of one new share for each share of Class A common stock held, $153/4 rate to expire Dec. 1 at rate of one new share for each share held, rights to expire Dec. 29. Proceeds—To be used for expansion and modernization of plant and for working capital. Offered—403 Oliver Blvd., Pittsburgh, Pa. 15, Underwriter—None.

Preston Mason Co., Troy, Ohio

Rasco Financial Corp.
Dec. 11 (letter of notification) $250,000 of 5% 20-year bond, par value $1,000,000, sold to public. Proceeds—To be used for the purchase of 180,000 shares of common stock of the company. (par $20 each share). Proceeds—To holders entitled to receive frac-
tion of one share in addition to the $20 share. Proceeds—To pay bond dividend payable Dec. 20. Underwriter—None.

Texas Oil Exploration Co., Fort Worth, Tex.
Dec. 5 (letter of notification) 1,200,000 shares of common stock (par $1) to be offered for subscription by stockholders on terms of $153/4 each share. Proceeds—To drill oil and gas wells and for acquisition of properties. Underwriter—None.

Texas Western Oil Co., Houston, Tex.
Nov. 12 (letter of notification) 100,000 shares of common stock (par $1) to be offered for subscription by stockholders. Proceeds—For working capital. Office—1 Main St. Houston, Texas. Underwriter—Khoury & Co., Inc., New York.

TexSoak Oil Corp.
Nov. 24 (letter of notification) 1,000 shares of class A common stock to be offered for subscription by stockholders; 622.5% of class A common stock is outstanding. Proceeds—$50 per share. Proceeds—To be used for working capital, materials, and expansion of the company. Underwriter—None.

Thompson Creek Coal & Coke Co.
Dec. 10 (letter of notification) 16,250 shares of common stock (par $20) to be offered for subscription by stockholders for general corporate purposes. Proceeds—$205 per share. Proceeds—To be used for working capital. Address—P. O. Box 7772, Denver 15, Underwriter—None.

Dec. 8 (letter of notification) 1,000 shares of common stock (par $5) to be offered for subscription by stockholders for general corporate purposes. Proceeds—$5 per share. Proceeds—To be used for working capital. Underwriter—None.

Toloedo Edison Co.
Dec. 17 filed 600,000 shares of common stock (par $5) for subscription by stockholders. Proceeds—For working capital and expansion of the company. Underwriter—None.

Torhio Oil Co., Ltd., Toronto, Canada
Dec. 10 (letter of notification) 5,000 shares of common stock (par $1) to be offered first to stockholders and then to the general public at the same price. Proceeds—To be used for drilling for oil and gas properties. Underwriter—None.

Transcontinental Oil Corp., Dallas, Tex.
Dec. 11 (letter of notification) 102,000 shares of common stock (par $1), $100 per share. Proceeds—To C. J. Simpson, the selling agent, 221 E. Commerce Ave., Fort Worth, Texas, 10, Underwriter—None. Underwriter—Dallas, Texas. Underwriter—Harry Leesie; Taft Hold-
ing Corp.; and Zerike Co.

Tuscarawas Co., Fort Worth, Tex.

Union Finance Co., Inc., Tampa, Fla.
Dec. 12 (letter of notification) 4,000 shares of 6% prefer-
ed stock (par $100 per share). Proceeds—To C. J. Simpson, the selling agent, 221 E. Commerce Ave., Fort Worth, Texas, 10, Underwriter—None. Underwriter—Tuscarawas Co., Fort Worth, Texas. Underwriter—Degarton & Co., Fort Worth, Texas.

United Equipment & Service Inc., Baltimore, Md
Nov. 22 (letter of notification) 10,000 shares of common stock (par $1) to be offered for subscription by stockholders. Proceeds—For working capital. Price—At par. Proceeds—For working capital. Underwriter—None.

Dec. 2 (letter of notification) 75,000 shares of common stock (par $1) and 2,500 participating units to be sold in units of 30 shares and one participating unit each $420 per unit. Proceeds—Increase capital and surplus. Office—Weldon Phoenix, Ariz. Underwriter—Life Underwriters, Inc., Phoenix, Ariz.

Victoria Copper Zinc Mines Ltd.
Oct. 22 filed 1,050,000 shares of common stock. Price—At ($1 per share. Proceeds—For construction of a new mill and $1,500,000 at prices ranging from 15 cents to $1 per share. Proceeds—To be used for payment of materials and equipment and construction expenditures. Underwriter—The First Bos-

Video Products Corp., Red Bank, N. J.
Oct. 3 (letter of notification) 75,000 shares of common stock, par $1, and 2,500 participating units to be sold in units of 30 shares and one participating unit each $420 per unit. Proceeds—Increase capital and surplus. Office—Weldon Phoenix, Ariz. Underwriter—Life Underwriters, Inc., Phoenix, Ariz.

Warren Petroleum Corp., Tulsa, Okla.
Nov. 7 (letter of notification) 3,000 shares of common stock (par $1) to be offered for subscription by stockholders. Proceeds—For working capital. Office—42 West Street, Red Bank, N. J. Underwriter—None.

West Texas Pipe Lines Co., Dallas, Texas
Nov. 20 filed $25,000,000 12-year 6% debentures due Dec. 1, 1962, at $101 per $100, proceeds to be used for purchase of additional shares of common stock and private sale of $5,000,000 first mortgage bonds, to be used to build a 1,020...
Financial Considerations

**FederalReserveBank of St. Louis**

- Underwriters—White, Weld & Co., and Union to issue new Corp., both of re York.

- West Coast Pipe Line Co., Dallas, Tex. Nov. 10 it announced plans to issue and sell common stock and additional debentures early in the Spring of 1953. Proceeds—To repay bank loans and for general corporate purposes. Underwriters—White, Weld & Co., and Union Securities Corp., both of New York. Offering—to be made through the banks.

- Western National Gas Co., Houston, Tex. Nov. 15 it announced plans to issue and sell common stock and additional debentures early in the Spring of 1953. Proceeds—To repay bank loans and for general corporate purposes. Underwriters—Whitten, Rice, Fink & Co., and W. P. Shaw & Co. (jointly); Morgan Stanley & Co.; and Fordeiner, Halsey, Stuart & Co. (merrily); Morgan Stanley & Co. (jointly);

- Western Pioneer Investment Co., Oakland, Calif. Nov. 25 it filed 183,002 shares of convertible preferred stock, par value $100 per share, with additional rights of the holder to purchase 1/10 of a share of common stock at par for each share of preferred stock tendered for redemption on Dec. 5, at a price of one share of preferred stock for each 20 shares of common stock held (with certain exceptions). Proceeds on Dec. 5. Purchase price at $30 per share. Proceeds—To commence operations as an oil-drilling company and for working capital.

- Westshore Hospital, Inc., Tampa, Fla. Dec. 15 it announced the sale of 30,000 shares of common stock (of which 1,200 shares are common and 28,800 are preferred) in addition to the 600,000 preferred shares previously issued. Proceeds—To purchase real estate, equipment, and other essential facilities. Underwriter—White, Weld & Co., both of re York.

- Wisdom Magazine, Inc., Beverly Hills, Calif. Sept. 17 it filed 6,000 shares of 5% cumulative preferred stock, par value $100 per share, to be sold at $100 per share. Proceeds—To be offered in units of one share of preferred and 20 units of additional common stock per unit. Proceeds—To publish new national picture news magazine.

- Wyoming National Oil Co., Inc., Denver, Colo. Nov. 29 it announced plans to issue and sell 250,000 additional shares of common stock to its stockholders on a one-for-one basis. Underwriter—Probably the First Boston Corp. (Inc.), both of re York.

- California Electric Power Co. Oct. 1 it announced company intends to sell early in the first quarter of next year an additional new issue of debentures, $10,000,000, having rank of junior to debentures, viz: $8,000,000 of first mortgage bonds and $2,000,000 of preferred stock. Proceeds—For new construction and replacement of bank loans. Underwriter—Preceded by competitive bidding. Probable bidders: (1) For bonds only—Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler. (2) For bonds and preferred stock—Halsey, Stuart & Co. Inc.; Beane and De Witt & Co. (jointly); Kidder, Peabody & Co., both of re New York.


- American Airlines, Inc. June it announced company plans to issue and sell an additional $400,000 of equity capital. An issue of 200,000 shares of common stock at $2 per share. Underwriter—George & Thruston, Inc., both of re New York.

- Rollstone Steel Corp. Dec. 16, M. A. Rollstone, President, said the company plans to issue and sell 15,000 shares of preferred stock, par value $100 per share. Proceeds—To repay bank loans and for general corporate purposes.

- Great American Airlines, Inc. Oct. 17 it announced company to be sold at $110 per share. Proceeds—To repay bank loans and for new construction.

Continued from page 5

Observations...

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That Nasty Reduction of Cost

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People's National Bank & Trust Co., New York. Dec. 11 it was announced company plans to issue about $101,758,900 of new convertible subordinated debentures, which are first to be offered for sub-

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Our Reporter's Report

The normal order of business was relegated to secondary position by not one but two investment world this week. True, a smattering of small issues resulted from borrowed and sold equipment notes, with the big secondary in Atlantic Refining serv¬ing to build up the total.

But by-and-large those who took advantage of the bulk of such purchasing offerings were coating to a halt and it was thought to have been largely to balancing out the books for the year, the profits of its forward to the customary festivities of the season.

Generally speaking, it was agreed the market had been on the rise slow¬ly and where rapidly drawing to a close, has been a good one for the un¬derwriting business. True, it could have been a lot better if more of the business had come through public offering channels rather than taking the form of private and direct placement.

But all things considered the rank and file of investment banks and investing firms find little to complain about as the turn into the new year approaches. Perhaps they would have been happier had 1953 treat them no less kindly.

For one large firm, which al¬ways takes a keen interest in this and had some tremendous years in the twenties and early 30s, has reported to have been a record breaker. And another large firm which ranks well up the list 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 large have not been too bad.

Direct Placements

The rash of direct placements going through in the past week gave point to the recent observa¬tions of Carrol M. Shanks, Pres¬ident of Prudential Insurance Co. of America, in addressing the IRA 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 story of tremendous strength reportedly marked in recent years, a quick run-down of SEB’s financing operations in the corporate field shows that some eight companies were taken direct to insure companies or other institutional lenders for the needs.

Equities To For

A couple of public utility companies have initiated steps looking toward substantial finan¬cing through the sale of equities. But these efforts will not involve offer¬ing first on “rights” to stock¬holders.

Consumers Power Co. has regis¬tered with SEC to issue 175,000 shares of additional common to be offered for subscription during the current week. The com¬pany proposes to underwrite the “subscription” job on Jan. 14.

West Penn Electric Co. is pro¬posing to offer to the public two additional common shares to present stockholders, and has filed the necessary registration. Meanwhile its 1952 dividend announcement Power will sell $17,600,000 additional com¬mon shares to the parent firm for $10,000,000, to be sold by the West Pens will be under¬written by the New York firm.

Closing With A Rush

Good-name equities evidently are still enjoying a bang-up mar¬ket judging by the tremendous movement in which a couple of large secondary offerings were snapped up this week.

A case in point is Atlantic Re¬fining common stock. A block of 230,000 shares was placed on the market at $32 with a con¬clusion of 50 cents a share for stockholders. Books opened after the close of the market on Tuesday and underwriting was completed within a matter of minutes.

Again, offering of 9,225 shares of Franklin Stores Corp. common stock was reported as meeting with brisk demand.

DIVIDEND NOTICES

The New York Central Railroad Co. declared a dividend of $.90 (a new high) per share on 100 million shares of common stock payable February 1, 1953, to stockholders of record at the close of business December 31, 1952.

NATIONAL SHOES CORPORATION

The Board of Directors of the National Shoes Corporation, a California corporation, has declared a dividend of $2.00 per share on 360,150 shares of common stock, payable March 15, 1953, to stockholders of record at the close of business March 14, 1953.

DIVIDEND NOTICES

The Electric Storage Battery Co. declared a dividend of $.30 (to the base of $3) per share on 20,000,000 shares of Common stock which is payable March 15, 1953, to stockholders of record at the close of business March 11, 1953.

The Garlock Packing Co. declared a dividend of $.20 per share on 9,600,000 shares of common stock which is payable April 15, 1953, to stockholders of record at the close of business April 1, 1953.

The Electro Storage Battery Company

20th Consecutive Quarterly Dividend

The Directors have declared the Annual Supplement of June 30, 1952, and the semi-annual dividend of the class of Preferred stock, payable January 15, 1953, to stockholders of record at the close of business January 7, 1953.

COMMITTEE ON REGULAR DATES

H. C. ALLAN, Chairman

Secretary and Treasurer

Philadelphia, December 1, 1952.

PHILIP MORRIS

Philip Morris & Co., Ltd., Inc.

Our Institutional SHARE OWNERS

CUMULATIVE PREFERRED STOCK

The regular quarterly dividends of $1.00 per share on the 4% Series and $.975 per share on the 3% Series have been declared payable January 15, 1953 to holders of record at the close of business January 10, 1953.

COMMON STOCK ($5.00 Par)

A regular quarterly dividend of $4.9375 per share has been declared payable January 15, 1953 to holders of record at the close of business on December 31, 1952.

Corporation Dividends Are Good Producers

The Beatty House, Beverly, Massachusetts, this office on December 31, 1952, to holders of record at the close of business on December 31, 1952.

L. G. HANSON, Treasurer

December 17, 1952

New York, N. Y.
Washington... And You

WASHINGTON, D.C.—House Interstate Commerce Committee is going to undertake in 1953 a review, or "walking tour of inspection," of the SEC, Federal Trade Commission, Food and Drug Administration, and other agencies under its legislative jurisdiction—on the theory that no one is a "island of activity" when it comes to legislation and administration.

Under Democratic control, with Rep. Robert C. Mplanation, A. Washington (R., N.J.) as Chairman, the Committee will next year repeat the process of hearings and studies for the same two other "islands of activity." The object of the hearing will be to find out what major difference in emphasis, whether or not with the floor. Under Mr. Welvelson the Committee will spend a great deal of attention on the work of the SEC, emphasizing the perhaps unique problem of how to handle it. Instead of the former's legislative hearings to interpret the SEC's interpretations of law, the Committee will attack the very problem of whether the Committee would conduct a similar type of hearing. If so, its work will be for the commissions not only by attendance at hearings of the Committee, but also by study and to the work of the SEC, as it is planned for the legislation, or by any other form of "make work" for the SEC. But hot on the Committee's agenda, however, is a report on the work of the SEC as a result of the hearings on its activities.

Rep. Hitler's proposal that the question of the Commission's responsibility for the past two years, in regard to his belief that the inquiry should be continued. Inattention to the Commission to organize the House, Mr. Hitler could not continue as Chairman of the Committee. This, however, is said to be the Committee's right, and they have not yet been given as much time to settle the matter as they have been given in a number of cases, of SEC's "laxity." However, the matter has been referred to the inquiry of the SEC for more intensive scrutiny that it was promised to give the other regulatory agencies under its jurisdiction.

Russell to Batt Opposite Taft

Democrats have decided tentatively that Senator Richard B. Russell of Georgia shall, if he goes to bat opposite Senator Robert A. Taft, A. Washington (R.) in the Senate, he will be the Democratic candidate for the Senate seat created by the death of Senator Taft last year. However, his death, however, was not in the last few weeks, it was Senator Styles Bridges of New Hampshire.

Senator Joseph C. O'Mahony of Wyoming, the Senate Demo¬
crats' most prominent candidate, was defeated for re- election. Southern Democrats say that they backed O'Mahony. But this was a "misunderstanding," unsuccessful as a "sprint" for the Democratic Majority. O'Mahoney is, however, for re-election, for O'Mahony'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 Special Committee conducting the continuing investigation of the war program.

Russell is said to have become considerably more conservative since the death of his close friend and ally, Senator Arthur H. Vandenberg, particularly in the South, and by the larger showing in the election.

To Put Trade Bill First

White House and Ways and Means Committee get organized and ready for serious business early in February, along with the rest of Congress, it probably will consider the next phase of the Reciprocal Trade Agreements Act. However, until the Administration decides whether it will extend, there is no plan for legislation, it is now planned to test the phase of the bill as it is introduced. In the first place the Trade bill expires June 12, unless continued by Congress. There will be controversy about the form of the extension. If the Eisenhower Administration adopts the view that it is a bad idea to extend the Reciprocal Trade Agreements Act, the Senate will make up its own mind. However, the Senate will make the extension as per the Administration's demands regardless of cost and quality. This bill can easily provoke 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 focusing themselves on tax reduction.

In general, GOP leaders in Congress are in favor of continuing the Excess Profits Tax, and the Senate are in favor unless there is some more serious emergency than now fore¬
saw. However, members think that it is not feasible politically to allow the EPT to expire without an income tax reduction for individuals at the same time. The form of this relief, which must be very generous, is to allow individuals to write off a certain amount in personal income tax boosts. The two forms of tax relief, however, would cost a few billion dollars in revenue overall.

Prevailing opinion of tax leaders in Congress is while these two taxes (with expiration of one accelerated) should be allowed to die, it is better not to make an irrevocable de¬
cision at the present time. By April the taxing committees of Congress will have some ideas what they are doing in appropriation bills, since the Appropriations committees are having in committee hearings without other authority, or other authorizations, so as to guarantee that the projected deficit will be covered. If the deficit is large, there will be substantially the same amount of tax reduction, which will make it possible to reach without the most determined economic drive.

TAX Study Future

Will Be Taxed

For the most part the future of the investigation of the Bu¬
reau of Internal Revenue and tax administration will be a tax affair, as the control of the investigative Committee passes to Republicans.

There will be an investigation, however, Republicans promise. For one thing, the Ways and Means committee actually made very little progress in getting up the Tax Department's Alcohol Tax Unit. For another thing, the Ways and Means committee made many attempts to give the closest study to both the administration and its op¬
eration, which retiring Treasury Secretary John Snyder believed to be a part of the reorganization of the Bureau of Internal Revenue.

Despite the desire of the subcommittee to avoid scandal and bickering in its continued tax investigation, there will be some scandal and some drama, it is indicated. There are also two or three 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, the subcommittee hopes to settle down to a quiet inquiry into the Alcohol Tax Unit and the theory and operation of re¬
organization in the Bureau of In¬
ternal Revenue.

New Chairman of the Tax


See FR Credit Policy Secure

An ostensibly "secondary" appointment to a major department has seldom aroused such keen interest as that of W. Ran¬
dolph Burgess, Chairman of the Executive Committee of the Na¬
tional 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 pre¬
eminent skill in this field.

Negatively the decision of Mr. Humphrey is that Burgess assis¬
ted him is viewed by all Wash¬
ington as an outstanding event. It rather indicates, observers think, that the flexible credit policy on which the new Chairman of the Federal Reserve Board, William McCheney Martin, has carried forward with such vigor, will probably be left undis¬
turbed. Burgess and Martin are rated not merely as good friends but close, closely alike on monetary matters.

Furthermore, it is a prelimi¬
ary indication of the possibility that General Eisenhower and the President will probably con¬
tinue to deal with Mr. Martin as long as he lives. The Burgess appointment, however, is said to signify much more than the avoidance of any "Ways and Means" mone¬
ry 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 bonds were callable, and that they will be in the form of demand obligations or securities matur¬
ing in less than 30 years.

This newsletter outlined this situation in detail and suggested the need for "reconstructing the public debt in a way at a time which will provide for sound economic stability and assure the investor in these bonds that he will get paid back money as good as he gave." (Inserted column is intended to reflect the "behind the scene" interpreta¬
tion from the nation's capital and many financial experts with the "Chronicle's own views.)

Business Man's

Bookshelf


Some Observations on Executive High¬
lights—Quarterly review featuring in¬


Strengthening Our Foreign Pol¬
icy.—Report by a study group of the Harvard Business School, Sol¬
diers Field, Boston 60, Mass., cloth—$1.75.

TRADE MARKING MACHINES

Gear Grinding Machine

Cree Secon A & B

Seneca Falla Machine

Gorton Pew Fisheries

Colmster Co.

Middlesex County Nat. Bk.

Rudders Feeder Glassco

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"No, no, Macinnis—just the children!—just the children!"