A Happy New Year to All

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EDITORIAL

As We See It

Several recent events have served again to draw attention to the world problems of the United States and various associated powers. The visit of the President-elect to Korea aroused interest not only in this country, but in various other lands. This was particularly true of Britain whose authorities have long been a little uneasy about what the United States might do in that distant peninsula. Some of the Eisenhower statements during the campaign, allegedly originating with Mr. Dulles, now Secretary of State-designate, are also said to have brought some uneasiness to European minds.

Still more recently, an unexpected statement from Josef Stalin in the form of replies to questions submitted by a representative of the New York "Times," and an equally surprising announcement from Britain that Mr. Churchill would soon arrive in this country and confer with the President-elect, have aroused widespread interest and emphasized the world-wide connotation of what may take place when the new Administration takes office in January.

U. S. Occupies Key Role

The fact is that whether we like it or not, we occupy a key position among the nations of the world today. Only the United States and Soviet Russia emerged from the devastation of World War II as really first class powers. Russia escaped impotency chiefly by reason of its enormous size, plus the fact that so much of its territory lay beyond the reach of its enemies, although the naive generosity of President Roose-

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No New Business Boom in '53

By ROGER W. BABSON

Mr. Babson, predicting intensification of competition in 1953, says, despite removals of government controls, profit margins will not be helped and many "marginal producers" may have their days numbered. Sees stimulus of defense spending fading, but forecasts "if a slide starts it should be gradual." Looks for slightly lower living costs.

Business will start the year 1953 in high gear. The pace will slacken, however, as the year unfolds, with total business volume for 1953 smaller than for 1952. The powerful supports of the Great Boom—construction and automobiles—will lose strength as the year advances.

Roger W. Babson

Barring World War III, 1953 will find business operating under less government control than any year since outbreak of the Korean War. But don't expect removal of price controls to help profit margins.

Intense Competition Predicted

Salient economic feature is the fact that our productive capacity has now been expanded to the point where, barring World War III, output can take care of both arms and civilian needs.

The handwriting is on the wall against inefficient operators. Their days are numbered. The successful businessman next year will be the one who can control his costs and stay out front in his market.

I strongly urge my business friends to get out and **sell**, and **sell hard** next year; but hire the best cost accountants you can for the back office. "Order takers" will find fewer jobs as 1953 moves along.

War and Peace

My forecasts for 1953, are made on the assumption that World War III will not strike during the year.

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The Stock Market Thru '53

By EDMUND W. TABELL

Partner, Walston, Hoffman & Goodwin, Members New York Stock Exchange

Market analyst emphasizes accentuation of market's intelligent selectivity over recent years, manifested by net decline since 1937 in one-third of issues despite 50% advance in industrial average. Forecasts long-term advance to last until 1960-62, and surpass 1929 high of 386. Expects 1953 to be year of consolidation, adjustment, and advance, with "Light Blue Chips" popular. Lists specific market outlook for individual industries.

As the year draws to a close, the stock market, measured by the various averages, is selling at the highest level in 22 years. This leads one to assume that most equity issues are selling very close to their all-time highs and that all investors and speculators are in a very happy frame of mind. Unfortunately, this is not the case. Despite the fact that many issues are reaching new high territory, there are even a greater number that are still selling considerably below not only their highs of the past two years, but also below their highs of 1946 and 1937. The table below indicates in what month during the past two years the 1,062 common stocks listed on the New York Stock Exchange reached their highs for that period. All preferred stocks are eliminated, as are common stocks listed during 1952. The compilation is as of the close of the market on December 19, 1952. It is interesting to note that almost 40% of the listed common stocks reached their highs during the January-March, 1951 period—or almost two years ago. Six hundred and twenty stocks reached their highs in 1951 compared with only 442 in 1952. The percentage reaching their highs during December, 1952 is only 17% despite the fact that the Dow-Jones Industrial Average, at approximately 288, is considerably above any of the previous highs reached by this average

Edmund W. Tabell

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SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 34.

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.)

WARREN A. CASEY
Security Analyst, Hecker & Co.,
Philadelphia, Pa.

Russell Manufacturing Co.

Every once in a while a combination of unfavorable factors causes a severe recession in the price of a good stock of a good company, offering to the alert investor an unusual investment opportunity. I am quite sure this is presently the case insofar as *Russell Manufacturing Co.* stock is concerned. At the outset, permit me to present some statistics which in themselves compel a further look into this situation.

Warren A. Casey

With tax-loss selling undoubtedly a factor in the current market, Russell stock is at this writing selling around 12½-12¾. This compares with a price range for the past ten years of highs averaging 23⅛ and lows averaging 16½. In this decade, a high of 31 for the stock was made in 1947 and a low of 12⅝ in 1949. During the past ten years, earnings averaged just about $3.00 a share, while dividends averaged $1.35 a share, a return of almost 11% on the prevailing price. Balance sheet items at the 1951 year-end indicated net working capital of $4,151,403, equivalent to $17.33 per share (of 146,535 shares of common stock), after allowance for long-term debt of $1,611,378, the only obligation senior to the equity issue. If this debt were to be counterbalanced by $2,383,129 of net property, a very reasonable offset, then the net working capital is equal to $28.33 a share. Book value of the stock at Dec. 31, 1951 amounted to $34.74 a share. Significant, too, is the fact that over $3,000,000, or more than $20 a share, was expended on new plant facilities and equipment in the five postwar years 1946 through 1950.

The year now passing into history was a trying one for Russell. The severe steel strike threw its automotive business into a tailspin, and deliveries in some instances were delayed several months. In addition, its fabric and webbing divisions operated at abnormally low levels in consonance with the unprecedented textile slump of the past 15 months or more. Nevertheless, the company kept faith with its stockholders and paid a total of $1.30 a share in dividends out of earnings that were probably no more than this. It may be that the investing public interpreted, or rather misinterpreted, the final quarter dividend of 17½ cents, after three 37½-cent quarterlies, as marking a new quarterly rate. Russell's vigorous President, G. M. Williams, vigorously states this is just not so. In view of directors' actions in the past, it is certain that a good look at business and earnings will be taken early next year, and a dividend as palatable as possible to stockholders disbursed, consistent with sound business policy.

And right now, Russell's business is on the upswing. Business on its belting, automotive and special products is in good volume and prices satisfactory. The long textile slump gives definite evidence of being ended. Research has been prominent in top management's scheme of things and several new products will be announced in trade journals at the end of January. On one of these new products, orders have been booked solid for the entire year 1953. A government contract for $150,000 has just been obtained, which while small, will absorb costly overhead.

And now, just what does Russell Manufacturing Co. make? In the first place, it is one of the largest producers of slide fastener (zipper) tape. It also makes "Lastex" fabrics, narrow elastic webbings and venetian blind tape. To the automotive industry it supplies brake linings and clutch facings, and in June of this year announced that it had developed a new type of fused fabric brake lining said to have ten times the tensile strength of the conventional woven brake lining. For the military it makes a wide assortment of webbing equipment, including such items as leggings, field packs and other similar gear familiar to soldiers around the world. A somewhat new product is woven glass tape used in huge quantities in the main driving motors of diesel electric locomotives. At last reports, the company was turning out more than 1,000,000 yards of this glass tape a week. Russell also makes power transmission and conveyor belting, and this is used by thousands of companies the country over. Chances are that in flights being made right this minute, passengers are fastening Rusco belts as the planes take off. Recognizing no geographical discrimination, its conveyor belts carry everything from citrus fruit in Florida to airplane parts in California. Its overall customer list includes thousands of the very best names in American industry. One of our analyst confreres sometime ago wrote: "Russell has more of the better customers over a longer period of time than almost any other corporation that you can think of. Russell, they say, supplies an economic must to American industry."

Russell Manufacturing Co. was founded in 1834, but it is an old company with a new look. The present management, headed by the aggressive and able G. M. Williams, was brought in during the depression 30's, and industry and banking leaders have of late often paid tribute to the excellent job he has done. Mr. Williams, incidentally, with his family, is the largest single stockholder, owning approximately 10% of the outstanding stock. In its plants at Middletown, Connecticut, more than 53% of its employees have been with the company for more than 10 years and 10% for more than 25 years. No strike or work slowdown has ever occurred since the Williams management took over 18 years ago.

Earlier this year, a comprehensive realignment of personnel was undertaken in an action designed to effect annual savings of $240,000. The company is now well along in a program having the twin objectives of reducing costs and increasing the output of high profit margin items.

Russell Manufacturing Co. is my candidate for the stock most likely to hit the comeback trail in 1953. It has all the ingredients—an aggressive and capable management, good diversification of product, and an excellent historical and statistical background. Sometime back, one of the better investment advisory services—The U. S. Investor—in recommending Russell stock said: "Another good investment rule, we think, when buying common stock is to 'buy management.' Good Management. And Russell's got it." It is my studied opinion that the appreciation possibilities in Russell Stock at the 12-13 levels far outweigh any risk involved.

SEYMOUR KATZENSTEIN
Hirsch & Co., New York City
Members, New York Stock Exchange
and New York Curb Exchange

Tri-Continental Common and Warrants

Tri-Continental is the country's largest regulated diversified closed-end investment company. Cash and government securities on Sept. 30, 1952 totaled 2.9% of assets, and bonds and preferred stocks, 18.9%. The largest single commitment is the wholly-owned Union Securities Corp., a leading underwriter and distributor of securities with a capital of over $7 million, or 7.4% of assets. The balance of the portfolio consists primarily of good grade common stocks covering more than 24 industry groups. Oils are the largest equity holding accounting for 17.9% of net assets, followed by utilities (13.9%) and chemicals (6.5%).

Seymour Katzenstein

Tri-Continental's net asset value is $25.16 a share, indicating a 32% discount between this figure and market price. This appears out of line when compared with a 27% discount for U. S. & Foreign Securities, 25% for Adams Express and 13% for Carriers & General. Both General American Investors and Lehman Corporation sell at premiums of 2% and 14% over their respective asset values.

Tri-Continental has segregated an amount equal to $3.47 a share in a special reserve for possible capital gains taxes on unrealized portfolio profits. This conservative accounting practice is not generally followed by other investment companies which do not recognize tax liabilities until profits are actually taken, if this reserve is added back to the asset value mentioned above the discount between market price and asset value would then be over 40%.

This reserve for unrealized portfolio profits adds two interesting possibilities which are not generally found in other securities of this type. The reserve tends to understate true asset value and thereby acts as a cushion against stock market declines. Furthermore, and perhaps more interesting marketwise, is the fact that the company would be a major beneficiary of a liberalization of capital gains tax rates, since the aforementioned reserve could be reduced or eliminated as the management sees fit. As a consequence, substantial capital gains dividends might then be distributed to stockholders, a practice

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Competition in Investment Banking

By PAUL L. HOWELL*
Associate Professor of Finance
School of Commerce, Accounts, and Finance
Graduate School of Business Administration
New York University

Prof. Howell discusses competition as it applies to the investment banking business now charged with a conspiracy to restrain trade. Holds defendants' claim of a continuing banker-client relationship, maintenance of a syndicate team, and reciprocity are a natural result of legitimate operations. Declares charge of price fixing in underwriting syndicates is not in accord with a correct interpretation of the facts, and notes capital raising function of bankers under intense competition from reinvested earnings and new financing techniques, such as direct loans. Avers public sealed bidding has increased competition for remaining business, and raises question of desirability of competition in the promotion of new enterprises. Contends Justice Department's demand for segregation of major firms is unsound, and suit is based on prewar thinking and conditions which are now outmoded.

I

The Concept of Competition in the Capital Markets—Freedom of Entry and Access

Let us first examine the concept of competition in the capital markets. The function of the capital market is to raise funds as economically as possible and to channel them into the most productive uses. Investment bankers play an important and necessary intermediary function in channeling these savings into productive enterprise. Any impediments which increase the costs of flotation of securities or waste these useful resources must be reduced to a bare minimum. Free and unfettered competitive enterprise has been a major factor in attaining the American standard of living.

Paul L. Howell

The investment banking business has long been considered to be replete with monopolistic restraints of trade. This may be so, but, like many of our beliefs, it is based on incomplete, fragmentary information often obtained from *ex parte* investigation. To the extent that this is not so, the bankers have only themselves to blame for a poor public relations job in not opening their archives to dispell the aura of mystery which has surrounded them in the past. It is fundamental that the issuance and sale of securities to the public is public business.

The investment banking business is unique in that it does not produce continuously a product or service of uniform character or quality. In a way, each underwriting is distinctively unique. For this reason the theroetical concepts of monopoly and the analytical tools of monopolistic competition, oligopoly or imperfect markets, with the equation of marginal revenues and marginal costs to determine uniquely the price and output policies of the individual firm are not very useful. Neither does there appear to be any close factual similarity to other recent anti-trust cases such as the aluminum, cigarette, glass container, A & P, sleeping car or cement basing point cases.

The crux of the competitive situation in investment banking is —freedom to enter the industry and freedom to compete for the business on equal terms.

But the law cannot force equality of opportunity. It can only make it illegal for persons to oppose it actively. There are institutional and psychological barriers to freedom of access which can never be easily overcome, such as a reputation for integrity and ability, a wide circle of long established business associations, adequate capital, etc.

The Department of Justice is now engaged in a Herculean effort to prove that active monopolistic restraints on the freedom to enter and to compete in the investment banking business currently exist.

II

The Background of the Anti-Trust Suit

This suit is an outgrowth of the trust busting boom started by Thurman Arnold and of the TNEC investigations of the investment bankers in the late 'thirties. After several years of further investigation the Department of Justice (DJ) filed a civil complaint against Morgan, Stanley and 16 other firms and the Investment Bankers Association (IBA) in October, 1947 in New York. The complaint alleged a conspiracy to restrain trade and to monopolize the securities business in viola-

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*An address by Professor Howell at the Annual Convention of the American Finance Association, Chicago, Ill., Dec. 29, 1952. The speaker acknowledges with appreciation helpful suggestions from his colleague, Dr. John H. Prime, Associate Dean and Professor of Finance, New York University.

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The Stock Market Situation

By RICHARD W. LAMBOURNE*

President, The Nat'l Federation of Financial Analysts Societies; Partner, Dodge & Cox, Investment Managers, San Francisco

Emphasizing vulnerability of market forecasting to war developments, Mr. Lambourne lists as bullish factors: (1) reasonable valuation of many stocks; (2) epochal turning of political tide last November 4; (3) strong business prospects; (4) possible benefits from Excess Profits Tax reform; (5) high normal automobile demand; (6) need for home construction and capital investment in expanded and modernized highway system, and (7) continuing high level of private capital formation. As potential investment risk elements, he cites: (1) historically high level of market averages; (2) rapidly thinning ranks of market pessimists, and (3) threats to peace. Emphasizes importance of analytical job of selecting issues that will continue to enjoy favorable earnings.

It is now the time of season for well-meant New Year's Resolutions and Annual Forecasts, both of which involve hazardous responsibilities. A curious fact in the financial community is that so many of us feel obligated at the year-end to predict the course of security price movements in the months or even years ahead. I have always been impressed with one particular aspect of these annual forecasting contests — a popular notion that the "stock market" is subject to a high degree of *predictability*. Persistence of this myth is really a remarkable phenomenon in light of market experience in recent years.

R. W. Lambourne

Most stock market forecasts suffer in the first place from a delusion that the "market" is a specific tangible thing, which is not so. Security *prices*, especially of common stocks, are largely the product of men's minds as much as anything else. Moreover we have to consider the multiplicity of different markets—stock exchanges, over-the-counter, etc.—and the fact that actual trading is subdivided into numerous industry groups that are still further broken up by layers of quality differentiations for individual issues. Homogeneity is lacking. Except at rare intervals there is little uniformity of price action, as shown by the striking divergence of movement among stock groups.

Second, tools for statistical analysis of stock prices over long periods are inadequate and in some instances, downright misleading. We need not labor this point here, as I can refer you to excellent studies of the subject in recent issues of "The Analysts Journal."[1] There is a broadening awareness of the inherent weaknesses in all stock market "averages." Let us hope that it will deal a body blow to many of the technical forecasting "systems" that have abused unknowing investors for so long. Professional security analysts, by and large, have come to recognize chart techniques and the like as useful for certain purposes but not as an all-knowing substitute for careful research and common sense.

Third, market price forecasting today is particularly vulnerable to the unexpected in a *world that is not at real peace*. Even if we were astute enough to devise a near-perfect statistical measurement of stock prices, and a competent system of forecasting technique to go with it, the big "if" of extended war would still be with us.

Let us go back two and a half years ago to the outbreak of war in Korea. Out of the blue, so to speak, came an unpredictable development inducing a stock market break of over 25 points in the Dow-Jones Industrial Average (to use a rough and ready measuring tool for an abrupt swing). A complete new set of economic-financial considerations came into being overnight. Many months were to pass before stock prices arrived at realistic evaluations of the "cold" war and its impact on the economy. The evaluating process was enormously complicated by

(1) Indiscriminate and emotional liquidation of stocks in June and July of 1950.

(2) Subsequent extremes on both the buying and selling sides in appraising "war favored" and "war damaged" companies.

(3) The perplexities of forecasting the course of military spending and corporate income tax legislation.

We have recently experienced another but more welcome bolt from the blue — the Republican landslide on Nov. 4—now properly receiving through market action the constructive investment recognition it deserves. I am rather convinced that it was not generally expected in the financial community. Surely it was not predictable under any system of technical market forecasting, and we have another new set of factors to evaluate as a result.

Stocks in Strong Position

It is significant, I think, that both of these unanticipated events found stock prices in a strong position. In June of 1950 business activity, corporate earnings and dividend payments were "recovering" handsomely from the moderate recession of 1949.[2] Using hindsight it would appear that stocks in general were still in an area of price undervaluation despite the rise from the market low of 1949 a year earlier. Indeed the situation was "almost too good to be true." The subsequent sharp recovery of share prices to new highs, once the front in Korea was contained, is a matter of record.

The market situation on Nov. 4, 1952, requires closer examination. Within the framework of a *relatively narrow* range for the "averages" a wide dispersion of stock price changes among industry groups had taken place over the previous 18 months. The evidence is quite conclusive that the "market" had slowly but surely corrected itself from the post-Korea highs. Price movements have clearly reflected a thoughtful, discerning *sifting of values* in the process of appraising economic forces at work in the wide variety of American industries. Any uniformity of price change is notably conspicuous by its absense during this corrective phase which ended in the early fall of 1952.[3]

Table I provides an indication of the degree of share price dispersion, using the broad weekly group indexes of Standard & Poor's Corp. to compare high points reached in 1950-52 with levels just before Nov. 4 and Dec. 3, 1952. Looking at this variance of market action it is astonishing that many people still think and act investmentwise on the basis of some composite stock "average."

Divergence in Price Action

In a period widely regarded as a great "bull market" it seems especially significant to observe the contra-action of selected issues in the various industries. Table II indicates an even greater degree of price dispersion when we get down to measuring movement of individual stocks. A few additional examples of so-called "blue chip" as well as "speculative" stocks are shown to emphasize the high selectivity of the market place.

From an economist's viewpoint the entire postwar era up to Korea can be characterized in one respect as a period of *ad seriatim* adjustments in various industries, abetted by strikes tending to keep the supply of raw materials and manufactured goods in relatively short supply. All this took place within a rising over-all trend of national income and consumption. No serious convergence of economic weak spots occurred. Our experience "since Korea" is similar. The steady expansion of military expenditure and new capital formation has offset such adjustments as:

(1) The correction of the textile boom of 1950-51.

(2) The deflation of various commodity prices from unwarranted high levels.

(3) The perspicacity of the public in working off an overbought situation in non-durable and other consumer goods after the buying "splurge" of 1950 and early 1951.

(4) The steel strike of 1952.

(5) The decline in corporate profits after taxes.[4]

The close resemblance of price adjustments in the stock market to those in business is worthy of emphasis. We have not had a market of tips and hearsay. Where price excesses have appeared they have rather quickly given way to corrective liquidation, without engendering a broad over-all downswing. Can we recognize here the work of the trained security analyst? Or is it partly due to the more complete and timely corporate information available to investors as compared with the past? In any event we may be entitled to believe that market prices are tending to be determined by somewhat more intelligent methods than was typical of earlier periods. The bull market since 1949 can hardly be judged as a "one-way street."

Elements of Vulnerability

Where, then, are the elements of vulnerability today? It is perfectly clear that the advanced position of stock prices "on the charts" is frightening, especially if one has the habit of looking at the "averages" alone with backward glances at where they stood at low points in 1932, 1938 and 1949. I prefer to avoid this exceedingly dangerous pastime which we may view as in the nature of a purely quantitative approach. Let us fall back to a few *qualitative* criteria as a better method of analysis.

The rapidly thinning ranks of market pessimists since the election may be cited as a possible risk of importance. In September and October I had the opportunity to visit with a fair cross-section of investment people from coast to coast. Caution and "defensive" investing were the watchwords. It is now fairly obvious that the election has caused an abrupt change of thinking in many heretofore "bearish" quarters. The price action of shares since November 4 strongly suggests that a large percentage of professional investors and the public has decided that a Republican regime is not necessarily deflationary on corporate earnings and dividends. I am in agreement but merely pose the view that a preponderance of "one-way thinking" could build up to some unrealistic price extremes.

Here and there, however, we find expressions that the situation is as vulnerable as say, in 1929. Deferring for the moment any questions about the outlook for *business*, let us examine briefly two traditional measurements of qualitative merit, (1) *market price multiples* (or "ratios") of share earnings and (2) *dividend yields*.

This is neither an easy nor a conclusive statistical job. Due to imperfections in the market "averages" the historic record is not entirely reliable, but it will probably suffice for perspective. Table III is based on "Barron's" 50 stock average running back to 1926 and is supplemented by Table IV for more recent intervals using other well-known market price series.

In this type of approach one naturally searches for so-called "normals" as a point of evaluation. It may surprise you that my contention after considerable study is simply that *there are none*. It doesn't make much sense to regard the experience of the 1920's as a norm for a period some 25 years later having quite a different economic and financial background (including much lower interest rates). Moreover the prewar years of the 1930's, the wartime years of the 1940's and the postwar period just do not measure up as a satisfactory base for computing "normal"

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*An address by Mr. Lambourne before the Annual Meeting of the American Statistical Association, Chicago, Ill., December 29, 1952.

1 Harry D. Comer (August, 1952) and Anthony Gaubis (November, 1952).

2 See The Analysts Journal (Second Quarter, 1950)—analysis by Philip J. Fitzgerald.

3 Through October, 1952, nearly two-thirds of all stocks on the New York Stock Exchange had declined in price from the preceding year-end.

4 According to the Dept. of Commerce, total corporate net income has declined some 15% since 1950. See also industry composites prepared by the National City Bank showing declines of as high as 69% for textiles contrasted to gains for electrical equipment, railroads, etc., in 1952 versus 1951.

The State of Trade and Industry

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

With the resumption of industrial activity on a more normal scale this week, output is expected to perk up and show substantial improvement following the Christmas holiday shutdown in the previous week. Last week despite the seasonal interruption, industrial activity managed to hold well above the level of the like period in 1951. Employment too held at record levels and optimism prevails as regards the prospects for business in the first-half of 1953.

A six-months study of "Markets After the Defense Expansion" made by the United States Department of Commerce, states that business in 1953 will be good, but forecasts a less cheerful picture for 1954 and 1955. The department said rising defense outlays, high expenditures for plant and equipment, and satisfactory inventories should bolster business activity in 1953, but in 1954, there is a "real possibility" of a downturn in business as defense orders begin to dip and cutbacks are made in consumer durable goods output. A "serious test" of the strength of the U. S. economy was forecast for 1955.

Purchasing agents were less optimistic in their outlook for the coming year. In the December survey conducted by the National Association of Purchasing Agents, 55% of the executives said business conditions during the first six months should show "no abatement" from the current high levels. However, 25% of the agents expect business to remain good only through the first quarter of next year. The remaining 20% predicted business would average about the same level as this year.

By producing 38.6 million net tons of steel in 1952 Soviet Russia shattered the 3 to 1 advantage in production the United states had enjoyed, "The Iron Age," national metalworking weekly, reports the current week. The Russian output represented a gain of about 12% over the 34.5 million tons produced by Soviet furnaces in 1951.

World steel production in 1952, it added, was 1.3 million net tons less than it was in 1951. World output in 1952 was 228.6 million tons; in 1951 it was 229.9 million tons. The decline in world production was due largely to loss of more than 19 million tons of production due to strikes in the United States last summer. The United States was the only major steel producing country to show a decline in 1952.

Despite the Soviet gain, increased production in Free World nations other than the United States maintained the Free World advantage in steel output over Iron Curtain countries, continues this trade weekly.

Western Germany scored the biggest gain of any Free World nation with production in 1952 at 17.3 million net tons or 2.4 million tons more than in 1951. Next was France, whose output of 11.7 million net tons was about a million tons higher than the previous year. The United Kingdom produced 18.3 million tons in 1952 or a gain of 0.8 million tons over 1951. Japanese output in 1952 was 7.8 million net tons, up 0.6 million tons from 1951, while Italian production, 3.9 million tons, was 0.5 million tons higher than the year before.

Despite production losses from strikes totaling more than 19 million tons, American steel companies wound up the year with total ouptput of 93.3 million net tons. This is the third best production record in the history of the industry. It is topped only by 105.2 million tons in 1951 and 96.8 million tons in 1950, states "The Iron Age."

The outlook for 1953 is very bright. It is estimated that the steel industry can produce as much as 118.8 million net tons—if needed. Actually, it is doubtful that the industry will be called upon to produce that much, as supply is expected to match demand for a number of finished steel items about the middle of the year or soon after, declares this trade authority.

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Arthur Hamill to Head W. E. Hutton Dept.

W. E. Hutton & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, announce that Arthur T. Hamill has been appointed manager of the firm's Corporate Trading Department. Mr. Hamill was formerly manager of the institutional department for Lee Higginson Corporation.


Arthur T. Hamill

Willis, Kenny & Ayres New Firm Name

RICHMOND, Va. — The firm name of Brooke-Willis, Inc., has been changed to Willis, Kenny & Ayres, Inc. Offices of the firm, which will cotinue to transact a general investment business in corporate securities and municipal bonds, will remain at 21 North Eighth Street.

Halsey, Stuart Offers Unsubs. 3¼% Debs.

Halsey, Stuart & Co. Inc. has arranged to sell the unsubscribed portion of $16,484,300 Consolidated Gas Electric Light & Power Co. of Baltimore 3¼% convertible debentures, due Dec. 18, 1967.

Of the total amount of debentures offered to holders of the company's common stock, $16,168,700 was subscribed for at par on the basis of $100 principal amount of debentures for each 30 shares of common held upon the exercise of subscription rights offered to common stockholders. Subscription rights expired on Dec. 18.

The company is engaged in the business of purchasing, producing and selling electricity and gas within the State of Maryland. The company is now furnishing, without competition from any other public utility, electricity and gas in the City of Baltimore and adjacent territory. Population of the area served with electricity is approximately 1,550,000 while the population of the territory served with gas is approximately 1,250,000.

Observations . . .

By A. WILFRED MAY

Uncle Joe Liked His Xmas Gift

"A Foreign Policy Memorandum Stalin Might Write:— ' . . . A surer, if longer, method of reaching our objectives [than by **all-out** war] is to wait patiently, building up our heavy industries and military power, exhausting our enemies by little wars waged by proxy, and [sic] taking every advantage of the difference between our totalitarianism and the tolerance and feeble liberalism of the Western countries, which we can use to destroy them."—From *"The New Look in Soviet Policy," by William Henry Chamberlin in THE FREEMAN* magazine of Dec. 29, 1952.


A. Wilfred May

Accompanying this credo of Cold War reliance on democratic confusion is the following simple citation of a Kremlin aim for her enemies' conduct: "One of the most formidable Communist secret weapons is political jujitsu, letting their enemies throw themselves by means of internal contradictions and disagreements."

Both of these realistic and now widely-understood observations were written before the provision last week of the four nice "questions" for Mr. Stalin by the diplomatic correspondent of the most influential newspaper in the Western democratic world.

Among those agreeing with this surely incontrovertible characterization, as well as with the foolhardiness of specifically supplying Mr. Stalin with options to use our publicity platforms for his strategic moves, is the editor of that same journal, THE NEW YORK TIMES. For on his editorial page he wrote (on Dec. 26):—

"Unfortunately, at first sight, and viewing Mr. Stalin's words in the light of the Soviet record, there is little reason to hope that they represent anything more than just another psychological warfare maneuver in the phony Soviet 'peace offensive' and another attempt to deceive the world. The Soviet record shows that whenever the Soviets have committed some particularly outrageous deed or were preparing for a new one Mr. Stalin invariably assumed his jovial 'Uncle Joe' role and issued some soothing pronouncement, either publicly or in diplomatic conference, to reconcile the world to Soviet *fait accomplis* and to avert any 'interference' with them. He fooled two American Presidents that way, and he may be hoping to fool a third.

"For that reason it is imperative for the new Administration to be on guard against the wily Georgian who, by such tactics, has made himself ruler not only of all the Russians but of one-third of the human race. Now more than ever is it necessary, for the sake of our own safety and of peace, to insist that before Mr. Stalin's words are taken seriously they must be matched with deeds."

And again the following day Mr. Reston's editor on the editorial page reacted realistically:

"The plain fact is that Soviet lies have at last caught up with Mr. Stalin. Nobody now believes him, or will believe him, unless he backs his words with deeds. . . . Against his tactic there is only one defense. This is for the West, and for all free nations, to stand together in common defense not only against Soviet might but also against Stalin's wiles."

Our Gift's Welcome Form and Timing

Two additional disheartening features of this incident unfortunately, must be mentioned. The form of the questions was

Continued on page 8

Will Sterling Damage the Dollar?

By FRANZ PICK*

International currency expert traces decline of pound since 1914 to current situation of "56 varieties of black, dark gray, gray and light gray." Disagrees with expectations of convertibility, concluding our choice lies between remaining in frying pan of non-convertible sterling or jumping into the fire of drastic pound drop which would damage our trade more than present subsidies. Predicts increase in official gold price to $52.50, with a "new sterling" completely free, and an "old pound" subject to exchange regulations.

Sterling, once one of the best currencies on the globe, has had a glorious history. It started with the establishment of the Bank of England in 1694. Until the end of the Napoleonic Wars in 1819, Sterling had to overcome many trade problems, numerous and long fluctuations of value, but during all this time it remained an index of commercial and political power. From 1819 to 1914, England's paper money, stronger and more respected than the American dollar, served the world's capitalistic system as an unequaled symbol of trade, wealth and might. It ruled the prices of commodities, of freight rates, interest rates, gold, diamonds and also all foreign exchange markets. But when in August, 1914, Queen Victoria's grandson, Wilhelm II, Emperor of Germany, went out to conquer Europe, the fate of the pound, along with other world currencies, was sealed. Sterling, having lived nearly a full century of financial stability and glory, was doomed the day German "Kanoniers" fired the first shot of their "Big Bertha" against the fortress of Liege in Belgium. Neither Germany or Britain were aware of this fact at the time.

Franz Pick

Thirty-seven years of Sterling decline, which started in 1915, have since gone on the records of currency history. The pound fell from $4.86 in 1915 to $3.49 in 1921. Britain's financial managers made every effort to bring it back to its prewar value and at the end of 1925, with Winston S. Churchill as Chancellor of the Exchequer, it was possible, although quite costly, to restore the pound to its traditional gold value of $4.87.

The financial prestige operation did not work too well. America had grown rich. Wall Street exaggerated in a seemingly endless gambling orgy which intoxicated the entire country and collapsed in October, 1929. The pound, as well as the dollar, could no longer rule a pauperized world, nor could it compete with a cheap Japanese yen. England was first to see the necessity to pay for her prestige error of 1925 and the up-valued pound.

And as she could not get American credits at that time, she courageously went into a clear state bankruptcy on Sept. 21, 1931 and cut off 40% of her pound's value. A currency earthquake shook the world. Paper money all over the globe collapsed! Less than a year later, America also went into State Bankruptcy and within two years cut 40% of the dollar's value.

In depreciated dollars, the Sterling had no difficulties to again adjust to $4.86 in 1934. This new level, unfortunately, did not last long. Only five years. In 1939, after Hitler's March into Poland, the pound started to decline again. First it was cut to $4.04. During the war it dropped to $1.90.

When victory came, the Sterling was very tired. A new state bankruptcy reduced — under international black market pressure— the official Sterling rate from $4.04 to $2.80. Presently, this rate—officially at least—is leading a problematic existence.

During 14 years of rigid foreign exchange control, modeled mostly on the "made in Germany" ideas of Dr. Hjalmar Greely Schacht, the British Treasury and the Bank of England have built up one of the most complicated systems of monetary prison life. From the British point of view, this system has many merits, but like any other law, has many loopholes, also. It could be called a currency concentration camp, a mouse trap, or any other name, but as the old English saying goes "Right or wrong—it's my country," we should only judge its merits as outsiders. The only unfortunate part is that we are not really outsiders. Many billions of U. S. paper dollars have gone into the British Treasury to keep her system going. You and I have paid for it and will continue to pay much, much more.

In order to understand this highly complicated Sterling setup, let us have a look at:

Controls and Black Sterling Markets

The average British citizen cannot transfer his money abroad. As the pound currencies of the Commonwealth countries are linked to the Sterling, the same restrictions are valid for their subjects. The Commonwealth countries, former and present, are located all over the globe. Their borders, hundreds of thousands of miles, are rather difficult to watch.

In spite of good banking supervision, which centers in London, and in spite of excellent foreign trade supervision, illegal transfers and smuggling take place every second of the day. The global transfers of Sterling easily amount to millions of paper pounds daily.

To my personal, and certainly never complete, knowledge there are about 56, if not more, trading varieties of Sterling which have to be called black, dark gray, gray and light gray. They are traded in every financial center of the world. And, as every one of the so-called respected newspapers in England, the Empire and also in the U. S., refuse to report on such tradings, many of you cannot follow the development of prices and their possible utilization, in the press.

As our large commercial banks do not want to deal in such Sterling varieties, their trade remains the specialty of a relatively small number of Swiss, French, Italian and Dutch banks and some of the extremely farsighted New York dealers. There are five principal Sterling categories.

Five Sterling Categories

First is the famous **American Account.** This is the official Sterling convertible into U. S. dollars, because it really originated from dollar payments or licensed imports into Sterling countries. When you buy merchandise or goods from England against pound payment, you usually have to cover your Sterling in New York and pay your dollars to the American account of a British bank here. This is a completely legal transaction. Your British supplier cannot touch this American Account Sterling. He is credited with domestic Sterling—the non-transferable kind.

Second is the **Transferable** or **Commercial Sterling.** There are about 52 different varieties. They originate from commercial transactions or trade balances of other countries with England or any member of the Sterling-bloc. They are divided into "Generally Transferable Accounts," resulting from trade balances of 19 countries, which are unrestricted for payments to other countries of the "Transferable Group" or to Sterling area accounts, and the Bi-Lateral Account group. The latter comprises 25 countries.

There is also the **Unclassified Countries** group which includes 8 countries. Most of these transactions, performed under not too strict British supervision, are legal. Yet there are many large loopholes "at work," the use of which is not quite legal, but usually profitable.

Many well-advised export and import traders have learned the different techniques of the best use of such Transferable Sterling facilities to their advantage. Let me give you an example. An American importer buys Italian merchandise. He pretends to ship from Genoa to England and pays with Italian Transferable Sterling, 7 to 8% cheaper than the official rate. In a North African port, the merchandise is trans-shipped, the documents are changed, and the goods reach the U. S.

Or let us take Malayan tin, bought with Transferable Sterling —which, in spite of all supervision by British currency authorities, reaches the New Jersey refiner at a rebate rate. I could give you hundreds of similar examples, but we don't have the time. And anyhow, the result is always the same.

The third variety of the pound is the most legal. **Security Sterling** or **Switchpound.** It is tolerated for the acquisition of British securities and was originally created to increase the inflow of American capital to Britain. It can be freely bought and sold outside England and has two main varieties, the Continental Switch and the American Switch. Both have, theoretically at least, the strict limitation of use for the Security trade only. But New York's Amsterdam's and Zurich's experienced dealers have used Security Sterling for the creation of Danish Transferable Pounds, for example, and cleaned up millions of dollars. There were also constant rumors of special licenses given for Switchpounds for investment purposes within the Empire. A few large U. S. corporations, it is said, have built their new factories in the Sterling countries with Security Sterling.

The fourth main category is the famous and I even would say fabulous **Resident Sterling,** with at least three sub-varieties. These Resident accounts are probably one of the most colorful creations of England's foreign exchange control. They are nothing but blocked balances in British or Colonial banks with no possibilities for transfer abroad and, theoretically, without use for merchandise payments. Yet, under certain and seldom legal conditions they can be and are used for payments of services or local expenditures within the whole Sterling-bloc.

Let me give you a practical and absolutely factual example of such tradings. A well-known U. S. oil company pays about $12 million in royalties monthly to one of the smaller rulers of the Near East, for his oil. The Emir, well advised by a currency expert, uses most of these dollars to buy gold from, let us say, the South African Government. He ships this gold to India, where, after payment of the contractual bribe to custom officers, the gold find its way into the markets of Bombay or Calcutta. The bonded captains of the gold boats are paid in Rupees, which they bring back to the

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*An address by Mr. Pick before the Export Managers' Club of New York, New York City, Nov. 25, 1952.

Accordion Preferreds

By IRA U. COBLEIGH

Author of "Expanding Your Income"

Concluding the brisk value survey (commenced last week) of that middle-of-the-road security—the preferred stock, this time touching upon the less staid and more sporting varieties.

Ira U. Cobleigh

Today's title was obviously inspired by the strolling musicians at various Christmas parties, but it's more appropriate than it may seem to be at first glance. An accordion has great capacity to expand, and so have the preferred shares we'll speak of today. Also, when an accordion contracts it may squeeze the holder; and financial history is replete with instances where the preferred stockholder has been squeezed — sometimes quite badly. And finally, a preferred that has a fine play on the market makes sweet financial music.

But enough of this musical mixed metaphor. Let's get on with our year-end review of some of those securities lying midway between bonds and commons which by either convertibility, the existence of back dividends, or brightening visas of dividend coverage, have some capacity to display forward motion in a kindly market climate.

We'll leave behind those top-drawer items listed last week, where the main emphasis was on quality securities, showing a 25% to 30% higher yield than prime bonds. In Table I you'll see some quite worthy income bearing equities, but they've been selected with two ends in view: (1) adequate or at least acceptable yields, and (2) price expansibility deriving from a not too remote conversion privilege.

At "Conversion" Level

The first, Allis Chalmers, was selected as a fine security in an excellent heavy industry company, with dividend coverage so strong that buyers give the cumulative provision but a fleeting glance. The conversion is, as you see, immediately operative, and your principal consideration of Allis Chalmers Pfd., will center around the premium you may wish to pay for a call on the common at $50.

Beatrice Foods again is right at the conversion level. The premium is a little less, however, and the earnings, if you care to look them up, are quite impressive. This issue at around the par level is the sort of convertible preferred that might interest savings bank buyers.

McCrory Stores is a splendidly managed chain and covered its preferred almost 20 times last year. A yield of 3.90% here plus the five-for-one conversion is interesting; since each point the common might advance, would produce a five point gain on the preferred.

Marine Midland preferred gives you, I believe, the only commercial banking convertible issue around today. These shares sell almost entirely on an investment basis since the conversion is a long way off; but deposit growth and common stock market action might some day give new altitude to this elegant preferred equity.

Celanese, in the last 15 months, has had a rather rocky time during which the 4½% convertible preferred sold from a high of 110 down to 94½; so it's within 2 points of its low right now. Dividend coverage appears adequate, but there's always been enough romance in Celanese common to provide some zest and animation in the lives of convertible holders. The synthetic yarn has often been a saga of profit.

American Airlines is the largest transcontinental air transport line, and is getting to a point where for 1953 it may handle three billion miles of passenger traffic. Finances are strong and gross has grown from $82 million in 1947, to $163 million for 1951. A yield of about 4.4% on a preferred as good as this one, played back to back with a leveraged conversion into common, 4¾ for one, gives some occasion for hope of gain. If you're willing to take a flyer, maybe you'll fasten your money belt around a few shares of American Airlines Pfd.

Among the utilities General Telephone is now the largest independent telephone company, playing a quite remote second to A. T. and T. It's a good company and a rapidly growing one. The preferred is in the investment category but the conversion feature might give it a healthy market nudge if earnings expansion continues.

Commonwealth Edison has for decades been one of the premier electric power companies in America. This preferred with its share-for-share switchover may not be attractive on a yield basis as a new preferred series recently offered by prospectus. Look the company up, however, and you'll find a lot of good reasons why ownership of its convertible preferred may provide investment contentment, and possibly capital gain as well.

This is only once over lightly on a few issues. These are all first preferreds; right next to the bonds (if any) that is. They should provide some of the defensive qualities everyone is talking about, as well as attractive participation marketwise, should the Dow Jones set its target for 1953, at say 350.

Second Preferreds

If you're willing to step down a rung on the ladder of security, then there's a glorious array of second preferreds just loaded with conversion gimmicks. Take your pick from the following shopping list of companies all blossoming with second preferreds, all convertible: El Paso Natural Gas (3 series, $4.25, and two, $4.40); Johnson and Johnson $4; Cluett Peabody $4; General Cable $2; Pfizer $4; Continental Can $4.25; Heyden Chemical $4.375; Spencer Chemical $2.25; Ashland Oil $1.50; Goodall Sanford $3, and Minneapolis Moline $1.50. Why 20 years ago you'd have bet second preferreds would become an extinct corporate creature; but now look at 'em, splitting the distance between regular preferreds and commons, and carrying conversion rights of great potential potency. You'd better inspect some of these if your strong box has a speculative accent.

Another possible avenue for market gain in preferreds is via the dividend accumulations route. Two candidates come to mind in this division, the first being International Railways of Central America 5% Preferred, non-callable, and carrying $41 of unpaid dividends on its back as of 11/15/52. Since 1937, this issue has sold as high as 125 so today's price of 54½ does not appear inflated. Earnings in the last couple of years have been bedevilled by a costly tropical hurricane, a Communist infused government in Guatemala; and there has also been corporate friction arising from a group of shareholders who felt that United Fruit Co. (which owns 256,000 out of the 500,000 shares of the common) was according the line something less than "top banana" rates for haulage of this fabled fruit. Independent shareholders have, I believe, brought a suit against United Fruit centering around this contention of rate inadequacy. Higher rates could of course benefit International Railways preferred. For 1951, this issue showed only $3.51 per share, but the first nine months of 1952 were better—$5.56. Dividend regularity, adjustment of arrears, and an upward trend in market price all lie in the realm of possibility here. But you can also expect volatility.

Virginia Carolina Chemical is my second entry in the back dividend department. The company, a leading fertilizer producer, has grown rapidly and spread out to making bags for packaging its product and insecticides to be sold with it. It also has developed a sensational synthetic wool fiber, "Vicara", soft as cashmere, and resistant to shrinkage and moths. Since 1941 sales have trebled.

The preferred here is outstanding in the amount of 213,000 shares and carries arrears (per share) of $73.50. Six dollars per year has been paid in 1951 and 1952; the stock sells at around 130 and, some day, treatment of back dividends should be rewarding.

Railroad Preferreds

Finally, there is a group of railroad preferreds listed in Table II where improved earnings suggest capacity to pay, with some regularity, the stated rate. If that is done, then some handsome yields are indicated and mayhap, in due course, more exalted market quotations will ensue. Baltimore and Ohio Pfd. might sell a little higher right now if its preferred were only cumulative — but it isn't. Milwaukee is earning the full dividend and has paid it since 1946. New Haven is having a good year and should cover preferred dividend twice over and more. It has $11 in back dividends. Central of Georgia is toting $15 of back dividends and is earning enough to start doing something about it fairly soon. Northwestern has been a spotty performer, paying nothing in 1951, $2.55 this year. If earnings continue at the November, 1952, rate ($1,195,628 net after funds) then possibly the full $5 could be paid in 1953. The management has a tradition of paying generously if earnings permit.

Here then are a group of preferred stocks offering a wide assortment of priorities, qualities, yields, and conversions; all having some capacity for market expansion under the right conditions. They could also develop market contraction—accordion preferreds.

TABLE I

	Rate	1951 Overall Coverage	Convertible into Common at	Price	Yield %
Allis Chalmers	3.25	10.8	$50	119	2.72
Beatrice Foods	3.375	15.4	$37.50	106	3.27
McCrory Stores	3.50	19.5	5 for 1	90	3.90
Marine Midland	2.125	5.7	2 for 1	56	3.80
Celanese	4.50	3.9	1 common for each $55 par of pfd.	96½	4.65
American Airlines	3.50	5.0	4.75 for 1	80	4.40
General Telephone	2.20	1.6	0.921 for 1	48	4.60
Commonwealth Edison	1.32	2.5	share for share	34	3.88

TABLE II

Speculative Railway Preferreds

Baltimore & Ohio	$4	47	8.50
Chicago, Milwaukee & St. Paul	5	50	10.00
Chicago & Northwestern	5	42	?
Central of Georgia	5	65½	none
International Ry. of Central America	5	54½	9.1
New York, New Haven and Hartford	5	56	9.0

NOTE—The yield is correct only on the assumption that payment at present rate will continue.

Dealer-Broker Investment Recommendations & Literature

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

Canadian Growth Stocks—Circular—Burns Bros. & Denton, Inc., 37 Wall Street, New York 5, N. Y.

Inflation and the Investor—Booklet—Dept. CF-6, Kidder, Peabody & Co., 10 East 45th Street, New York 17, N. Y. Also available is **The Favorite Fifty**, an analysis of the 50 listed stocks most popular with professional management.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.

Philadelphia Bank Stocks—Comparison of the 11 largest Philadelphia banks—Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 9, Pa.

Plastics—In "Highlights No. 21" a discussion of "An All Plastics World"—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Selective Investment Guide for 1953—Brochure—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

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

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Acme Steel Company—Analysis—Sincere and Company, 231 South La Salle Street, Chicago 4, Ill.

American States Oil Company—Analysis—Teden & Company, Inc., 149 Broadway, New York 6, N. Y.

Atlantic Coast Line Railroad Company—Bulletin (No. 116)—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Baxter Laboratories — Memorandum — Rogers & Tracy, 120 South La Salle Street, Chicago 3, Ill.

Bethlehem Steel Co.—Memorandum—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N Y. Also available are memoranda on **Houston Lighting & Power Co.** and **International Telephone & Telegraph Corp.**

Chesapeake & Ohio—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Colonial Sand & Stone Co., Inc.—Bulletin—Gartley & Associates, Inc., 68 William Street, New York 5, N. Y. Also available is a bulletin on **Robertshaw-Fulton Controls Co.**

Falconbridge Nickel Mines, Ltd.—Report—Willis E. Burnside & Co., Inc., 30 Pine Street, New York 5, N. Y.

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

Panhandle Eastern Pipe Line Company — Analysis — W. C. Langley & Co., 115 Broadway, New York 6, N. Y. Also available is an analysis of **Hugoton Production Company.**

Phelps Dodge Corp.—Memorandum—Rotan, Mosle and Moreland, 705 Travis Street, Houston 2, Texas.

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

Sunray Oil Corporation—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

United Aircraft Corporation—Analysis—Glore, Forgan & Co., 40 Wall Street, New York 5, N. Y.

United Air Lines, Inc.—Analysis—Rothschild & Company, 135 South La Salle Street, Chicago 3, Ill.

Continued from page 5

Observations . . .

gratuitously made to order for the Kremlin propaganda line of creating the old good-will impression, as laboriously exhibited at their engineered peace-offensive "Conferences," economic and political. (Questions submitted to Stalin by this columnist in Moscow earlier this year assuredly were, by comparison, sharp "needles," and left unanswered.)

And the **timing** was ideal for Mr. Stalin's purposes, in providing a means of countering President-elect Eisenhower's efforts to seize the initiative, even before the "Elect" is removed from his title.

The de-bunking of Stalin's in the political sphere deeds-versus-words have been cited in the week's press reactions to the Moscow oracle's latest dicta. But it should be realized, particularly by readers of this paper, that the Kremlin peace-propaganda strategy in the **economic** field is equally important and dangerous. Midst the Kremlin's East-West trade blandishments to the vast "neutral areas," they are prone to forget Lenin's basic dictum as set forth in 1920: "Restoration of trade relations is a means of making large purchases of machinery needed by us. . . . The sooner we have achieved this, the sooner will we be economically independent from the capitalist countries." And as it was subsequently reiterated by the important Soviet economist, Mishustin, in 1941: "The main goal of Soviet import is to utilize foreign merchandise, and first of all machinery, for the speediest realization of the plans for Socialist reconstruction, for the industrialization of the national economy, and for the technical and economic independence of the U. S. S. R. . . . The trade of the U. S. S. R. is so organized that it aids the speediest liberation from import."

Let us remove Uncle Joe from our Christmas greeting list!

NSTA Notes

CINCINNATI STOCK & BOND CLUB

At the reorganization meeting held by the board of trustees of the Cincinnati Stock and Bond Club on Dec. 22, 1952 the following officers were elected for the year of 1953:

George F. Oswald

George Eustis

Richard Wellinghoff

President—George F. Oswald, Smart, Clowes and Oswald.
First Vice-President—Jack Reiter, C. H. Reiter and Co.
Second Vice-President—George Eustis, Eustis and Co.
Secretary—Richard Wellinghoff, C. J. Devine and Co.
Treasurer—John J. Fischer, Jr., Merrill Lynch, Pierce, Fenner and Beane.

GEORGIA SECURITY DEALERS ASSOCIATION

At the annual meeting of the Georgia Security Dealers Association, Dec. 12, 1952, the following officers and Executive Committee members were elected:

Jack C. Morris

James W. Means

Roy W. Hancock

President—Jack C. Morris, Norris & Hirshberg, Inc.
Vice-President—J. W. Means, Courts & Co.
Secretary & Treasurer—Roy W. Hancock, Hancock, Blackstock & Co.

Executive Committee: J. Kary Beavers, Trust Company of Georgia; James L. Whitaker, Tillman-Whitaker Co., Athens; Allen Crawford, Jr., French & Crawford, Inc.; Paul W. McGaughy, Equitable Securities Corporation.

Frank Ronan Joins NY Hanseatic Corp.

Frank J. Ronan

Frank J. Ronan is now associated with the New York Hanseatic Corporation, 120 Broadway, New York City, in the firm's dealer relation department. Mr. Ronan was recently connected with Bonner & Gregory in a similar capacity. He has been in the financial field for more than 20 years, the greater part having been with Asiel & Co.

Robert N. Tuller Co. Formed in New York

Formation of Robert N. Tuller Co. to handle business in state, municipal and revenue bonds, with offices at 25 Broad Street, New York City, is announced effective Jan. 2. Also announced is the dissolution of Tuller, Crary & Ferris, members of the New York Stock Exchange. Mr. Tuller had been a principal partner of the latter firm. From 1935 to 1942, Mr. Tuller operated as Robert N. Tuller & Co.

With Military Inv. Serv.

(Special to THE FINANCIAL CHRONICLE)

FT. GAINES, Ga. — Homer R. Harber, Jr. is now connected with Military Investment Service, 111 Bluff Street.

COMING EVENTS

In Investment Field

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.

Feb. 20, 1953 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual Mid-Winter Dinner at the Benjamin Franklin Hotel.

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

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

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

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

New Issue

$62,000,000

California Toll Bridge Authority

Richmond—San Rafael Bridge
3⅞% Toll Bridge Revenue Bonds
Series A

Dated September 1, 1952 **Due September 1, 1992**

The Series A Bonds are redeemable prior to maturity at the option of the Authority as follows:

in whole, on any date on or after September 1, 1957, from any funds available, at 106¼% if redeemed on or before March 1, 1958; thereafter, at 106% if redeemed on or before March 1, 1959; thereafter, at 105¾% if redeemed on or before March 1, 1960; thereafter, at prices diminishing by ¼ of 1% each year to and including March 1, 1977; thereafter, at 101% if redeemed on or before March 1, 1982; thereafter, at 100¾% if redeemed on or before March 1, 1986; thereafter, at 100½% if redeemed on or before March 1, 1987; thereafter, at 100¼% if redeemed on or before March 1, 1988; and thereafter at 100%, plus accrued interest in each case;

in part, on any interest date on or after September 1, 1957, from Revenues as provided in the Resolution, at 105% if redeemed on or before March 1, 1962; thereafter, at prices diminishing by ¼ of 1% each year to and including March 1, 1977; thereafter, at 101% if redeemed on or before March 1, 1982; thereafter, at 100¾% if redeemed on or before March 1, 1986; thereafter, at 100½% if redeemed on or before March 1, 1987; thereafter, at 100¼% if redeemed on or before March 1, 1988; and thereafter at 100%, plus accrued interest in each case.

Principal and semi-annual interest (March 1 and September 1) payable at the Bank of America National Trust and Savings Association, San Francisco, Cal., Paying Agent, or at The National City Bank of New York, New York, N. Y., Collection Agent. Coupon Bonds in the denomination of $1,000. Registered bonds in denominations of $1,000, $5,000, and $10,000, or in multiples thereof, with privilege of interchangeability in either case.

Interest Exempt, in the opinion of counsel, from Federal Income Taxes under present laws, regulations and court decisions; also the Bonds and the interest thereon are exempt from California Taxes except transfer, inheritance and estate taxes.

These Bonds are issued under and subject to the provisions of an Act of Legislation known as the California Toll Bridge Authority Act and pursuant to the provisions of a Resolution adopted November 7, 1952, as amended and readopted December 17, 1952. These Bonds are the initial part of an authorization of $72,000,000 principal amount, and in the opinion of counsel, constitute valid, legal and binding obligations of the Authority, secured and payable as provided and set forth in the Resolution, and do not constitute a debt, liability or obligation of the State of California.

Price 102½% and Interest
yielding approximately 3.75% to maturity

These Bonds are offered when, as and if issued, and received by us, and subject to the approval of legality by Messrs. Orrick, Dahlquist, Neff & Herrington, San Francisco, California, Bond Counsel to the Authority. The offering of the Bonds is not being made hereby. The offering is being made only by means of the Official Statement of the Authority, copies of which may be obtained in any state from such of the several underwriters, including the undersigned, as may properly distribute such Official Statement in such state. It is expected that Bonds in temporary form will be ready for delivery within 60 days, exchangeable for Definitive Bonds.

Blyth & Co., Inc. **The First Boston Corporation** **Harriman Ripley & Co.** Incorporated **Lehman Brothers**

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December 30, 1952

A Forecast of 1953 Business And Securities Markets

By JULIAN D. WEISS
First Investment Company, Investment Counsellors, Los Angeles, Calif.

Though stating "we are late and high in the business cycle," West Coast investment counsellor forecasts a high overall level of business activity in 1953. Looks for increasing military outlays until middle of year, with some decline in civilian plant expenditure, but continuing rise in consumer purchasing power. Discusses leading factors in business and stock market situation, and contends stock prices will go higher over long pull, but advises conservative investment policies.

The change of administration, in my opinion, does not mean a major change in our way of life. The cold facts of reality indicate that the keystone of our economy will continue to be full employment and that any administration that would sustain a major deflation and unemployment, would be repudiated in future elections. The new Administration has indicated clearly that it will utilize all powers of government to meet any such problems. It is believed most probable that such action will be necessary in the course of the next few years, based on natural economic forces.

Julian D. Weiss

We are late and high in the business cycle. For the first time in a considerable period, we are not forecasting an increase in business activity and in our overall economic measurements. We want to point out that at this time last year, when we predicted that 1952 would witness new highs in all facets of business activity excepting only corporate profits, we were told we were far too optimistic and that there would be a major decline. Attention is directed to the fact that in every year since the end of the war, most forecasters have, incorrectly, predicted substantial decline in business activity.

Good Business in 1953

I believe the overall level of business activity will be highly satisfactory in 1953, although it will be slightly below 1952 — probably because of some decline in the latter part of 1953. However, I do not anticipate a major decline. Defense expenditures have been increasing and probably will hit their peak sometime the first half of 1953, after which military spending will begin to trend downward.

The new Administration already is stating that it is possible to maintain our defense establishment, and in fact improve it, and yet at the same time moderately reduce expenditures. It is believed that in the first half of 1953 total defense spending is likely to run at an annual rate of roughly $58-60 billion compared with a current rate of around $54-55 billion. Actual expenditures will be higher than the new appropriations, reflecting previous appropriations authorized but unspent. Assuming little or no improvement in our relations with Russia (a reasonable guess at this time) defense expenditures will continue high for years, although beginning in 1954 they well may start a decline to a $45-55 billion annual level, where they would stabilize.

In addition to the level of government expenditures for goods and services, the second major factor influencing our economy is industry's expenditures for durable goods. Plant and equipment expenditures have been running at high levels for several years. This has resulted in a tremendous expansion of plant capacity and in new and improved equipment. 1952 expenditures for plant and equipment have been at peak levels (estimated at $27.5 billion) and exceeded 1951 — contrary to the virtually unanimous predictions a year ago that there would be a decline in 1952.

Capital Outlays to Remain High

It has been popular for forecasters to predict a 20% decline in 1953, yet we note that the recent McGraw Hill Survey (which has had one of the best forecasting records on this phase of our economy) predicts that these expenditures will decline only 4% in 1953. This may be optimistic, but it does appear reasonable to assume that the decline will not exceed 10%. Depreciation charges (a non-cash expense) have increased sharply, reflecting in large part emergency amortization, and probably runs in excess of $10 billion annually. The "cash flow" (retained earnings plus depreciation cash) is an important element which bears upon the level of capital expenditures. My September article, published in the "Chronicle," tabulated the planned new capital investment for many key industries, and reflects the expectation of a sustained high level of capital outlay. A $2-2.5 billion decline in capital expenditures would be more than offset by higher defense spending, plus a probable step-up in expenditures by States and municipalities.

Consumer expenditures constitute the third major aspect of the demand for the nation's output of goods and services. At the present time there is virtually full employment. Retail sales for the year compare favorably with last year's high level. Public purchasing power is high and is likely to benefit from the moderate decline in price levels that has been occurring. Tax reduction, if it takes place, would be helpful but this probably will have only a minor impact in 1953.

The rate of spending has been increasing moderately and is coming into a more normal relationship to disposable income of individuals. Disposable income should continue at favorable levels. However, a distinctly cautionary factor is that the public (as well as corporations) has been going into debt in increasing degree. Consumer credit is almost $22 billion, a gain of 285% since the end of the war. Further increases in the private debt structure cannot be expected at the recent rate. In other words, sales at the retail level have been stimulated by the debt propensities of the American public. While consumer debt is not badly out of line in relation to personal income, it certainly appears to be approaching the upper zone of what could be considered reasonable.

Ample Credit Supply

It is believed that credit will continue to be plentiful and that interest rates will remain low. Some sources feel that under the new Administration there would be a sharp tightening of credit. I do not consider that this is probable. In fact, there is some basis for believing that if business activity declines moderately the second half of next year (as appears likely) the demand for funds on the part of institutional borrowers would decline somewhat and that there could be a slight easing in interest rates. We expect bank loans to decline starting in January, reflecting the return of funds to the banking system from the consumer goods industries such as foods, tobacco, distilling, etc. Since mid-year, some 63% of the increase in commercial loans has resulted from these industries. This is at a considerably higher-than-normal rate.

Inventories and Prices

There has not been major inventory accumulation for a considerable period. In fact, as a result of the steel strike, inventories declined in some of the durable goods lines. However, inventories are ample in relation to demand and, therefore, we do not see further inventory building. Thus, the stimulus to business activity from inventory accumulation, which has obtained from time to time in the past, will be lacking.

Commodity prices continue to show a moderate downward trend, particularly in raw materials and at the wholesale level. I anticipate relative price stability in the period ahead, with possibly a very slight downward tendency.

The world situation will continue to be characterized by political and economic uncertainties. For example, there appears to be no ready solution to Britain's economic problems, and the broader problems of dollar shortages throughout the Western World. There is no basis for anticipating an important improvement with regard to the level of foreign trade.

Earnings and Dividend Outlook

Corporate earnings are likely to show relative stability. The fourth quarter of 1952 should be the best period of the year, and the first quarter 1953 results likely will be relatively favorable and probably will better the earnings of the like 1952 quarter. It is probable that earnings for all of 1953 will rather closely approximate the estimated $17.5 billion for 1952. This would be moderately below the average of $19.1 billion for the five years ended Dec. 31, 1951.

Corporate Profits After Taxes
(Billions of Dollars)

1947	$18.5
1948	20.7
1949	16.3
1950	21.2
1951	18.7
5-year average	19.1
1952 (estimated)	17.5

For the first 11 months of 1952, dividend payments have run about 3% ahead of the like 1951 period. Estimated 1952 payments should slightly exceed the $9.0 billion paid in 1951 and 1950. However, the dividend payout rate has been climbing in relation to earnings; and with little earnings improvement expected, aggregate dividend payout should show little change in 1953.

Stock Market

For purposes of perspective, I should like to refer to my previous analyses of market trends. In mid-1949, when the bear market made its bottom, I took a definitely bullish position and remained unequivocably bullish until February, 1951, at which time I indicated the market would be in a trading range. Some 15 months later, in May of 1952, the market averages were only a few percentage points from where they had been in February, 1951. (D-J Industrials Feb. 10, 1951, 254.80; May 20, 1952, 261.26.)

I predicted that the market, during the summer of 1952 would rally to the preceding highs of roughly 280. That rise materialized. In August-September, I predicted some short-term decline—which subsequently occurred; and just prior to the election expressed the belief that the market would move higher between election time and the end of the year, regardless of who was elected.

At the present time the averages have gone into new high ground, and many market technicians who have been so bearish, have now taken a distinctly bullish viewpoint. In part, this is based on the fact that the market has made an upside penetration after a protracted trading range. It is distinctly possible that the market may move higher over the short term. In this connection, we emphasize the factor of confidence, which no one yet has been able to evaluate. From a long-range viewpoint there is some justification in the increased confidence resulting from the change in Administration. However, we want to point out that this is the "honeymoon period" and that without doubt the market, and the American people, will face disappointments necessitated by the realities of the situation. It is distinctly possible that immediately after the inauguration, the new Administration will point out some of the many problems to be faced, and that this will tend to have a depressing effect on sentiment. For example, it is impossible to anticipate substantial tax reductions in 1953 and, at the same time, expect a peak level of government expenditures. These are the reverse sides of the same coin. It would appear that the market is taking a distinctly optimistic viewpoint with regard to tax reduction in 1953.

Stocks, on a statistical basis, are reasonably evaluated in relation to earnings and dividends. At the current price-earnings ratio of about 11½ times, they are not close to the previous price-earnings ratios which obtained at previous market peaks. The same applies to yields, now around 5¾% on average. Similarly, the bond-stock ratio (yield on bonds as a percentage of yields on stocks) is highly favorable to equities. In addition, the general market is not nearly as high as a glance at the averages would imply. A recent analysis showed that in the first 11 months of 1952, the industrial average was up only 4.91%, and that most of the overall gain resulted from relatively sharp price rises in five issues: Chrysler, General Electric, General Motors, General Foods and Westinghouse.

In my opinion, stock prices will go higher over the long pull, continuing the long-term upward trend. In large part this will result from the basically "built-in inflationary forces" in our economy. However, over the intermediate period (thinking of roughly the next 12 months) I believe that there will be a distinct diminution of inflationary forces; and that the level of business activity will be suspect.

A major decline in the economy appears improbable. However, it is important to note that often—with regard to securities markets—the trend or direction of the movement is more significant than the magnitude of the movement. In other words, as the economy starts to trend down, no one will be able to evaluate the extent of the decline and, in the face of this, a major price rise in stocks is improbable.

Therefore, it appears advisable to pursue conservative investment policies at this time. It appears, equity commitments largely should be confined to quality situations for income, and those which possess attractive long-term growth prospects. Cyclical issues should be avoided.

Reynolds Admits Two General Partners

Walker G. Buckner is becoming a general partner of Reynolds & Co., 120 Broadway, New York City, where he will head the Pension Trust Department, the firm has announced. The firm stated that the activities of this department are to be coordinated with the changing investment requirements of insurance companies, savings banks, and pension funds of corporations.

Walter G. Buckner

Mr. Buckner, a trustee of the Bronx Savings Bank, has been associated with Hemphill, Noyes & Co. for the past 12 years.

Robert G. Howard who has also been admitted as a general partner of the firm, will act as floor-broker for the firm on the New York Stock Exchange.

R. A. Donnelly Opens

NEWARK, N. J.—Raymond A. Donnelly is engaging in a securities business from offices at 24 Commerce Street.

A. H. Peterkin Opens

JACKSON HEIGHTS, N. Y. — Alfred H. Peterkin is engaging in a securities business from offices at 35-05 Seventy-second Street. Mr. Peterkin in the past conducted his own investment business in New York City.

Kimberly Partner in Starkweather & Co.

Oliver A. Kimberly

Starkweather & Co., 111 Broadway, New York City, members of the New York Stock Exchange, announce that Oliver A. Kimberly has been admitted to general partnership in the firm. Mr. Kimberly has been associated with the firm as co-manager of the trading department.

Cady, Roberts Co., NYSE Firm, Formed

Formation of Cady, Roberts & Co., 488 Madison Avenue, New York City, as successors to Roberts & Co., members of the New York Stock Exchange, is announced. Everett Ware Cady, formerly senior partner of Rhoades & Co. and subsequently one of the most active in Carl M. Loeb, Rhoades & Co. has joined the firm as a partner. Mr. Cady is well known for the "Cady Market Advises."

One of the other partners of Cady, Roberts & Co. is Washington Dodge, a former "Time" editor whose market letters are nationally quoted. The former firm of Roberts & Co. financed Cinerama Productions, Inc., of which Dudley Roberts, Jr. is now President, which produced the current Broadway hit. The new firm will clear through Hayden Stone & Co.

Spring, Stewart Co. Formed in N. Y. C.

Announcement is made of the formation of the New York Stock Exchange firm of Spring, Stewart & Co., with offices at 25 Broad Street, New York. The partners consist of Harry B. Spring, member of the N. Y. Stock Exchange, George Stewart and Alfred T. Manacher.

Harry B. Spring was previously associated with Ungerleider & Co. He is a Vice-President and a director of the Ulen Realization Corp., and a member of the board of directors of the Glen Alden Coal Co., Delaware, Lackawanna & Western Coal Co. and Burns Bros.

Brown Bros. Harriman Admit Two Partners

Brown Brothers Harriman & Co., 59 Wall Street, New York City, members of New York Stock Exchange and other exchanges, announce that David G. Ackerman and L. Parks Shipley have been admitted to general partnership in the firm.

Joins J. G. Kinnard

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Gordon C. Thompson has joined the staff of John G. Kinnard & Co., 135 South Seventh Street.

Michael Chase

Michael Chase, partner of Chase, Meyer, Barnett & Co., passed away Dec. 23.

LETTER TO THE EDITOR:

Suggests New Approach to Stock Market Analysis

Homer Fahrner, registered investment adviser, explains a "trend formula" for use in forecasting stock market movements. Gives advice to neophyte investment advisers.

Editor, Commercial and Financial Chronicle:

Investment advisers generally use the fundamental approach to market analysis; not a few use the technical approach. I dare say that only a handful "follow the trend." Yet this last method is not only time and labor saving, but it seems as certain to be right with the market as much of the time as either of the other two methods. The "formula" I use is simple and direct:

Homer Fahrner

When, after a substantial advance in the market, as measured by the Dow-Jones Industrials, I sell those stocks which have not fully participated in that advance; and after the next reaction, I purchase stocks which did better than average in previous advances.

There are, of course, many other approaches to investment management using the "trend following" principle. Perhaps the oldest and certainly best known trend following method is the renowned Dow Theory.

Next would be the 10-week moving average. Here, when the current price is higher than the 10-week moving average, the trend is said to be up and you buy; likewise, when the current price is lower than the moving average the trend is down and you sell. Like the Dow Theory this will be very profitable when the swings are large, but will whipsaw you with many small losses when the swings are narrow as they have been these past many months.

Then there is the principle of dividing the price of the individual stock by the Dow-Jones Industrial Average. When this price-ratio advances, the individual stock is necessarily doing better than Dow-Jones and you buy. When the ratio turns down, you sell. This method also does well in big swings, but leads to disappointing losses in a narrow market.

Also illustrative of the trend-followers is the group which buys whenever Dow-Jones advances 5% (some take 10%) from the low point of a current reaction, and sells when Dow-Jones declines the same percentage from last top.

So much for trend-following methods. The big question may be how to get clients. If you have the capital, the thing to do may be to rent an impressive office in a big financial center, hire a secretary and a staff of analysts, and then advertise extensively in all the financial publications.

I followed exactly the opposite course. Starting in a very modest way, my wife made me an "office" out of a spare room on my farm, which I still use. I do nearly all of my own secretarial work, getting some help from my wife only when it comes to stuffing and mailing. In fact, I do not devote nearly full time to investment advising. My main line is organic farming and gardening in which I endeavor to raise food of a superior quality.

At the outset I addressed an open "letter to the editor" of an important financial journal giving the results of some real analytical work. From this letter I received about a hundred inquiries, some of whom became steady clients. From then on it was relatively easy.

Building a List!

Usually I am able to make my initial contacts with my fellow advisers by offering to exchange my duplicated bulletins for theirs. Then if correspondence develops and we get on a friendly basis, an exchange of mailing lists sometimes follows. This is most frequently done on a name-for-name basis. In this way I have built up my initial list of around a hundred names to a present total of nearly 2,000. Be sure, when you exchange names, to give only real live names with current addresses. Nothing will so offend the other party to the transaction as to find that the names he receives from you are of people who are dead or have moved to other locations.

Having built a mailing list, the next thing is to turn those names into active accounts. I service my prospect mailing list about once in every three or four months. My method is to let my prospective clients see for a nominal fee how I handle my Master Stock Account, disclosing each purchase and sale over a short period of from three to six months. Auditing this pilot account, they can tell whether or not my Capital Appreciation Service appeals to them before they risk their capital on my advice. If after an upswing and a down swing in the Dow-Jones Industrials they are unable to see the merits of my advice, they generally try elsewhere. Don't be offended if you cannot please everyone. Remember the other fellow has something, too. And maybe his service is better than yours for some investors for any number of reasons.

One final word of advice: don't take yourself too seriously. Above all, don't get too cocky if you hit the nail on the head two or three times in a row. Remember, pride goeth before a fall.

HOMER FAHRNER

Route I, Box 88
Corning, Calif.
Dec. 16, 1952.

With Walston, Hoffman

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Louis L. Lane has been added to the staff of Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Sustaining Forces In Business Outlook

By ROY L. REIERSON*
Vice-President, Bankers Trust Company, New York

On basis of current business conditions and immediate prospects, Mr. Reierson finds as sustaining forces: (1) defense spending and the budget; (2) large State and municipal outlays; (3) high level of expenditure on plant and equipment; and (4) steady consumer buying, together with sounder inventory situation. Finds serious uncertainties in long-term view, but no sign of impending disaster.

We are entering the time of year which by custom is dedicated to speculating about the future course of our economy. This year, the annual searching and appraising is heightened by the impending change of Administration and the consequent uncertainty regarding the implications for Government policies. The international situation still remains the great imponderable which will have a significant effect upon the rate of defense spending and upon other aspects of our economic life. Notwithstanding these unknowns, we must appraise the outlook as best we can.

Roy L. Reierson

Current Business Conditions

The year 1952 is concluding on a generally optimistic note. Most economic indicators are at or close to record levels. Production of durable goods has snapped back sharply since the end of the steel strike; the limited inventory correction which began in 1951, has run its course and has been succeeded, in recent months, by a renewed upturn in output and sales; business inventories are now being accumulated and this has contributed to higher production. Gross national product, running close to $350 billion annually at the close of the year, has set a new peak. Personal income has increased steadily, and the latest unemployment figures are at a record low for the past 20 years, with the exception of a brief period during World War II.

However, this improvement in economic activity and business sentiment should not be overestimated. A closer look at the basic trends reveals that the current upswing appears impressive in comparison with conditions some months ago, when the steel industry was strikebound and other industries were beginning to feel the effects of the strike, and when vacations and other seasonal influences were holding down the level of activity. In comparison with levels attained in the recent past, the current increase in business appears somewhat less formidable. The index of industrial production, currently averaging around 228, is only about 3% above the levels established in 1951, and again in the early part of the current year. The gross national product is now around 4% above a year ago, but the growth represents in part higher wages and other costs. On balance, we are experiencing no more than a moderate rise in a level of economic activity that has remained relatively stable for about two years.

Furthermore, it is pertinent to observe that total economic activity has been kept at capacity levels over the past two years only by an extraordinarily strong and effective combination of dynamic upward forces. Business spending on plant and equipment continues to set new peaks; we are expanding our productive capacity at an unprecedented pace. Residential building has remained active at the boom level not far below the all-time high. Public construction has been in a rising trend for several years.

But far larger than any one of these stimulating factors has been the rapid upsurge of defense spending and production. During the past two years the annual rate of defense spending has increased by more than $30 billion. This is a colossal sum, even in an economy of our size. It is more than business is expected to spend on all plant and equipment in 1952, a record year; it is almost the total estimated outlay for all construction, public and private. The great increase in defense spending, although accompanied by an extraordinary boom in private capital outlays, has been achieved with relatively few dislocations in our economy and, except for some months at the start of the program, without virulent inflationary pressure. This impressively underscores the tremendous productive capacity of our economy. Inevitably, it raises some questions for the outlook.

Sustaining Forces in the Near-Term Outlook

Barring the possibility of unsettlement from international developments, the dynamic factors that have given us record levels of economic activity in the past two years probably have little impetus left with which to propel economic activity to significantly higher altitudes. On the other hand, the outlook in the main sectors of the economy is favorable for the near term at least.

Defense Spending and the Budget—The defense program has incontestably been the most important single support to business conditions in 1951 and 1952. At the present time, defense expenditures are running slightly above $50 billion a year, but it is evident that the period of rapid growth is behind us. Last August, the President estimated total budget expenditures at $79 billion for the current fiscal year, which ends June 30, 1953. However, defense spending is running behind the schedule implied in this estimate and there is little likelihood that the lag will be made up. In fact, unless high-level decisions are made to change the basic approach of our rearming effort, defense spending may not increase very much above present levels; a further rise of some $3 billion in the annual rate might be a reasonable estimate.

The Republicans have made fairly distinct commitments to reduce the levels of Government spending, and these promises are to be taken seriously. However, we should not overestimate the speed with which reductions can be achieved or the extent of the reductions that are possible or politically feasible. We are in an armaments race with a redoubtable adversary at a time when the technology of warfare is undergoing revolutionary changes, and while no doubt substantial economies can be achieved over a period of time, the international situation does impose a limit on the extent to which defense spending can be reduced without jeopardizing the national safety. To achieve significant reductions in the non-defense sector of the budget will also be a difficult task, requiring earnest determination as well as considerable time and study. Admittedly there is little basis for any specific estimates at the present time, but it seems a reasonable expectation that Government spending in the calendar year 1953 is not likely to be much, if at all, lower than in 1952.

The other side of the fiscal picture revolves around the prospects for tax reduction. The budget forecast of August, 1952, showed a cash deficit for the present fiscal year of $6.3 billion. Due to the lag in defense spending, this estimate is unquestionably too high; the cash deficit may be no more than $2 billion, and it is conceivable that the Treasury budget, on a cash basis, may be about in balance.

During the campaign the Republicans held forth the promise of tax relief and this promise is virtually certain to be honored; the question is when and by how much. Between July 1, 1953, and April 1, 1954, four important temporary tax increases which were enacted after the outbreak of the Korean war will expire automatically unless Congress acts to keep them in force. These are the excess profits tax, the latest increases in individual and corporate income tax rates, and certain excise taxes. If they are allowed to lapse, tax receipts will be reduced by an estimated $8½ billion a year. Presumably we shall have no official information until the latter part of January, as to how the new Administration proposes to deal with the dual problem of reducing expenditures and taxes.

The implications of these fiscal prospects for the business outlook are somewhat mixed. A downturn in Government spending, or the expectation of such a development, is likely to have some dampening effects upon business; even a leveling off around current levels would remove the stimulus imparted to the economy by the rapid increase of the past two years. On the other hand, the prospect of some tax relief may afford a measure of encouragement to business expansion and investment, and to consumer spending. It is difficult at this time to assess the net impact of these two divergent sets of influences. However, it is clear that for the next year at least, the economy will continue to receive large support from Government spending at a rate not far different from that in 1952, and that tax reductions will either become effective or be in immediate prospect.

State and Municipal Outlays—Spending of State and local governments for public improvements is one of the supporting forces in our economy that still appears to be in a rising trend. Growing population and expanding cities require more services and public facilities. The need for new roads, highways, schools, reclamation projects, flood controls and many other public improvements is clearly evident. However, there are considerable impediments to translating these demands into actual spending. The costs of these improvements are generally very high, and the approval of the voters must be obtained before taxes can be increased or new debt incurred. If projects are to be financed by borrowing, securities will have to be issued at terms which under current market conditions are less favorable to the borrowers than those that prevailed in recent years. Furthermore, in view of the rising trend of State and municipal borrowings, it is gradually becoming necessary to attract funds from sources where the tax exemption feature is of lesser value. Also, if the prospects for some reduction in income tax rates materialize, they may make new borrowings through tax-exempts more expensive in the future.

Based on the trends of the postwar years, an increase of some $1½ to $2 billion in the annual rate of State and local spending for all purposes may be a reasonably liberal estimate for 1953. While an increase of this size is of real significance in the field of State and municipal financing, it does not appear large in our $350 billion economy. The opinion that State and local outlays by themselves will be a decisive substaining force in the economy, must be viewed with considerable reserve.

The idea of using public projects as a stabilizing device in the business cycle has much merit. However, this means that appropriations would have to be increased in time of reduced business activity, when tax receipts are declining. In practice, State and local spending has not operated in this fashion, and is not likely to do so unless basic changes occur in the thinking of the responsible officials and of the voters whose approval must be obtained. In the past, local governments have increased their spending in prosperous times and reduced them when the economic climate became less favorable.

Residential Building—The boom in residential building, which has been a major dynamic factor throughout the postwar economy, is still under way. Despite the somewhat less favorable conditions that prevailed for real estate credit in 1952, including the continuation of Regulation X until September, and the reduced interest of investors in VA mortgages, housing starts in 1952 will probably amount to 1.1 million, which is about the same as in 1951.

Since the end of World War II, our available housing has increased by about one-fourth. The major ingredients of this boom are readily discernible. From 1930 through 1945, building activity was depressed or curbed. In the war and postwar period, there was a spurt in family formation and a record level of births. Recently, the movement to the suburbs has taken hold on a large scale, and improvements have been made in housing design. Throughout, Government policy has provided low-cost real estate credit, under Federal guarantee, on liberal terms.

These factors are still a potent force. New starts are currently running above the comparable months of 1951. In spite of fewer shortages in some areas and greater difficulty in selling new houses, the level of activity continues favorable, and most housing experts are optimistic for 1953. They foresee another good year for residential building: some believe it will be as good as 1952, and even the more pessimistic forecasters anticipate a decline of perhaps 10 to 20% at the most.

Over the longer term, however, new residential building appears headed toward lower levels. For several years, we have been producing new housing units faster than the growth in families. Furthermore, the annual rate of family formation, which averaged 1.4 million in the postwar years, is expected to decline to perhaps three-quarters of a million over the next few years, reflecting largely the lower birth rate of the 1930's. Consequently, the maintenance of a large market for new homes may become increasingly difficult. The problem is compounded by the fact that Government programs to encourage residential building have been pressed with great vigor in the postwar years, when they were hardly needed to stimulate demands for new homes. As a result, the cost of borrowing is already so low, down payments are already so small, and amortization periods are so long as to make it difficult to provide an added stimulus through further liberalization of credit terms, even if it should be desirable. Nevertheless, it would not be surprising to see such an effort made when and if residential building shows a significant decline.

Business Spending on Plant and Equipment — In 1952, business spending on plant and equipment set another record; the total is expected to be close to $28 billion, which is 5% above 1951. In the early postwar years, large expenditures to expand capacity were a natural aftermath of depression and war; thereafter, they reflected the sustained high demands of the postwar boom. Recently, Government policy has become an important stimulant. Plant expansion programs of about $26 billion have received tax benefits through certificates of rapid amortization. These programs have not all been completed; furthermore, certificates are still being granted, although at a reduced rate. This will probably help sustain business outlays through most of 1953.

The signs point to another year of high activity in plant and equipment expansion. The many surveys made of business intentions in 1953 all indicate that the level of spending on plant and equipment is likely to be about as large as in the record year 1952. Durable goods industries, which have received large amounts of tax amortization certificates because of their production of defense goods, may spend less next year; the expenditures of nondurable manufacturing industries, some of which have not been able to obtain all the construction materials they needed, are likely to increase, while railroads and gas companies may spend less. Most of the surveys foresee a significant increase in commercial construction in 1953, which would offset an anticipated modest decline in spending by manufacturing companies.

Some caution is indicated in appraising the course of such expenditures beyond the near future. The very vigor with which the expansion of productive capacity has been pressed since the end of World War II, and especially in the past two years under the defense program, creates uncertainty as to the future. Plant capacity is growing rapidly in many lines; that it is more than adequate in some was clearly demonstrated in the textile field several months ago. It is not without significance that new orders for machine tools have recently declined, and that output is eating into the backlog with increasing rapidity. So far, rising wage rates, technological improvements and resulting obsolescence, and the devolpment of new products have all helped to stimulate and substain business spending on plant and equipment. Also, many firms appear to be basing their operations on long-range expansion programs and may adhere to them even in the face of a modest business downturn. However, we know too little about the many considerations that enter into decisions on capital budgets; there is still a large are of uncertainty in the longer-term outlook.

The course of corporate taxes and corporate profits unquestionably will have an important bearing upon the investment decisions

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

of business management. With business active and expected to remain so through the near future, corporate profits are likely to be well maintained. However, it is becoming increasingly evident that while profits before taxes appear satisfactory, profits after taxes are low. They are low relative to national income and to the volume of business sales in comparison with past periods of prosperity, including not only the 1920's, but also the 1930's and 1940's. Business profits after taxes registered a further slight decline in 1952.

In appraising the outlook, it should be kept in mind that for about a decade our economy has been operating in an environment in which the economic factors have been generally favorable for the maintenance of pre-tax profit margins; in many important industries we have had sellers' markets, or at least no real buyers' markets; we have had full utilization of our labor force and of much basic plant capacity; we have had a constantly rising personal income. In the years ahead, business probably faces the return of much more widespread and lively competition, and this may make some inroads upon pre-tax profit margins. Such a development might well have a restraining influence upon business spending on plant and equipment.

The economics of the situation certainly contain strong arguments in favor of lower taxes on business income; furthermore, some revision in our system of business taxation may be needed in the not too distant future if business spending on plant and equipment is to be maintained. However, since the prospects are for continued large Government expenditures, albeit perhaps at somewhat lower levels than at present, and since the strongest political pressures are for tax relief to individuals, it is difficult to be optimistic concerning the chances for a sizable reduction in the tax burden on corporate enterprise. The Government is likely to take close to one-half of corporate profits for some years to come.

Business Inventories and Consumer Buying—Changes in the inventory policies of business frequently affect short-term economic fluctuations in a decisive fashion; together with changes in consumer buying they have an important influence upon the course of business expectations and activity.

Consumer spending in 1952, especially for the important durable goods, has been supported by the rapid expansion of consumer credit since Regulation W was suspended earlier in the year. The volume of instalment credit outstanding increased by more than 20% in 1952. While consumer credit is probably not yet a limiting factor upon the volume of spending, the servicing of the large and rising debt represents a growing charge upon incomes. Consumers are relatively well stocked with automobiles, household appliances and other goods, and in the absence of serious war scares or the like, they are not likely to step up their rate of buying to any appreciable degree. However, current consumer spending in the aggregate, measured against income after taxes, is probably slightly below "normal." Consequently, consumers are not expected to curtail their spending significantly so long as personal income remains high.

There are no apparent reasons for anticipating a resumption of inventory accumulation on a large scale. Business inventories are at a record level; their dollar value is estimated to be within 1% of their mid-1951 peak, and their physical volume may even be somewhat greater. The inventory corrections in 1951-52 were largely limited to wholesalers and retailers; manufacturers' inventories, which include defense goods, did not decline and are now higher than ever.

In view of the recent adjustments, inventories are probably less vulnerable than they were some 18 months ago. Nevertheless, we do well to recall that even in our booming postwar economy, we had two periods of inventory liquidation: one in 1948-49, the other in 1951-52. In both instances, rising demands from other sectors of the economy—housing, consumer durables and foreign aid in 1949, defense and business spending in 1952—kept the effects of the inventory cycle from spreading to the economy as a whole. When next a period of inventory liquidation develops, as it assuredly will, the economy may not enjoy the strong underpinning which cushioned the impact in recent years, and the reaction upon business conditions may be greater.

This brief review of inventories and consumer buying thus supports the general picture of an economy which is not likely to move significantly below capacity levels as long as the dynamic thrusts of defense, industrial expansion and housing activity are not exhausted, but which, barring another shock from the international arena, shows few prospects of further vigorous rise in the near future.

The Longer View

For more than a decade, our economy has been operating under the pressure of extraordinary demands, which by and large, have been sufficiently powerful to overwhelm the cyclical forces in the economy. Defense and World War II, later the huge demands at home and abroad, and more recently another great rearmament effort on an international scale, all kept business booming and production high. Cyclical factors have not been entirely absent but have never been sufficiently strong to cause more than mild readjustments.

Over this period American industry has built up a productive capacity which has repeatedly demonstrated its ability to meet staggering new demands, including those of the present defense effort. Although living costs are pushing new highs, wholesale prices have ebbed somewhat, and some sensitive commodity prices have experienced significant corrections in the past 18 months. Without further large and rising demands in addition to those already in operation or in immediate prospect, it will become increasingly difficult to maintain full operation of our growing industrial capacity and to shield the economy from cyclical fluctuations over the longer term.

These problems, however, are not likely to become serious in the near future. Present prospects are for continued good business for some time to come. Indeed, business expectations have improved so significantly in recent months, and especially after the election, that a wave of confidence in the future may well impart further life and strength to the boom.

Throughout the past 10 years, the absence of noteworthy speculation and the continued display of prudence in business planning has been one of the most remarkable and encouraging departures from the patterns set by earlier periods of prosperity. It would be a sorry experience indeed if the restraint displayed by business managements under the tempting conditions of earlier years were now to be put aside and replaced by a speculative fever which could only add to our problems. The adoption of a "prosperity unlimited" psychology on the part of business would not only increase the chances of excesses in the short run but would also create additional risks over the longer term. Fortunately, the record of caution and good sense makes such a development unlikely.

Within the next year or so, the state of business confidence may be tested by a reversal in the inventory cycle, by the imminence of more specific plans for reducing Government spending, by the need for more effective stimulation of consumer demand for durable goods, and by more competitive markets in general. Of fundamental importance will be the problem of keeping the capacity of our heavy industries employed at satisfactory levels. Should a number of these factors become acute at about the same time, we would be faced with more than a casual downturn in our economic indicators

The problems facing our economy should not be ignored, but neither should their emergence be heralded as a sign of impending disaster. If business and Government, and labor as well, make a real and sincere effort to develop practices, policies and points of view that will help prevent a cyclical business downturn from assuming sweeping proportions, we may face the future without fear for the health of our economy.

M. H. Fisher Joins Blair, Rollins Co.

Blair, Rollins & Co., Incorporated, 44 Wall Street, has announced that Maurice H. Fisher has become associated with them. Mr. Fisher for the past 12 years has been identified with A. W. Benkert & Co., specialists in railroad reorganization securities, of which he was Vice-President until June 15, 1952.

Jenks, Kirkland to Admit Harold Keir

PITTSBURGH, Pa.—Harold M. Keir, Manager of the Stock Department of the Pittsburgh office of Jenks, Kirkland & Grubbs, Union Trust Building, will become a partner in the firm as of Jan. 8.

Urges Caution in Expanding Consumer Debt

January issue of the "Guaranty Survey," published by Guaranty Trust Company of New York, says, although there is no conclusive evidence volume of debt is excessive, a further unchecked rise, growth of unsound practices, or return of inflationary pressures could change situation.

In answering the question "How Large Is Consumer Credit?" in an editorial article, the January issue of the "Guaranty Survey," published by the Guaranty Trust Company of New York, contends that comparisons with past experience provide no conclusive evidence that the present volume of debt is excessively high in relation to consumer income. However, the article notes that though current economic tendencies fail to reveal signs of an inflationary threat, it is advisable that due caution on part of both borrowers be taken as a necessity, and too liberal credit terms should be avoided.

Commenting on the present consumer credit situation, the "Survey" states:

"The anti-inflationary argument against consumer credit, whatever its theoretical merits may be, has little practical meaning at present. For almost two years the general level of wholesale prices has been either steady or slowly declining. Not since early 1951 has there been clear evidence of a preponderance of inflationary forces at work in our economy. Most current forecasts indicate that, barring some unforeseeable change for the worse in international relations, no early resurgence of inflationary tendencies is anticipated. Unless and until such tendencies reappear, expanding consumer credit by itself cannot be regarded as a serious inflationary threat.

"The other side of the same argument is the anti-deflationary one. Some commentators have maintained that the stimulating effects of a rise in consumer credit would be more helpful at some future time of lagging demand than they are at present. This may well be true, but it is a weak foundation on which to build a case for governmental intervention. The argument rests upon the highly questionable assumption that an expansion of consumer credit which is prevented now will occur, or can be made to occur, at some desirable time in the future. This is wishful thinking of an extreme type. Consumer psychology is one of the most unpredictable variables in the economic outlook. Purchases prevented or discouraged now might never be made, or they might be deferred until a time when they were even less needed as an economic stimulant than they are at present.

The case for postponing a share of current consumer demand rests upon the further assumption that a time is approaching when a backlog of deferred demand will be needed, or at least desirable. This also may be true, although economic forecasting has not yet reached a stage at which such expectations can be regarded as anything but more or less well-informed opinion. To formulate sound policy or to impose wise restrictions on the basis of conditions that actually exist is difficult enough. To do so on the basis of hypothetical conditions at some future time is well-nigh impossible.

"The question whether consumer debt is too large or is expanding too rapidly cannot be authoritatively answered. Comparisons with past experience provide no conclusive evidence that the present volume of debt is excessively high in relation to consumer income. Current economic tendencies fail to reveal clear signs of an inflationary threat. Due caution on the part of lenders and borrowers is, of course, necessary. Too liberal credit terms are to be avoided, and the possibility of more favorable buying opportunities later is not to be overlooked. A further unchecked rise, a growth of unsound practices, or a reappearance of inflationary pressure could change the situation, and vigilance by regulatory authorities, as well as lenders and borrowers, is warranted."

The Lessons of Price And Wage Controls

By ARTHUR M. ROSS*

Associate Professor of Industrial Relations, Univ. of California, Formerly Chairman, Regional Wage Stabilization Board, San Francisco

In answering question whether price and wage controls were necessary to curb inflation, Prof. Ross holds distinctions must be made between successive phases of national mobilization. Contends direct price and wage controls were needed at outset of Korean War, but they were established too late and were continued too long on a comprehensive basis. Advocates enactment of law empowering President over considerable period to reimpose direct controls without further authorization. Sees present tax and credit curbs ample inflation check.

I

Price and wage controls, a "social invention" of the past dozen years, have become one of the most controversial issues in public policy. That government in modern industrial society must undertake the responsibility of preventing severe inflation, as well as serious unemployment, is clear enough. But no firm agreement has emerged as to whether "direct" controls are a legitimate and effective device for restraining the price level; and if so, when they should be employed and for how long. The debated question of whether controls were unduly extended after V-J Day in 1945, or prematurely abandoned in 1946, is a case in point. Certainly the experience during the Korean War has been a puzzling and difficult one for the controllers and the controlled, and will be the subject of contention for many years. Was price and wage stabilization necessary at all in the limited military and industrial mobilization which we projected in 1950? If so, why was the imposition of controls delayed until the end of January in the following year, by which time spot market prices had advanced 47%, wholesale prices 15% and retail prices 8%? Could direct controls have been removed before the steel case early in 1952, or before the bituminous coal case at the end of the year? Should they be dropped immediately, or retained until April, 1953, or continued beyond that date?

If the experience of the past two years has been trying and not too profitable, the least we can do is to learn some lessons from it. This is of more than academic interest, for there is no reason to believe that similar emergencies, short of total war, will not recur in the future. Moreover, the price control issue would not be so readily abused for political motives if there were better public understanding of it. In recent years considerable agreement has emerged as to the role of taxation in the economy, the effects of government spending, and other controversial issues. Better policies have resulted; for example, we have had a more adequate tax policy during the Korean War than during World War II. There is no reason why similar progress cannot be made with regard to price and wage controls.

Many discussions of direct controls suffer from blanket advocacy or total opposition without distinctions of time or place. At one extreme some economists argue that even at the height of a total war, tax and credit policies are the only appropriate means of curbing inflation. At the other extreme, the Federal Administration has exercised price and wage authority, or has sought to obtain it, in every year since 1941 without exception, even during the recession of 1949. The notion that direct controls are *never* desirable, or that they are *always* necessary, will seem excessively dogmatic to most of us. Most of us are dogmatic about controls in a partial mobilization, however, either favoring them as a semi-permanent institution or opposing them altogether.

Actually the problem is not that simple. There are controls and controls; and a partial mobilization, like the one which began in June, 1950, has a time dimension and moves through several phases. If we are to make progress in mastering the price-and-wage-control issue, we must begin to make some distinctions:

First, the distinction between the successive phases of a partial mobilization: the initial shock, the period of readjustment, and the ensuing stabilization on a higher plateau. What is appropriate for one phase might be unsuitable for another. I will argue that taxation and credit policy were not sufficient for the first year of the Korean War but could have handled inflationary pressures in the more recent period.

Second, the distinction between selective and across-the-board controls. It is wasteful to maintain an elaborate and complex apparatus regulating prices and wages generally if only a few ceilings covering scarce metals are needed. Using a five-ton truck to deliver a five-pound package is bad economy.

Third, the distinction between the current usefulness of direct controls and their potential usefulness in the event of another emergency. Opposition to controls under present circumstances is not the same as opposition in principle. Dismantling them now should be possible without foreclosing the right to reconstruct them in the future.

II

Were direct controls necessary in 1950? To answer the question fairly we have to reconstruct the situation as it appeared at the time, since the advantages of hindsight were not available then. It was clear that only a partial mobilization was involved, for the time being at least. The national security program was a large one, but designed to consume only 20% of the national output, compared with 42% at the peak of World War II. Nevertheless there was sufficient evidence at hand to warrant the conclusion that the inflationary danger was serious.

For one thing, it was apparent that the economy was more vulnerable to any given stimulus than it had been in 1940-41, when there was a good deal of "slack" in the form of unemployed labor and unutilized plant capacity. Next was the condition of public psychology. There was little patriotic fervor and no inclination to sacrifice. Businessmen and labor leaders were sophisticated about controls and knew the importance of beating a possible "freeze date" deadline. Consumers were sophisticated about inflation and therefore less likely to be affected by appeals running contrary to self-interest. Finally there was the over-riding ambiguity of the position, which left little alternative except to plan for the worst. It was by no means clear whether the Korean War was to be a minor police action or a large-scale endeavor; whether it was an isolated episode or only the first of several; whether it was the opening phase of World War III. The proper size of the preparedness program was highly indefinite; initial judgments were substantially raised at later dates. Worst of all, there was no solid basis for estimating the duration of the emergency aside from plucking a forecast out of the air. A prudent consumer could only assume that autos would vanish from the market; a prudent executive could only feel that copper at any price is better than no copper at all.

This was the context in which the 1950 debate over direct controls was conducted. The central issue in this debate was whether a superior alternative was available in the form of fiscal and monetary policy. Probably a majority of professional economists believed that if spending power were sufficiently curtailed by higher taxes and tighter credit, then inflation could not be serious. This view was popular in business circles and was accepted for a time by the President and his Council of Economic Advisers. Actually no one questioned the need for these measures in their own right, but the belief that they could do the job alone was based on a mistaken theory of the 1950-1951 inflation.

This theory assumed that the chief inflationary danger lay in increased government spending and the use of deficit financing to support it. It followed that if mobilization could be conducted on a "cash and carry" basis, the expansion of civilian income beyond our capacity to supply civilian goods could be avoided.

But it was not government spending which caused the inflation. Federal cash payments to the public were smaller in 1950 than in the previous year; the spending program did not really get under way until the second quarter of 1951, after price and wage controls had been invoked. Rather it was a frantic splurge of private spending by householders and business firms which pushed up the price level in the months following the outbreak of the Korean War. The outburst of private spending was actuated by expectations of eventual shortages and of higher prices to come, and by plain uncertainty. Thus the effects of the rearmament program were anticipated long before it became a reality. These forces had their own inflationary impetus, to which was added a hectic marking-up of prices and wages in order to "get under the wire" before controls were imposed.

Deficit financing was not a feature of the 1950-51 inflation; in fact the government enjoyed a $3.5 billion budget surplus, and a $7.6 billion cash surplus, in the fiscal year ending June, 1951. The difficulty was that budget-balancing (even overbalancing) could not prevent this type of inflation. (The 1946-48 inflation was also stoked by private rather than public spending, and the Federal government accumulated a cash surplus of almost $14 billion in these three years.) Tighter credit policies, and an earlier resolution of the controversy between the Treasury and the Federal Reserve Board, would have accomplished something. But their effectiveness was limited by the enormous liquid assets in the hands of consumers and business firms, who were in a position to spend more money without borrowing it. As one observer put it, there are times when frozen meats are more desirable than frozen assets, even with high interest rates.

There was really no way around it, no substitute for price and wage controls to check the 1950-51 in-

Continued on page 18

*An address by Prof. Ross at Town Hall, Los Angeles, Calif., Dec. 12, 1952.

From Washington Ahead of the News

By CARLISLE BARGERON

Visitors to the forthcoming inaugural will undoubtedly want to see, as one of the sights to behold, the gentleman from Oregon, Senator Wayne B. Morse.

Ever since he came to the Senate it has been his all-consuming ambition to occupy a place of distinction, to be among those pointed out to the sightseers in the gallery, to be lodged in the public mind, in fact, as not just one of the Senators but as something different. As he dreamed it, there would one day be the Senate of the United States and there would be Wayne Morse.

Carlisle Bargeron

This is what has come about but in no manner or means has it come about in the way he planned it. He has come to be the oddity he sought but not the kind of oddity he intended. His predicament is one of the comic reliefs of the Capital, as the lawmakers, their assistants, their families and the horde of parasites trek back.

It is doubtful if in all history there was ever a man who guessed so wrong and who went out of his way to guess that wrong. At the recent Gridiron dinner there was a delightful skit about the Senator. His home town is Eugene, Ore., and he was portrayed as having a yearning to do so much for it. Instead, the chorus sang "Good night, Eugene; good night. You exist now only in my dreams."

The Senator was never a Republican except in name. But as a Republican in name he would have been entitled to good committee assignments and would have exercised considerable influence in the councils of the ruling party. However, at the height of the campaign, he denounced Eisenhower and announced his support of Stevenson. Now he is to have no committee assignments; at least he is not likely to have any, and his voice, if heard at all, will only bring chuckles to his fellow Senators.

The Senator is rather generally looked upon as having fallen into this predicament through his independence of mind and action, a man who always voted his honest convictions regardless of party label. This is a misconception.

There has been nothing "independent" about the Senator's career in the Senate. He has been beholdened to organized labor. His votes were more often than not at variance with Republican party policy but this was because this policy was at variance with that of organized labor. Organized labor, mostly the A. F. of L., put him in the Senate in 1944 and returned him in 1950.

The Senator very carefully built up this labor support when he was a member of the War Labor Board during World War II. I heard from organized labor circles several months before he announced his Senatorial candidacy that he was to run and that he was counting heavily on the labor vote of the Kaiser shipyards. In Portland alone, at the time, there were more than 90,000 workers in these yards. Being a former dean of law at the University of Oregon, and possessing a string of academic degrees, he has occasionally chided labor in a fatherly sort of a way but he never voted in a way objectionable to them.

It was, in my opinion, his indebtedness to organized labor that caused him to switch party allegiance in the campaign. For some reason, as yet not satisfactorily explained, the A. F. of L. deviated from its traditional policy and endorsed Stevenson. He followed suit.

Now, we see the interesting spectacle, of this organization having lost, apparently sitting prettier than if it had won. With Stevenson elected, the A. F. of L. would have continued to be the tail of the CIO's dog. The CIO moved its men in on Stevenson immediately he was nominated and would undoubtedly have continued to be a part of the government. But it is the A. F. of L. that Eisenhower is blowing kisses to. And there is Morse, the A. F. of L.'s darling, without a party. He must be contemplating most ruefully, indeed, the turn-about of things. With this beautiful friendship on between the General and the A. F. of L., the Senator, it might be assumed, would have the run of the White House, as the man most understanding of labor on Capitol Hill. Instead, he is alone, unsought and unsung. "Good night, Eugene; good night."

Very likely the Senator has been studying the biographical sketches of the Senators contained in the Congressional Directory in the hope of finding some future ray of light, through attritions in the membership, because of death or other causes, which would make it necessary for the Republicans to trade with him in order to retain Senate control. But there is no light there for the Oregon Senator. The mortality table is on the side of the Republicans. It would not be surprising, indeed, if they pick up three Senate seats in the next 12 months. Age has got hold of several Democratic incumbents whose successors, in the event of their death, would be named by Republican Governors.

Hicks, Wilson Co. Formed

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Hicks, Wilson & Co. has been formed with offices at 1717 East Colfax Avenue, to continue the investment business of J. W. Hicks & Co. Officers are J. W. Hicks, President; Robert W. Wilson, Vice-President, and B. J. Weed, Secretary-Treasurer. Mr. Hicks was formerly proprietor of J. W. Hicks & Co.

M. G. Chamberlain Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — M. G. Chamberlain & Company has been formed with offices at 458 South Spring Street, to engage in a securities business. Officers are Marvin G. Chamberlain, President and Treasurer, and F. M. Chamberlain, Vice-President and Secretary. John O. Heintz is a director of the firm.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Directors of **The National City Bank of New York** on December 30 appointed Howard C. Sheperd as Chairman of the Board and

Howard C. Sheperd James S. Rockefeller

Chief Executive Officer to succeed Wm. Gage Brady, Jr., who is retiring at the age of 65 under the bank's retirement plan. Mr. Brady, who also resigned as a Director of the bank and of its trust affiliate, **City Bank Farmers Trust Company,** has held the office of Chairman, and Mr. Sheperd has been President, since March 9, 1948. Announcement has also been made of Mr. Sheperd's appointment as Chairman of the Board and Director of City Bank Farmers Trust Company. James S. Rockefeller, formerly Executive Vice-President, was appointed President and a Director, succeeding Mr. Sheperd. He was also appointed to the Board of City Bank Farmers Trust Company. As previously announced, W. Randolph Burgess, Chairman of the Bank's Executive Committee since 1948, and Chairman of the Board of Directors of City Bank Farmers Trust Company, is also retiring to accept an appointment by President-Elect Eisenhower as Deputy and Consultant to the Secretary of the Treasury.

Also announced was (1) the appointment to National City's Board of Directors of Richard S. Perkins, President and a Director of City Bank Farmers Trust Company and (2) the resignation as a Director of Gerard Swope, Honorary President of the General Electric Company, who has been a member of National City's Board since 1929 and has reached retirement age. Mr. Perkins is the son of the late James H. Perkins, Chairman of the Board of National City Bank from 1933 until his death in 1940 and a former President of City Bank Farmers Trust Company. Richard S. Perkins joined City Bank Farmers Trust Company as Executive Vice-President in March, 1951, having been a Director since 1948. He was appointed President of the Trust Company in December, 1951.

Three new Executive Vice-Presidents were appointed by the Bank's Board: J. Howard Laeri, George S. Moore and Alan H. Temple, all formerly Vice-Presidents.

Messrs, Sheperd and Rockefeller, D. A. Forward, Senior Vice-President, L. N. Shaw, Executive Vice-President and Manager Overseas Division, N. C. Lenfestey, Executive Vice-President and Cashier, together with the three new Executive Vice-Presidents announced on December 30 and Burness Kydd, Comptroller, constitute National City's group.

With his retirement, Mr. Brady completes over 37 years with The National City Bank of New York. The final year of his service saw total resources, deposits and capital funds of the bank reach an all-time high. Mr. Brady joined the Foreign Department in 1915. In 1921 he became a Vice-President and in 1938 was appointed Senior Vice-President. He became President and a Director in 1940.

Mr. Sheperd, a native of Vincennes, Indiana, has spent his entire banking career with National City. Following his graduation from De Pauw University in 1916, Mr. Sheperd entered the Bank's College Training Class. He served in World War I and was appointed an Assistant Cashier in 1921, successively becoming Assistant Vice-President, Vice-President and Senior Vice-President until his appointment as President and Director in 1948.

Mr. Rockefeller, was a graduate of Yale '24. His first connection was with Brown Brothers & Company, where he remained until joining National City in 1930. He was appointed an Assistant Cashier in 1931, Assistant Vice-President in 1933, Vice-President in 1940, Senior Vice-President in 1948 and Executive Vice-President in September, 1952. Mr. Rockefeller is a son of the late William G. Rockefeller. Mr. Laeri, who joined the bank in 1928 after graduating from Williams College, was named a Vice-President in 1945 and has charge of the bank's New York City branches. Mr. Moore, Supervisor of the bank's Domestic Division, joined National City in 1927, upon graduation from Yale. He was appointed a Vice-President in 1939. Mr. Temple, a 1917 graduate of Columbia University, joined the bank in 1931. Appointed a Vice-President in 1941, Mr. Temple has supervision of the bank's Economics Department, including the internationally known Monthly Economic Letter, and will assume additional general administrative duties.

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The National City Bank of New York announces that, effective Jan. 1, Robert L. Hoguet, Jr., Vice-President, who was formerly

R. L. Hoguet, Jr. E. Newton Cutler, Jr.

in charge of the Middle Western District of the bank's domestic division, will head New York City District I, which includes the bank's head office relationships in the following fields: accountants, chain and department stores, commodities, exporters and importers, factors and finance companies, food distributors, freight forwarders and customers brokers, petroleum, textiles and wearing apparel, and tobacco. The other officers associated with Mr. Hoguet in District 1 will be John C. Slagle, Vice-President; William I. Spencer and Herbert Holden, Jr., Assistant Vice-Presidents; and John W. Roberts, Assistant Cashier.

E. Newton Cutler, Jr., Vice-President, who has been in charge of District I of the bank's Metropolitan Group, will head the Middle Western District (Colorado, Illinois, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, Wisconsin and Wyoming). Other officials who will be associated with Mr. Cutler in this district will include John M. Potter and James F. Jaffray, Vice-Presidents; Richard E. Thomas, Assistant Vice-President and B. Douglas Hill, Stephen C. Eyre and T. Carl Wedel, Assistant Cashiers.

The **National City Bank of New York** also announces the appointments of Arthur W. Johnson, Laurence H. Parkhurst, Jr., and Daniel P. White as Branch Managers.

* * *

Chemical Bank & Trust Company of New York will establish an oil and gas department, effective Jan. 1, to specialize in all phases of banking for the petroleum and natural gas industry, it was announced on Dec. 29 by N. Baxter Jackson, Chairman. Philip F. Shannon has been appointed senior consultant and Ben F. Zwick has been appointed manager of the department which will become part of the bank's National Division. It will be under the supervision of Howard W. McCall, Jr., Vice-President, with headquarters at 165 Broadway, New York. In making the announcement, Mr. Jackson explained that "Chemical Bank has become increasingly active in financing the rapid growth and expansion of the nation's petroleum industry, and the setting up of a special department will enable the bank to provide that entire industry with complete and efficient banking facilities."

Both Mr. Shannon and Mr. Zwick, who will join Chemical Bank on Jan. 1, have had broad experience in the petroleum field. Mr. Shannon, a graduate of the University of Kentucky, is former Professor of Petroleum Engineering at the Colorado School of Mines, and he has been affiliated with several oil companies in the United States, Canada and South America, including Continental Oil and Indian Refining (now part of The Texas Company). Mr. Zwick is a graduate of the Colorado School of Mines. He began his career in 1929 with Tropical Oil Company in Columbia, South America, later serving as Vice-President and General Manager of International Ecuadorian Petroleum Company, Ecuador, S. A., and as Assistant General Manager of International Petroleum Company of Peru. In 1947, he joined Standard Oil Company (N. J.) as coordinator of producing operations in Europe, the Middle East and Far East. Since 1950 he has been engaged in petroleum consultation. Both Mr. Shannon and Mr. Zwick are members of the American Petroleum Institute, the American Institute of Mining Engineers and other professional organizations in America and abroad.

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The Board of Governors of the **Federal Reserve System** has designated Robert T. Stevens as Chairman of the Board of Directors of the **Federal Reserve Bank of New York** and Federal Reserve Agent for the year 1953. Mr. Stevens, who is Chairman of the Board of J. P. Stevens & Co., Inc., New York, was a Class B director of the Bank between 1934 and 1942. Mr. Stevens was appointed a Class C director of the Bank in May, 1948, and has served as Chairman and Federal Reserve Agent since then. The Board of Governors has also reappointed William I. Myers as Deputy Chairman for the year 1953. Mr. Myers has been a Class C director of the bank since January, 1943, and has served as Deputy Chairman since September, 1943. He is Dean of the New York State College of Agriculture, Cornell University, Ithaca, N. Y. The Board of Governors has also reappointed Philip Young as a Class C director of the bank for a term of three years beginning Jan. 1, 1953. Mr. Young has been a Class C director of the bank since April, 1952. He is Dean of the Graduate School of Business, Columbia University, New York. At the Buffalo Branch of the Federal Reserve Bank of New York, the Board of Governors has announced the reappointment of Edgar F. Wendt, President of the Buffalo Forge Company, Buffalo, N. Y., as a director of the branch for the three-year term beginning Jan. 1, 1953. Mr. Wendt has been a director of the Buffalo Branch since Jan. 1, 1950, and served as Chairman of the Branch Board during 1952.

The **Federal Reserve Bank of New York** has announced that its board of directors has appointed Bernard E. Finucane and Edward P. Vreeland as directors of its Buffalo Branch, each for the three-year term beginning Jan. 1, 1953. Mr. Finucane is President of the **Security Trust Company of Rochester, N. Y.** He has been a director of the Buffalo Branch since Jan. 1, 1950. Mr. Vreeland is President of the **Salamanca Trust Company, of Salamanca, N. Y.** He succeeds, on the branch board, George F. Bates, Vice-President of The Marine Trust Company of Western New York, in charge of the Power City Trust offices, Niagara Falls, N. Y. The Federal Reserve Bank of New York also announced that its board of directors has designated Robert C. Tait as Chairman of the board of directors of the Buffalo Branch for the year 1953. Mr. Tait has been a director of the branch

Continued on page 16

International Problems Awaiting Solution

By MAX WINKLER

Partner, Bernard, Winkler & Co., Members N. Y. Stock Exchange

Dr. Winkler lists among major problems: (1) war in Korea; (2) unrest in Pacific; (3) turmoil in Middle and Near East; (4) disturbances in Africa; (5) unrest in Latin America; and (6) division in Europe.

Nineteen fifty-three may well prove the year of decision for the United States, and the rest of the world as well. Many and complex are the problems which confront mankind. Serious attempts are expected to be made by those guiding the destinies of nations, to resolve them Failure to do so will result in continued chaos in the realm of international relations, economics and finance. Politicians and demagogues will thrive while the vast majority of the peoples of the earth will suffer.

Dr. Max Winkler

The major problems, or at least some of them, which await solution in the coming year, include:

(1) War in Korea, euphemistically called a police-action. The United States, or rather the United Nations, engaged in war, solely for the purpose of repelling the North Korean invasion of the Republic of South Korea, that part of the peninsula situated south of the 38th parallel, housing about two-thirds of the 30 million Koreans and recognized by the United Nations. The invaders have been driven back, and South Korea is virtually free of the intruders from the North. The price has been heavy. An agreement would be possible, if a genuine desire therefor existed.

(2) Unrest in the Pacific, especially in Indo-China where part of the native population are engaged in bitter fighting against the French who are slow to realize that the days of Colonialism and white supremacy are gone. The same is true, to a slightly less degree, of British Malaya where natives are fighting their British masters.

(3) Confusion resulting from the continuance of two Chinas, one headed by Chiang Kai-shek and residing in Formosa (Taiwan), a former Japanese possession and housing some 8 million Chinese; the other headed by Mao Tsetung, overlord of some 475 million Chinese. The principal difficulty stems from the fact that the United States has recognized Chiang and that the U.S.S.R has recognized Mao. So long as those two major forces in the world of today continue at odds, the Chinese problem will remain unsolved.

(4) Turmoil in the Middle and Near East with the situation particularly distrubing in Iran, and to a lesser degree in Egypt. Failure of an Arab-Israeli agreement tends to aggravate conditions.

(5) Disturbances in Africa, with conditions especially alarming in the French possessions or territories where natives have risen against their French masters. The dictatorial and Hitlerite policies of the Malan administration in South Africa add to the woes of the Dark Continent.

(6) Unrest in Latin America where in some parts bullets once more displace ballots, where dictatorships rear their ugly heads, and where contractual agreements are ignored or repudiated.

(7) Division in Europe where the struggle between two ideologies headed by the U. S. A. and the U.S.S.R. prevent a return to normality in the realm of economics and finance.

(8) The menace of Communism making it incumbent upon the Western World to engage in gigantic expenditure for arms, considered the only effective deterrent against Communist aggression and the march of Russia towards the Channel. Regardless of the validity of this fear, it is there and its effects upon the state of mind of peoples are considerable.

(9) Chaotic conditions in the currencies and exchanges of the quondam powerful trading nations of the world, rendering it necessary for the United States to extend material aid to those needing it. With much of their substance going into non-productive channels, such aid is relatively ineffective as regards the recipient, and very costly to the donor.

(10) Dislocation in world commerce and industry resulting from the continuance of the above mentioned factors, which exact a heavy price from the two and one-quarter billion human beings of the earth.

Towards the end of 1952, no one has suggested or proposed how to deal effectively, concretely and rationally with the many complex and disturbing problems which confront mankind. It is hoped rather than expected that the new administration, headed by General Dwight Eisenhower, may bring forth a personage or personages who will be able to resolve them. At any rate *dum spiramus-speramus* — Hope forever springs eternal.

Continued from page 15

News About Banks and Bankers

since Jan. 1, 1951. He is President of the Stromberg-Carlson Co., Rochester, N. Y.

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Robert A. Kerr, William Repucci, and Nicholas Ustin have been appointed Assistant Secretaries, of the **Irving Trust Company of New York** it was announced on Dec. 29. All are members of the company's Domestic Banking Division with headquarters at One Wall Street. Mr. Kerr, who recently completed a tour of active duty as a reserve officer in the U. S. Navy, returns to the Irving on Jan. 1. As before, his work will be with Irving customers in New York City. Mr. Repucci specializes in export banking business, in which he has had long experience. Mr. Ustin, who joined the Irving in 1946, is a member of the staff that handles the bank's business in the Southeastern states.

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Horace C. Flanigan, President of **Manufacturers Trust Company of New York**, has announced the election of Clinton R. Black, Jr. to the Board of Directors of the Trust Company. Mr. Black is President of the C. R. Black, Jr., Corporation and a director of the Republic Steel Corporation.

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Henry W. Weber has been elected President of **The Dime Savings Bank of Williamsburgh, at Brooklyn, N. Y.** it was announced on Dec. 23 by the Board of Trustees. He succeeds C. C. Mollenhauer, who died on Sept. 18 last. Mr. Weber, who has been Vice-President of the bank since 1944 has been with the bank for 31 years. He was appointed as Assistant Treasurer in 1931 and Treasurer in 1932. He is the 8th President since the bank's founding in 1864. Also elevated were Theodore A. Malmberg, from Treasurer to Vice-President; M. Earl Jolls from Assistant Treasurer to Treasurer; John A. Peterson, from Chief Clerk to Assistant Treasurer. Mr. Malmberg has been with the bank 31 years. He became Assistant Treasurer in 1932 and Treasurer in 1944. Mr. Jolls joined the bank in 1925 and became its Assistant Treasurer in 1944. Mr. Peterson, has also been with the bank since 1925.

* * *

The **Rye National Bank of Rye, N. Y.** is offering its shareholders rights to subscribe to 182,000 shares of common stock, $2 par value, of the bank at $3.40 per share on the basis of 7.28 new shares for each share of common stock held on Dec. 23, 1952. Auchincloss, Parker & Redpath and G. H. Walker & Co. as underwriters have purchased the common stock being offered, subject to prior subscription rights, which expire on Jan. 23, next. Of the proceeds of the offering $517,730 will be used to retire all of the bank's Preferred Stock "A" and $27,170 will be used to retire 300 shares of the bank's preferred stock "B" and to convert the remaining 700 shares of preferred stock "B" into 43,000 shares of common stock. Shareholders of the bank approved on Dec. 23, a plan of recapitalization which will result in the capital of the bank consisting entirely of common stock, outstanding in the amount of $500,000, represented by 250,000 shares of the par value of $2 each. The Rye National Bank, organized in 1900, is engaged in the general banking business in Rye and Harrison, Westchester County, New York. The Harrison office is operated as a branch of the main office in Rye.

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The New York State Banking Department approved on Dec. 8, a certificate authorizing an increase in the capital of the **Schenectady Trust Company of Schenectady, N. Y.**, from $1,600,000 to $1,700,000 consisting of 17,000 shares, par value $100 each.

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As of Dec. 10, the **Haddonfield National Bank of Haddonfield, N. J.**, increased its capital from $200,000 to $300,000 by the sale of $100,000 of new stock.

* * *

The American National Bank and Trust Company of Chicago has completed a transaction whereby the institution will lease the ground floor of the American National Bank Building at La Salle and Washington Streets, Lawrence F. Stern, President, announced on Dec. 30. The individual units of space on the first floor will be taken over as present short-term leases expire and the Bank's contemplated expansion program is expected to begin within 18 months. The lease will give the institution a 21-year tenure on its new ground floor location in addition to similar renewal for all other space and safety deposit vaults. The program just announced comes as the institution approaches completion of 20 years in its La Salle Street location and will represent the first major improvement in appearance in the upper La Salle financial district during that time. On completion of the program, the bank will occupy eight floors with basement and safety deposit vaults; the bank shows present deposits of around $290,000,000. The latest addition to surplus was made earlier this year when $1,000,000 was transferred from undivided profits.

* * *

First National Bank of Minneapolis announced on Dec. 23, the promotion of five of its officers to Vice-President and Assistant Vice-President levels, and the election of three new officers. Advanced to Vice-President from Assistant Vice-President are Lyman E. Wakefield, Jr., commercial banking department; Thomas M. Kulp, sales finance division, and Lud C. Vobayda, investment department. New Assistant Vice-Presidents are Arthur C. Buffington and Roland H. Thuleen, both formerly Assistant Cashiers. The three new officers are John K. Grogan and Philip M. Harder, Assistant Cashiers, and Clarence H. Kraning, Installment Loan Officer.

On Dec. 26, the First National Bank of Minneapolis announced a $3,000,000 increase in surplus, raising its combined total of capital and surplus to $23,000,000. Gordon Murray, First National President, reported that the increase was effected through transfer of $3,000,000 from undivided profits. The new increase raises First National's surplus account from $14,000,000 to $17,000,000. The new increase makes a total of $11,000,000 that First National has added to its surplus account in the past nine years.

* * *

George H. Lund, Vice-President, of the **First National Bank, Reserve, Mont.**, and J. Willard Johnson, Vice-President of the Western Life Insurance Company of Helena, Mont., have been appointed directors of the **Helena Branch** of the **Federal Reserve Bank of Minneapolis** for two-year terms ending Dec. 31, 1954. The two men were appointed by the board of directors of the Reserve Bank of Minneapolis. Mr. Lund, who will represent the banking interests on the Helena board, is the immediate past President of the Montana Bankers Association and is serving on the Montana State Board of Education. Mr. Johnson, who will represent the interests of business, is financial Vice-President of the Western Life Insurance Company and was formerly associated with the investment department of the Minnesota Mutual Insurance Company of St. Paul, Minn. The two new directors succeed Theodore Jacobs, President of the First National Bank of Missoula, Mont., and Mr. MacHaffie of Helena, Mont.

* * *

Elliott McAllister, President of **The Bank of California, N. A. of San Francisco**, announced on Dec. 23, the following changes in the official staff: Rogers W. Kimberling was elected Vice-President and Cashier. He joined the bank in 1949 as Assistant Vice-President, and was elected Cashier in 1950. Victor T. Cranston, Assistant Vice-President was promoted to Vice-President. He was associated with R. H. Moulton & Co. from 1926 to 1942, and was with Weeden & Co. from 1942 to 1949, when he entered the bank as Assistant Vice-President. Robert L. Shearn, Assistant Vice-President, was elected Vice-President. Mr. Shearn was elected Assistant Cashier when he became associated with the bank in 1949, and was advanced to Assistant Vice-President in 1950. His banking career started in 1926. He served the Comptroller of the Currency as National Bank Examiner from 1942 to 1949. Arnold M. Miesner, Assistant Cashier was elected Assistant Trust Officer. John V. W. Zaugg was elected Assistant Trust Officer. He became affiliated with the bank in 1947. The following named men were elected to the position of Assistant Cashier and Assistant Secretary: Ivan O. Cawood and Joseph A. Henske, Jr., Credit Department; Harry Hutaff, Cashier's Department, and Fulmar J. Keaton, Note Department. Lawrence L. Allison, Trust Officer of the bank's Seattle, Washington office was elevated to the position of Trust Officer and Assistant Manager. At the Portland, Oregon office, John Greer, Leland Johnson, and Leonard Ranton were elected Assistant Managers. Mr. McAllister also announced the Board of Directors at their regular meeting on Dec. 23, approved the transfer of $1,600,000 from undivided profits to surplus. This action increased the bank's capital and surplus accounts to a total of $25,000,000 from the previous $23,400,000 The surplus account now totals $14,800,000. The capital account remains unchanged at $10,200,000.

* * *

The formal inauguration of the new quarters of **Banco Commercial Mexicano, S. A.** in **Mexico City**, located in "Commercial Mexicano Building," in the heart of the financial district, took place on December 16 in the presence of financial officials of the government and a number of clients and friends of the Institution. According to a statement made by the President and founder of the Bank—Eloy S. Vallina, the volume of business handled by the Mexico City offices of the bank has grown to such an extent that new and enlarged quarters became necessary. Eduardo Suarez, former Secretary of the Treasury and corporation lawyer, is Chairman of the Board of Directors of the Bank. Mr. Vallina is the President and founder, Juan M. O. Monasterio is Chairman of the Executive Committee and Guillermo A. Riverell is the Mexico City Manager. The bank has an authorized capital of $50,000,000 and a paid-in capital of $25,000,000. Its main offices are in the City of Chihuahua, in Northern Mexico, where the bank was organized 18 years ago by Mr. Vallina. The growth of the bank, keeping pace with the development of the country, has been rapid, and it has 27 branches and Agencies throughout the Republic.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government bond market in 1952 was again under the pressure of making adjustments to higher interest rates which, in many ways, was not dissimilar to what had taken place in 1951. However, the year 1952, saw the market become a much freer one, in which the powers that be assumed a decidedly more passive attitude than in the past, and quotations generally were allowed to find their own levels, based mainly upon the demand and supply of investible funds. This resulted in wide and, at times, sharp price movements, with the professional element in complete control of quotation changes in not a few instances.

The demand for funds was so sizable, in 1952, both from the standpoint of the commercial banks and other lending institutions, that government securities found only a rather unimportant place in the commitments of those that had monies to be invested. Short-term Treasury obligations had a demand because of the need for liquidity, which is always the sequel to making commitments in assets that carry more risk than government securities. Nonetheless, due to the money tightening policies of the monetary authorities, short-term rates went to the highest levels in 20 years. This program of slowing down the forces of inflation through pressure on money rates had an effect upon the entire money market, but it was more pronounced among the near-term obligations.

Savings bank and life insurance companies, according to reports, were again sellers of government obligations on balance which brought the pressure mainly on the longer end of the list. Private pension funds as well as private trust accounts, along with state funds, were the principal buyers of the securities that were being liquidated by investors that could obtain higher yields in non-Treasury obligations.

However, the adjustment that took place in government obligations, during 1952, especially in the dying days of the year, seems to indicate that the market as a whole is on comparatively solid ground, even if longer-term higher coupon obligations should be used in the coming year. Debt management became more important last year and it seems as though the year 1952 witnessed the real beginning of a policy whereby the action of the money markets will be geared more closely to the economic conditions of the country. Refunding operations and the cost of new money, it is believed, will be factors of secondary importance.

The adjustment in the taxable eligible bonds during 1952 was sharp enough to take many of these issues into new low ground. Volume was not heavy due to the lack of buyers, which was caused by the uncertainties created by the policies of the monetary authorities. Results were as follows:

Eligible Taxable Bonds

Issue	Dec. 31, '51 —Closing— Bid Price	Dec. 31, '51 —Closing— Yield %	—1952— Price Range High	—1952— Price Range Low	Dec. 31, '52 —Closing— Bid Price	Dec. 31, '52 —Closing— Yield %	Price Change in 32nds	Yield Chge. %
2s____Sep 15, 1953	99.28	2.03	100.10	99.28	100.0	1.98	+0.4	—.05
2s____Jun 15, 1953-54	99.18	2.14	100.9	99.14	99.21	2.20	—0.3	+.06
2s____Dec 15, 1953-54	99.14	2.16	100.9	99.8	99.15	2.25	+0.1	+.09
2¼s____Jun 15, 1953-55	100.0	2.25	100.19	99.28	100.0	2.25	—	—
2s____Dec 15, 1953 55	99.10	2.15	100.8	99.6	99.10	2.20	—	+.05
2½s____Mar 15, 1956-58	101.8	2.26	102.3	100.4	100.13	2.39	—0.27	+.13
2¼s____Sep 15, 1956-59	99.8	2.34	101.2	98.12	98.26	2.42	—0.14	+.08
2⅜s____Mar 15, 1957-59	---	---	101.19	99.8	99.30	2.36	—	—
2⅜s____Jun 15, 1958	---	---	100.18	99.8	99.31	2.37	—	—
2¼s____Jun 15, 1959-62	96.26	2.58	99.24	96.8	97.20	2.52	+0.26	—.06
2¼s____Dec 15, 1959-62	96.28	2.58	99.19	96.4	97.20	2.51	+0.24	—.07
2½s____Jun 15, 1962-67	98.0	2.65	100.31	96.30	97.24	2.67	—0.8	+.02
2½s____Dec 15, 1963-68	97.8	2.69	100.00	96.18	97.5	2.71	—0.3	+.02
2½s____Sep 15, 1967-72	96.30	2.69	99.15	95.8	95.18	2.80	—1.12	+.11

The tax sheltered obligations went the way of all flesh in 1952, and this resulted in higher yields for these securities. Competition from fully taxable issues did not have a favorable influence upon these securities. This is what happened to the partially exempts last year:

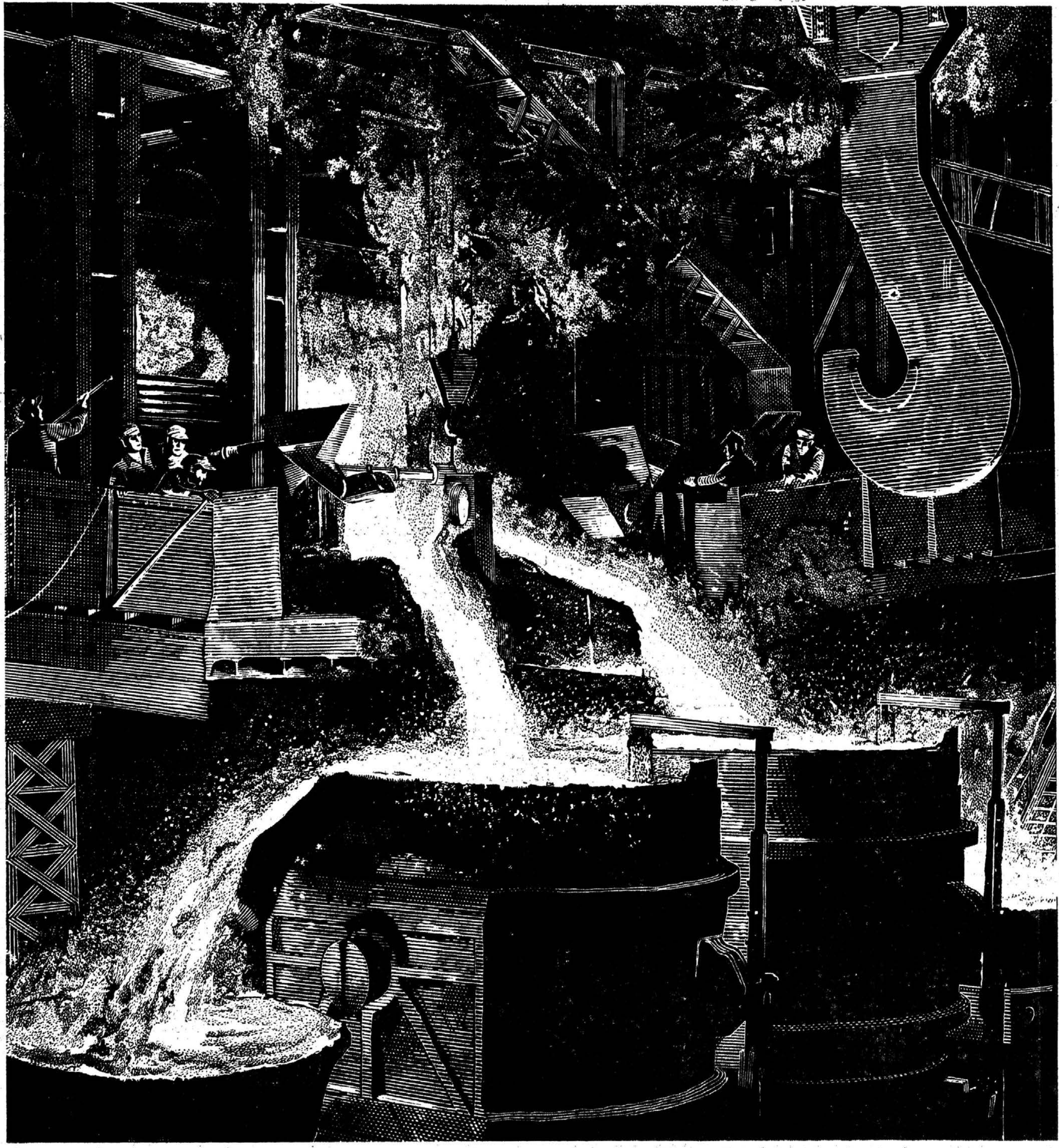
Eligible Partially Exempts

Issue	Dec. 31, '51 —Closing— Bid Price	Dec. 31, '51 —Closing— Tax Free Yield %	—1952— Price Range High	—1952— Price Range Low	Dec. 31, '52 —Closing— Bid Price	Dec. 31, '52 —Closing— Tax Free Yield %	Price Chge. in 32nds	Yield Chge. %
2s____Jun 15, 1953-55	101.6	0.84	101.11	100.2	100.4	1.12	—1.2	+.28
2¼s____Jun 15, 1954-56	102.14	0.90	102.25	100.30	101.0	1.13	—1.14	+.23
2⅞s____Mar 15, 1955-60	105.2	0.94	105.11	102.16	102.21	1.23	—2.13	+.29
2¾s____Sep 15, 1956-59	106.18	0.99	107.3	103.28	103.30	1.26	—2.20	+.27
2¾s____Jun 15, 1958-63	108.4	1.09	108.30	105.16	105.16	1.29	—2.20	+.20
2¾s____Dec 15, 1960-65	109.28	1.21	111.10	107.0	107.4	1.37	—2.28	+.16

Because of the pressure of tight money and the demand for funds from nongovernment sources, these securities were on the defensive most of the year. The list was cut down by the becoming eligible of several of these obligations during 1952. The record for the year indicates the following:

Restricted Taxable Bonds

Issue	Dec. 31, '51 —Closing— Bid Price	Dec. 31, '51 —Closing— Yield %	—1952— Price Range High	—1952— Price Range Low	Dec. 31, '52 —Closing— Bid Price	Dec. 31, '52 —Closing— Yield %	Price Change in 32nds	Yield Chge. %
2½s____Jun 15, 1964-69	96.26	2.72	99.20	95.28	96.19	2.75	—0.7	+.03
2½s____Dec 15, 1964-69	96.20	2.73	99.12	95.24	96.10	2.77	—0.10	+.04
2½s____Mar 15, 1965-70	96.14	2.74	99.8	95.18	96.0	2.77	—0.14	+.03
2½s____Mar 15, 1966-71	96.12	2.74	99.8	95.14	95.22	2.79	—0.22	+.05
2½s____Jun 15, 1967-72	96.4	2.74	99.8	95.6	95.14	2.80	—0.22	+.06
2½s____Dec 15, 1967-72	96.4	2.74	99.8	95.6	95.14	2.80	—0.22	+.06



This is National Steel

Tapping the world's largest open hearth furnaces to help give America the steel it needs

Huge heart of the steel-making process is the open hearth furnace. Here come together the raw materials of steel, to be fused under volcanic heat into this most vital metal.

To achieve maximum efficiency and economy in production, National Steel operates the world's largest open hearth furnaces. National's smallest furnace is larger than the great majority of furnaces now in use in the steel industry. National's biggest—of which there are twelve turning out more than 500 tons of steel in a single heat—are almost three times as large as the average steel industry furnace.

Illustrated here is the tapping of one of these giant open hearth furnaces. After completion of the melting process, the liquid steel is being poured from the furnace into 300-ton ladles from which it will be poured again into the molds that form steel into ingots. As an ingot, steel starts through the long series of rolling and finishing operations which prepare it for the many thousands of applications which make steel man's most useful servant.

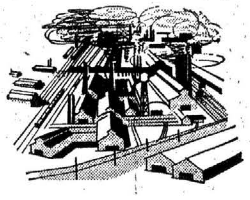
The expansion of open hearth facilities is an important part of the program through which National has been contributing to the upbuilding of America's steel production capacity—a program which will give National a total steel-making capacity of 6,000,000 tons per year during 1953.

Here, again, is evidence of leadership in developing the steel resources of the nation—resources of major importance to America's strength and prosperity. This is National Steel . . . entirely independent . . . completely integrated . . . a leading steel producer.

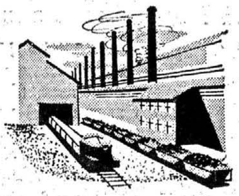
NATIONAL STEEL CORPORATION
GRANT BUILDING PITTSBURGH, PA.

SERVING AMERICA BY SERVING AMERICAN INDUSTRY

SEVEN GREAT DIVISIONS WELDED INTO ONE INTEGRATED STEEL-MAKING STRUCTURE

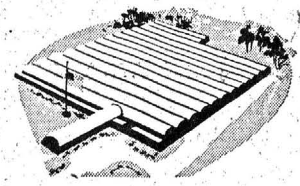


WEIRTON STEEL COMPANY
Weirton, W. Va. World's largest independent manufacturer of tin plate. Producer of many other important steel products.

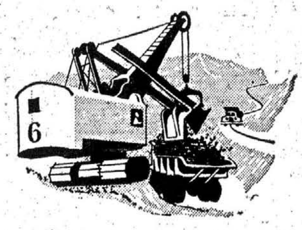


GREAT LAKES STEEL CORP.
Detroit, Mich. A major supplier of standard and special carbon steel products for a wide range of applications in industry.

STRAN-STEEL DIVISION
Ecorse, Mich. and Terre Haute, Ind. Exclusive manufacturer of famous Quonset building and Stran-Steel nailable framing.

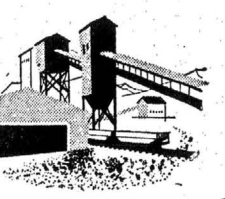


NATIONAL STEEL PRODUCTS CO.
Houston, Texas. Warehouse and distribution facilities for steel products in the Southwest.



HANNA IRON ORE COMPANY
Cleveland, Ohio. Producer of iron ore from extensive holdings in the Great Lakes area.

THE HANNA FURNACE CORP.
Buffalo, New York. Blast furnace division for production of various types of pig iron.



NATIONAL MINES CORP.
Supplies high grade metallurgical coal for the tremendous needs of National Steel mills.

John C. Legg to Admit Three New Partners

BALTIMORE, Md. — John C. Legg & Company, 22 Light Street, members of the New York Stock Exchange, have announced that

Cyril M. Murphy R. Emmet Bradley

subject to approval of The New York Stock Exchange, they will admit three new partners, all of whom have been associated with the firm for many years and are well known in the financial districts both here and in New York.

P. Arrell B. Hoblitzell came with the firm in 1919 shortly after serving in France in World War I as a lieutenant in the 117th Trench Mortar Battery. He started as a member of the Stock Department and has been in charge of that department for a number of years. He attended Loyola College.

Cyril M. Murphy started with the clerical force of the firm in 1928 after graduating from Calvert Hall College. In 1933 he became a member of the Trading Department and after a period of training in Baltimore, he moved to New York in 1935 to open a Trading Department in the firm's office there. He has been in charge of the New York office since 1937.

R. Emmet Bradley became associated with the firm in 1934 as a member of the Trading Department after seven years previous experience in the business. He has been Manager of this department since 1941. He is a graduate of Calvert Hall College and Loyola College and taught at Loyola High School for three years before entering the investment business. He is a member of the State of Maryland Board of Correction.

Goldman, Sachs & Co. Add Two to Staff

Goldman, Sachs & Co., 30 Pine Street, New York City, members of the New York Stock Exchange, announce that James F. Kieckhefer has become associated with the firm in its Chicago office, 208 South La Salle Street, and that William T. Maddox has joined the firm's New York Trading Department, specializing in corporate bonds.

Public Utility Securities

By OWEN ELY

North American Company
Union Electric Company of Missouri

North American Company's integration plan was recently approved by the SEC and a Federal Court, and will become effective Jan. 20 when the first step is consummated—distribution of one-tenth share of Union Electric Company of Missouri common stock. Since the distribution will be made to stockholders of record Dec. 22, North American is now selling "ex" this distribution. About a year later another one-tenth share will be distributed and within about 25 months a full share, making the total distribution 1.2 shares.

North American has been selling recently at 21¾ compared with 23¼ for Union Electric "when distributed." Based on the eventual 1 1/10 shares of Union Electric still to be received, the current "break-up" value of NA would exceed 25½, so that at the price mentioned there is a discount of about 3¾ points. However, a substantial part of this discount is accounted for by the fact that holders of North American will not receive any cash dividends during the next two years, with the exception of 12¢ on the 1/10 share of Union Electric to be received a year from now. Union Electric will pay the same dividend as North American formerly paid ($1.20) but it will be paid only to public holders of the stock. North American Company will receive no dividends on its remaining holdings, and will pay no cash dividends to its own holders. Thus, the holder of North American will lose $2.28 ($2.40 less 12¢) during the two years. This leaves a spread of about 1½ points unexplained. Possibly some investors who want current income have been disposing of their holdings, although from a tax angle it would seem advantageous to retain the stock and save two years' taxes on most of the income.

Union Electric has (to date) sold in a range of 24½-23¼. At the present price the stock yields about 5.16%. Share earnings for the 12 months ended Sept. 30 approximated $1.15 on the 10,300,000 shares to be outstanding under the plan, after elimination of the $970,000 tax saving obtained as a result of filing a consolidated tax return with North American Company.

Union Electric's earnings, while currently falling a little short of covering the projected dividend rate over the next two years, are expected to improve rather sharply during that period. Only about half as much hydro power was obtained in the third quarter as in the same period of last year when water was plentiful. But as time goes on the company will be less dependent on hydro power. In recent months the operating efficiency at the Venice and Cahokia steam power plants has been improved, and the first 125,000 kw unit at the new Meramec plant will go on the line in March, producing operating economies.

In September 1952, applications were filed with regulatory authorities for approval of an agreement providing for coordinated interconnected operation of the power plants of Union Electric and two neighboring utilities, Illinois Power Company and Central Illinois Public Service Company. The arrangement will serve to reduce joint installed generating capacity, with consequent savings in investment and expenses, provide an emergency source of power, and permit greater utilization of more efficient and economical generating equipment.

Union Electric has a heavy expansion program scheduled for the next few years. The company and its important subsidiary, Union Electric Power Company, expect to spend about $177 million in the five year period 1952-1956, inclusive. A substantial part of this program can be financed without selling any common stock. This is due to the fact that Union Electric during the next two years will pay dividends only on stock in the hands of the public, thus retaining possibly $20 million of cash. At the end of the two-year period (or possibly sooner, in the form of advances) it will also receive substantial amounts of cash and unmortgaged assets from North American Company. Thus, the present equity ratio (about 30%) can probably be maintained for several years without sale of additional stock, and hence without any dilution of share earnings. Moreover, it is possible that some rate relief might be obtainable since Union Electric seems to be earning only about 5¼% on its rate base.

The Atomic Energy Commission on Oct. 15, announced approval of an agreement with Electric Energy, Inc. to supply an additional 235,000 kw of power for the operation of its Uranium Production Plant now under construction near Paducah, Kentucky. This will increase Electric Energy's share in the total power supply to the Atomic Energy Commission project from 500,000 kw to 735,000 kw. Electric Energy, Inc. was organized by Union Electric and four neighboring utility companies for the purpose of supplying approximately half of the power requirements of the project. The remainder of the power will be furnished by government-owned plants.

Based on these various factors, it is estimated that by 1954 earnings may improve to around the $1.50 level or better, and if this proves true, a somewhat higher dividend rate than $1.20 might eventually prove feasible, it is conjectured.

J. H. Dagenais Mgr. Of New Reynolds Branch

HAGERSTOWN, Md.—Reynolds & Co., members of the New York Stock Exchange, announce the opening of a new branch office in Hagerstown, under the management of Joseph H. Dagenais, Jr. Mr. Dagenais formerly conducted his own investment business in Hagerstown.

Now Shawell & Company

HOUSTON, Tex. — C. Bruce Ellsworth has withdrawn from Shawell-Ellsworth Co. and the firm's investment business will be conducted henceforth by William J. Shawell under the name of Shawell & Company.

Shawell & Company is located in the Pioneer American Insurance Building.

Continued from page 14

The Lessons of Price And Wage Controls

flation. And when the "freeze" finally came, the splurge of spending rapidly subsided. It was no coincidence that consumer buying diminished immediately, or that inventory accumulation tapered off soon afterwards, or that all observers noted a softening of inflationary pressures even as the government spending program gathered steam. The pressures were largely of a psychological character and the freeze was effective in handling them.

III

Why was the "freeze" delayed so long? Congress passed the Defense Production Act in August, 1950, but the price and wage provisions were not used, except in the case of autos, for another five months. Most of the damage was done during those five months, particularly the last three. It is true that from September to November it seemed likely that the war might end quickly. But even after the Chinese intervention, action was postponed for another two months.

There were four official explanations for the delay. First, the Administration argued that the "real impact" of defense spending would not be felt until the middle of 1951. This was beside the point. The "real impact" was discounted in the market long before it occurred; in fact it was over-discounted because of prevailing uncertainty and exaggerated fears.

Second, it was contended that fiscal and monetary policies should be given a chance before falling back on direct controls. Aside from its other defects, this widely held view was based on erroneous concepts of timing and sequence. Fiscal and monetary measures do not become effective immediately; time is required before they can shrink the spending flow. When the economy is already operating close to full employment, and a strong new inflationary stimulus is introduced, emergency measures must be employed until the more basic policies have time to do their work. *Here is the proper function of controls in a partial mobilization.* They can hold the fort temporarily. They can provide breathing space while the economy appraises and adjusts itself to the new situation and while tax and credit policies are taking hold.

The Administration also wanted to try "voluntary self-restraint" first. The air was thick with exhortatory admonitions urging business, labor and consumers to "practice moderation," as the President put it, and thus avert direct controls. These homiletic appeals were no more effective in 1950 than they had been in 1941 and 1947. This is no real disparagement of popular morality and patriotism, but merely reflects the fact that the enterprise system is based on the pursuit of economic advantage. The main function of the appeal for "voluntary restraint" is to demonstrate its own ineffectiveness and thus prepare the community for stronger measures.

Finally, the delay was explained by the need to assemble and train an administrative staff. Actually no large staff is necessary to impose a freeze. The people are needed to "thaw" the freeze—to correct inequities, alleviate hardship, issue detailed regulations, and so on. An absolute freeze is not tenable for any substantial period, but could have continued for a while until sufficient staff was assembled to loosen it up. It would have encouraged recruitment by serving as a token that the Administration meant business, and providing a motive for trade associations, firms and unions to make personnel available. In any event, five months are not needed to recruit a minimum staff to administer controls.

The controllers of 1950 were experimenting in a new situation. Now that we can look back, however, clearly it would have been better if control powers had been available at the outset and used promptly.

Not only were increases made during the five-month *interregnum* which largely might have been prevented, but these increases created distortions and inequities requiring further increases before a balanced price and wage structure could be re-established. Prices moved up faster than wages; wholesale prices faster than retail prices; some wages 10%, some hardly at all. Since rollbacks are never feasible on any substantial scale, a leveling-up process became inevitable after controls were finally invoked.

IV

At what point should direct controls have been removed? One point of view is that they are needed for the indefinite period ahead, so long as severe international tension continues. For reasons stated below, I am convinced that a semi-permanent control structure of the present type is unwise. Instead, direct controls in a partial mobilization should be imposed quickly and removed as soon as this can be done safely. I suggest that there are three appropriate criteria for deciding when it is safe to remove controls:

(1) Completion of the major economic shifts required by the new situation.

(2) Psychological adjustment of the community to the new situation.

(3) Effectuation of tax and credit measures.

The major economic shifts of the Korean War were completed by the middle of 1951, after the first year of the war. Gross national product increased 20% during this first year, compared with only 4% in the subsequent year. Inasmuch as there is an average annual increase of 2% in man-hour output, and 1% in the size of the labor force, a 4% increase in gross national product between 1951-1952 cannot be considered very large. A high rate of personal savings had been established by the second quarter of 1951. Federal expenditures rose substantially during the following year, but this rise was almost entirely balanced by a decline in inventory accumulation and in total private investment. (Fluctuations in private investment have been largely composed of inventory changes during the Korean War; other types of investment have been relatively stable.) Moreover, non-agricultural employment increased only 400,000 between May, 1951 and May, 1952; manufacturing employment actually declined, and there was no net change in the level of unemployment.

Thus, expanding defense purchases were offset by reduced inventory taking. Otherwise, nothing very remarkable happened between the second quarters of 1951 and 1952. The major economic shifts had already been accomplished.

I am not suggesting that controls should have been dropped without careful study and deliberation. In an emergency, uncertainty must be resolved on the side of pessimism. This principle requires promptness in establishing controls and caution in abandoning them. There is a time lag of a month or so before statistics become available, and several months are probably needed to verify an apparent change in a situation. But manufacturing employment and wholesale prices reached their 1951 peaks in February and March; the combined Federal Reserve Board and manufacturing production indexes in March and April; the book value of business inventories did not increase significantly after May. With due allowance for caution, the true character of the situation could have been recognized by autumn.

Certainly the community was psychologically adjusted to the Korean War by the fall of 1951. Perhaps the best tests of adjustment are the ratio of savings out of disposable income on the part of consumers, and inventory behavior on the part of business firms. By September the rate of savings had been high for at least six months. Consumer goods manufacturers had pursued a cautious inventory policy for about the same length of time. Likewise, fiscal and monetary policies had taken hold. Two new tax bills had become effective so that Federal cash receipts from the public were $59 billion in the calendar year 1951, compared with $42 billion in 1950 and $41 billion in 1949. Commercial bank loans and consumer credit obligations had been virtually stable for a number of months. Interest rates and bond yields had risen moderately.

Thus, if the three tests suggested above had been applied, comprehensive controls over prices and wages could have been removed by autumn of 1951. Had this been done, there would have been a problem with a few metals (such as aluminum, copper and certain types of steel) needed in large quantity for the defense program. Price ceilings on such items could have been maintained, on the ground that the Government was ultimately the major purchaser and was acting to protect the taxpayer. My judgment is that with these exceptions, decontrol could have been effected without serious inflationary consequences.

V

One complicating circumstance is that long after inflationary pressures reached their peak and abated, official sources continued to predict that the worst was yet to come. The Council of Economic Advisers, for example, stated in July, 1951, "It seems highly probable that the underlying inflationary pressure developing from the defense program will develop to serious proportions, as production under that program increases." In his Economic Report of January, 1952, the President predicted that the defense effort "will impose new strains upon the economy." At the same time the Council foresaw "some increase in inflationary pressures." Again in July, 1952, the Council stated, "In view of the inflationary pressure inherent in the rising level of expenditures for the defense program, it would be unsafe to attempt major changes in the present basic structure of wage and price controls at this time."

These predictions of mounting inflationary pressures were based on a consistently faulty appraisal of the economic prospect. At every stage, future increases in gross national product, security expenditures as a proportion of national product, disposable income, total employment, employment in defense industries and government deficits were over-estimated.

On closer examination these miscalculations do not appear to have resulted from erroneous techniques of economic forecasting. Instead, they were based on exaggerated projections of national security expenditures. (These include expenditures for the armed services, mutual security, atomic energy and a few smaller categories.) Thus in January, 1951, the Council predicted that security outlays would reach an annual rate of $45-55 billion by the end of the year; the realized level was $43.8 billion in the fourth quarter. In July, 1951, the Council predicted an annual rate of $64 billion for the middle of 1952; actually a rate of $49.9 billion was attained. Again, in January, 1952, a rate of $65 billion was forecast for the end of 1952, but security expenditures were only $49.6 billion in the third quarter and not much higher in the fourth. In July, 1952, the Council stated that a plateau of $60-65 billion would be reached sometime in 1953; this seems highly unlikely.

The increasing disparity between projections and realizations is notable. To be fair, we should point out that the January, 1952 projections were rather guarded and were cast in the form of "desirable and feasible objectives." Nevertheless they were used as the basis for policy conclusions; and in any case the July, 1952 predictions were not qualified in this fashion.

The errors were not limited to the period before a "stretchout" of defense production was announced but have continued since that time. The other errors are almost wholly explained by this one. That is, if predicted levels of security expenditures had been achieved, the other predictions would have panned out reasonably well. Employment and incomes would have been greater, a sizable Federal deficit would have developed, and inflationary pressures might have been renewed.

Short-range program estimates subject to a 25% margin of error cannot provide a satisfactory basis for policy planning. If we should adopt a stabilization policy under which controls were applied promptly when needed and lifted when no longer needed, more careful and realistic scheduling would be indispensable. World War II experience indicates that relatively accurate programming is quite possible if sufficient effort is made.

VI

In opposition to the views expressed here, it may be argued that in the treacherous international climate of the 1950s, we need to keep a price and wage control apparatus in being as insurance against another unheralded emergency. Such an argument would proceed somewhat as follows: "We grant that the current situation does not require an elaborate set of controls. However, another crisis may develop at any time without advance warning. In that event speedy action will be essential. This would be impossible if the present law authorizing direct controls were permitted to expire; even a bad law is better than none. Moreover, we must not permit ourselves to be caught without the necessary organization, staff and procedures to administer controls. A city doesn't dismantle its fire engine merely because no fires are burning at the moment. Neither should we dismantle our control program merely because it is not currently useful."

This position has never been explicitly defended in official reports but it can fairly be inferred from the record. For example, the Council of Economic Advisers stated in July, 1952, "Although relaxation of many controls may become increasingly warranted, we cannot afford to be caught in the possible emergency of an all-out mobilization without the authority and basic control organization. . . . Controls are an integral part of our preparedness apparatus—an apparatus geared not only to meeting the needs and strains of the defense buildup but also to provide a reserve for meeting the needs and strains that might be imposed by other Koreas or by total mobilization."

Certainly the precautionary argument is a respectable one which cannot be dismissed out of hand. In my opinion, however, the disadvantages of precautionary controls are so large as to outweigh their advantages.

(1) In the first place, it is impossible to maintain the respect of the informed public in the absence of any pressing need for wage and price regulation. Direct controls become discredited as an instrument of policy if they are indefinitely prolonged after the immediate necessity has passed. Draining off the limited reservoir of public patience and good-will at the wrong time is contrary to sound policy.

(2) Maintaining competent personnel becomes increasingly difficult as public respect and appreciation disappears. If full-scale controls are maintained, the quality of regulatory staff will eventually deteriorate to such an extent that it would serve as a serious handicap in another emergency.

(3) It is wrong to assume that any law or any set of regulations is better than none. The pricing standards of the Defense Production Act have become progressively diluted to the point where price control is virtually nominal, to say nothing of the important exemptions from control such as fruits and vegetables and rental housing. The wage and fringe standards of the Wage Stabilization Board will accommodate most of the significant adjustments which employers are willing to concede; and in two recent large cases (the 1952 petroleum refining and bituminous coal cases) adjustments which the WSB could not approve were authorized by the Economic Stabilizer and the President respectively. Neither the price nor wage regulations could meet any significant test.

Thus we are left with a public attitude, a law and a set of administrative regulations, none of which would be suitable or serviceable should a real need present itself again. This is the result of prolonging controls into a period when there is no real necessity for them.

VII

To summarize: Direct price and wage controls were needed at the outset of the Korean War. They will be needed again in the event of a similar episode involving substantial increases and realignments in output, drastic changes in economic expectations and great uncertainty over the meaning of the new situation. However, controls were established too late, and were continued too long on a comprehensive basis. They should have been removed when the major economic shifts had been accomplished, the community had become psychologically adjusted to the Korean War, and fiscal and credit policies had had time to become effective. Specifically, they could have been eliminated by the fall of 1951 except for price ceilings on a few scarce materials. The supposed advantages of a semi-permanent control apparatus are outweighed by the fact that such an apparatus will deteriorate to the point where it is not usable in a real emergency.

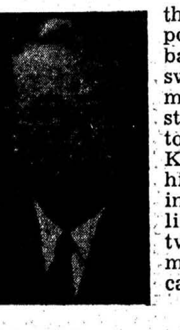
What is needed is a law, enacted to run for a considerable number of years, empowering the President to reimpose direct controls without awaiting further authorization. The President should make it plain that he will act promptly in any new emergency; that the regulations will be severe; and that they will be lifted once more as soon as this can be done with safety. With such an understanding, a distinction could be made between the current need for direct controls, which is negligible, and their potential usefulness in another emergency, which is great. The present structure could then be dismantled except for a few price ceilings which are perhaps still needed, plus a small "watchdog" apparatus which could be converted into the nucleus of an administrative organization. Draft regulations, organization charts, and staffing patterns should be kept up to date so that a subsequent freeze could be "thawed" or administered within a reasonable period of time.

It is true that the economy has tightened in recent months; employment and production have risen, and business forecasts for 1953 are almost uniformly bullish. But these changes are slow and gradual, not drastic and explosive. Just as 1950 was a year in which tax and credit measures could *not* have been sufficient to prevent inflation, 1953 will be a year in which (barring unwise policies, or a new emergency) they *can* be sufficient. What we need to learn is to use the right instrument at the right time. That is one of the lessons of the Korean experience.

Views of Purchasing Agents on 1953 Business

Business Survey Committee of National Association of Purchasing Agents, headed by Robt. C. Swanton, finds purchasing executives expressing more confidence in government, decline of inflation and steady movement of business into normal supply-demand relationship.

According to the year-end composite opinion of purchasing agents who comprise the Business Survey Committee of the National Association of Purchasing Agents, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Co., Division of Olin Industries, Inc., New Haven, Conn., the post-steel strike phase of the boom has petered out, leaving industrial business leveling out at the high peak of the year. Looking ahead, 55% of the Purchasing Executives reporting see no abatement in the general business trend for the first six months of 1953; 25% see good business only through the first quarter, and 20%, with some reservations concerning world conditions, estimate 1953 will average about the same level as 1952.



Robert C. Swanton

The reports offer little comment on a possible decline in defense expenditures, with more attention centered on the helpful possibilities of tax relief and removal of controls. This optimistic attitude is coupled with expressions of more confidence in government, the decline of inflation, and the steady movement of business into normal supply-demand relationships.

New home construction, which affects much of the industrial economy, was given special consideration in the reports this month. There are still boom areas and also a few distress spots for such building. As a whole, the demand has slowed down more in the East and South than in the West. Lower priced houses are still moving well. In all sections, the more costly units and older homes are reported more difficult to sell.

In December, industrial order backlogs dropped a little, but remain substantial. Production was just a shade lower, as the holiday rush subsided. Prices are somewhat static, with some tendency toward weakness in the highly competitive items. Inventories are in better relation to production and in better balance than at any time since the war, and are still declining as material scarcities disappear and pipe lines fill. Employment is high after seasonal adjustments. Buying policy continues conservative in line with availability, inventory policy, and the more pronounced trend to buyers' markets. Not a bad ending for 1952, when compared with conditions that looked rather dismal in January and June.

Commodity Prices

On the principal commodities they buy, Purchasing Agents report little change in prices. The back of the post-steel strike upswing is broken and industrial materials generally are holding steady, with somewhat of a trend to decline rather than to advance. Keen competition to maintain high level production is developing a buyers' market in many lines. Stronger competition between materials is forecast by many buyers, as new production capacity enters the market.

Inventories

Industry winds up the year with inventories in better shape than at any time since the war. The trend to lower stocks continues as the markets offer increased availability of supplies. Inventory managers are putting more emphasis on turnover and less on protection of production schedules, which is good evidence of the conservative view of the future.

Employment

Industrial employment remains high in all areas. The change, all on the down side this month, is not large. Part-time workers and overtime to rush out holiday goods have been cut back. No serious unemployment is apparent in any section of the country. Skilled mechanics and office workers are in short supply. There is very little comment on strikes this month.

Buying Policy

With supply lines filling up, scarce materials replaced by substitutes, a conservative inventory policy and more evidence of a buyers' market, Purchasing Agents are holding to a short-range future coverage of "hand-to-mouth" to 90 days; the movement is toward 60-to-90 days where needed materials for definite production schedules are available within that range. No boom or bust is foreseen in the near future.

DeCoppet & Doremus To Admit Wharton

DeCoppet & Doremus, 63 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 15, will admit Richard T. Wharton, member of the Exchange, to limited partnership in the firm. Mr. Wharton has recently been active as an individual floor broker.

With Dempsey-Tegeler

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Charles J. Maher has become affiliated with Dempsey-Tegeler & Co., 210 West Seventh Street.

Wage Inflation in Britain

By PAUL EINZIG

Dr. Einzig, in pointing out reduced prices in Britain for raw materials and manufactured goods, combined with credit restrictions, has reversed some inflationary trends, contends, however, there is still an upward movement of wages, which increases British costs of production. Says this situation makes government's efforts to reverse inflation of little avail now, and question remains, whether, in face of rising costs, the new British Government can persist in its credit deflation policy.

LONDON, Eng.—The recent announcement of a 5% increase in freight charges on the British Railways gives a forceful reminder of the fact that inflation in Britain is still very much alive. It is true the credit expansion to private borrowers has been reversed. The increase of Treasury Bill issues due to the Budgetary deficit has been partly mopped up through a funding operation by the Treasury and by nationalized industries. The Budgetary deficit itself is likely to diminish during the coming months through a seasonal increase of the Revenue. Most raw material prices have been falling for some time, and after a time lag of some months manufacturers are able to quote lower prices, having used up their stocks of raw materials bought at top prices. It is therefore correct to say that credit inflation, Budgetary inflation and inflation of prices have become reversed or at any rate they are under control. Unfortunately the same cannot be said to be true about cost inflation which is proceeding unabated in spite of the lower raw material prices. This is entirely due to the continued inflationary trend of wages.

Dr. Paul Einzig

There would be a good chance for checking the inflationary trend that has been proceeding almost without interruption ever since 1939 were it not for the wages claims and the inability of employers (including nationalized industries) to resist them. Earlier this year it was expected that as a result of the increase of unemployment it might be easier to persuade the Trade Unions to relinquish or moderate their claims so as to give the country a chance to settle down to monetary stability. During recent months, however, unemployment has been declining. Gratifying as this is from many points of view, one of its results has been a stiffening of the attitude of industrial workers in pressing their wages claims.

The result is that the inflationary spiral has received a fresh stimulus. The increase of freight charges was entirely the result of the wages increases that had to be granted to railwaymen and other transport workers. It will be followed by another increase of passenger fares, following closely on the increases made earlier this year. Higher transport costs will raise the cost of coal, steel and other goods, leading to an all-round increase in the cost of production and the cost of living. This in turn will lead to renewed wages demands.

In face of this trend the government's efforts to reverse inflation appear to be of little avail, at any rate for the time being. Higher wages coupled with lower retail prices in many lines have produced an increase of consumers' demands which is bound to reverse the trend of retail prices. Indeed already the index of retail prices showed an increase in October after its decline during the two previous months. Once the existing stocks are exhausted the rise in the cost of production through the repercussions of higher freight charges will make itself felt on retail prices which will continue to rise.

The question is, will the government be able, in face of this rising trend, to persist in its policy of credit deflation. If so the rise in trend could not go on for ever. A stage would be reached when industry would experience an acute shortage of credit because the reduced volume of credit would not be sufficient to meet requirements increased by the rise in wages and prices. As a result production would have to be cut down and unemployment would once more begin to increase. It remains to be seen, however, whether the government will be able to continue its deflationary drive. Much depends on the success of Chancellor Butler's effort to cut down expenditure. Unless this is achieved to a sufficient extent the inflationary effect of the budgetary deficit will continue to cancel out the effect of the reduction in the volume of credit to the private section of the national economy.

Even if the budgetary deflation should prove to be successful it would not necessarily mean that it would be possible for the government to check the rise in prices by keeping money tight. The moment its anti-inflation policy produces this effect in the form of a rise in unemployment the political factor is liable to begin to make itself felt. There would be strong pressure brought to bear on the government to reverse deflation in order to prevent unemployment. Pressure would not be confined to Socialist quarters. Conservative members representing constituencies affected by unemployment would have to compete with their Socialist rivals in pressing the government to prevent unemployment even at the cost of relapsing into inflation. In this respect the experience of recent unemployment in the textile industry was characteristic.

It is obvious that part of the cotton textile industry of Britain has become redundant because of the growing competition of Germany and Japan and the development of local textile industries in countries which have hitherto been Britain's best customers. This and not the government's deflationary policy was the cause of rising unemployment in Lancashire earlier this year. The obvious remedy would have been to close down the redundant part of the industry and to transfer the workers to other industries which are still short of labor. As result of political pressure, however, steps were taken to revive employment in Lancashire and thus to defer the inevitable day when the realities of the situation must be faced.

If prices continue to rise and the monetary authorities refuse to relax credit restrictions to meet increased requirements unemployment is bound to appear in some industries and in some districts. Deplorable as this would be, in the circumstances there appears to be no other way of breaking the inflationary spiral. Judging by the experience of Lancashire, however, it seems possible and even probable that as soon as unemployment begins to manifest itself once more the government will be unable to resist political pressure and inflation will be resumed.

Opinions may differ on the question whether comparatively moderate inflation is too high a price to pay for full employment. What is essential is to realize that, judging by the British experience in 1952, it is impossible to check inflation unless the rigid principle of full employment is relaxed somewhat and at least some temporary local unemployment is allowed to develop. Much as it is to be deplored, the alternative is perpetual inflation.

Continued from page 4

The Stock Market Situation

yields and price-earnings relationships. We may be justified, however, in making the following conclusions:

(1) Common stocks are not as cheap by these measurements as they were in 1949 and 1950. The drop in current yields (via a rise in market prices) has been substantial.

(2) Market valuations today, on the other hand, are much more conservative than those prevailing at major high turning points in the period covered (1928-29, 1936-37 and 1945-46). Most stock prices still provide some elbowroom for a possible decline in earnings.[5]

(3) For what it is worth, the closest similarity on these tests seems to be with conditions in late 1926 and early 1927.

Long-Term Underpricing

Undervaluation of common shares is typical in periods of *uncertainty*. All of us know the classic examples of bargain-counter prices for stocks in the lows of depression years. From a broader standpoint one may theorize that American shares have been underpriced in the market throughout the past half decade. Why have price-earnings multiples remained so low? Let me offer three plausible reasons:

(1) The instinctive fear among investors of the semi-socialistic practices of the Democratic Administration.

(2) The fear of another cyclical depression such as 1929-32 and 1937-38.

(3) The fear of all-out war.

The turn of the political tide on Nov. 4 has already found quick reflection in the market place. It is a *bona-fide* factor of importance. One astute observer thinks it may add as much as 25% to price-earnings valuations. As to (2), one can advance a number of reasons why the economy is not yet on the brink. Further it appears that the number of outspoken "business cycle" believers of the old school is gradually diminishing.

The third risk is still very much with us, sinister and unpredictable. I am skeptical that investment confidence can expand to the fullest in a climate of threats to the peace. We must recognize that the Soviet military-economic potential is enlarging steadily. There is no observable slackening in their arrogance, as witness the stultifying Korean peace negotiations. No person knows, of course, just where or when, or even if, a showdown between the East and the West will take place. Perhaps we may have to learn to live with this appalling uncertainty for years ahead. *I am convinced that any further extension of war into other areas would be an adverse development of the first magnitude on common stock prices*, principally by reason of the punitive taxation that corporate earnings would have to bear. If by great fortune we can see a lifting of the pressure at some point in the future it should be the occasion for a sizable advance in basic share valuation.

Since stock price movements in the long run must have some degree of correlation with earnings and dividends, many of you will ask, then, what about the outlook for *business?* This is not the time or place for an exhaustive dissertation on the subject. I would like, however, to present at least a summary of the probable situation as I see it.

It seems to me that prospects for business volume in 1953 are strong indeed. The full extent of military spending has not been reached. Increases in the production of aircraft, atomic energy, electronic equipment, etc. are scheduled to more than offset reductions in other directions. *Total* new construction is estimated at some 3-4% above 1952.[6] The McGraw-Hill preliminary survey of business *capital expenditures* on new plant and equipment suggests only a moderate decline from 1952, with decreases for example in steel, aircraft, motors and chemicals offsetting increases in utilities, natural gas, oil and electrical manufacturing. Automobile production and sales should be higher than in 1952 by some 10 to 15%. With rising incomes, consumer spending could increase some $10 billion or more at annual rates. All of which may work out to an increase of some $15 billion in gross national product and a moderate expansion of pretax corporate earnings in the aggregate.

E. P. T. Factor

A major consideration is what will happen to the excess profits tax, now believed to be accounting for somewhat over $2 billion of Federal revenue.[7] It is at once an investment risk and an opportunity. Extension of the war would surely keep this legislation on the books whereas many stocks have already risen sharply in anticipation of its demise on June 30, 1953. The question is whether the Republican Administration can see its way clear to reduce the over-all level of Government spending in 1953-54 and thus offset the loss of revenue from what is basically an unsound levy. Let us hope that efficiency instead of waste will provide the answer. It would have the effect of raising company net earnings significantly in a large number of instances, and I would judge that higher dividends and market prices could readily develop in most of these cases.[8]

For the longer term, are we facing an economic collapse when and if military spending drops? I do not believe it to be inherently "true" that business activity must necessarily decline *sharply* in this event. In the absence of an international miracle it seems quite likely that defense expenditure will range from $40 billion annually to higher amounts, depending on developments. There are powerful forces at work, too, which are not necessarily related to and could therefore cushion a decline of some $15 to $20 billion in Federal expenditure.

One is an expansion of consumer spending for all manner of wants and needs under the framework of comparatively steady *real* national income we seem to have built in our modern economic system.[9] Another is the dynamic factor of rapid population growth at the rate of some 2½ million persons per year. We are just beginning to feel the economic effects of the huge birthrate, almost 4 million in 1951. The U. S. Office of Education estimates that elementary schools will have to provide for over 5 million new students by 1956.

Competent estimates of "normal" automobile demand and home construction are decidedly encouraging, centering around 5¾ million cars and trucks and from 750,000 to 900,000 new housing units per year.[10] The spread of suburban housing developments and regional manufacturing plant construction will continue to be a strong "carryover" force for some years in additions to community shopping centers, libraries, utility services and the like.

A major area for new capital investment lies in the urgent need for a greatly expanded and modernized highway system. We are in fact suffering from highway malnutrition. Car and truck travel has risen over 90% in vehicle-miles since 1936 but highway mileage is up less than 15%.[11] The American Association of Highway Officials estimates that the cost of urgently required improvement and relocation of roads, bridge construction, etc., for "Federal aid" highway systems is over

TABLE I

Price Movement of Selected Common Stock Groups 1949-1952

(Standard & Poor's Corp. Weekly Price Indexes) (1935-39=100)

	June, 1949	*High Points Before Election	% Gain From 1949 to Highs	Oct. 29, 1952	Dec. 3, 1952	% Gain 1949 to Dec. 3,'52
Motion Pictures	143.9	182.9 (1951)	27.1	126.5	139.4	— 3.1
Carpets	122.2	160.8 (1951)	31.6	110.1	120.4	— 1.5
Tobacco	81.0	92.1 (1950)	13.7	78.0	85.8	5.9
Textile Weavers	202.4	351.5 (1951)	73.7	246.7	256.1	26.5
Lead and Zinc	85.1	150.0 (1951)	76.3	105.4	111.3	30.8
Utilities	92.3	118.9 (1952)	28.8	117.6	123.6	33.9
New York Banks	91.0	122.7 (1952)	34.8	120.3	122.9	34.9
Department Stores	178.6	287.4 (1951)	60.9	248.4	263.5	47.5
Agric. Equipment	108.0	187.6 (1951)	73.7	152.6	164.3	52.1
Food Chains	181.0	257.6 (1950)	42.3	249.9	277.2	53.1
Distillers	249.4	510.9 (1951)	104.9	357.9	396.6	59.0
Air Transport	201.5	402.4 (1951)	99.7	312.8	338.2	67.8
Fire Insurance	134.5	218.3 (1952)	62.3	215.9	227.8	70.0
Ethical Drugs	124.7	274.1 (1951)	119.8	195.7	216.2	73.4
Office Equipment	140.2	241.1 (1952)	72.0	229.4	243.6	73.8
Copper	99.0	205.7 (1952)	107.8	162.3	172.9	74.6
Rayon	259.3	634.3 (1951)	144.6	445.3	475.7	83.5
Steel	104.6	236.5 (1951)	126.1	186.2	202.4	93.5
Aircraft	96.8	196.0 (1951)	102.5	186.0	192.0	98.3
Railroad	87.0	177.6 (1952)	104.1	165.4	179.0	105.7
Electric Equipment	86.0	161.4 (1952)	87.7	158.4	177.9	106.9
Chemical	123.3	261.2 (1951)	111.8	231.3	257.1	108.5
Oil — Integrated	132.9	319.7 (1952)	140.6	285.1	296.1	122.8
Automobiles	106.3	231.3 (1952)	117.6	226.3	244.1	129.6
TV—Electronics	115.0	301.7 (1952)	162.3	306.3	327.3	184.6
Paper	218.5	622.9 (1951)	185.1	570.7	638.8	192.4
Oil-Producing	239.6	847.3 (1952)	253.6	695.2	717.9	199.6
Tire and Rubber	157.0	469.2 (1952)	198.9	434.7	504.9	221.6
Composite Indust.	115.6	210.8 (1952)	82.4	197.1	211.2	82.7

*High points reached at varying times in 1950-1952.

$32 billion (at 1951 prices). Other estimates run as high as $50 billion. Surely we may look forward to a very sharp rise in such expenditure in the years ahead, materials and labor supply permitting.

Future of Private Capital Formation

Time does not permit full treatment of what is perhaps the most controversial subject of all — the future level of private capital formation. Without any doubt we could run into a first class depression if new plant and equipment expenditures should abruptly decline by several billions concomitantly with a reduction in military spending. I console myself in the belief that it will not work out that way. Let me refer you for support to two particularly fine treatises on this general subject.[12]

I could also show you a statistical "proof" that total new plant and equipment expenditures as related to gross national product (8% in 1951-52), while above the average for the past 25 years, have not yet made up since the end of World War II the *deficiencies* created by sub-normal capital expenditures in the war years. We could supplement this by studies indicating the huge sums that probably will be expended in shifting from plant *expansion* to *modernization* of processes and equipment by the use of electronics, automatic materials handling, more efficient communications and office systems, improved technology, etc. These suggest at least respectable levels of capital investment in the future.

To avoid any false impression, I will hasten to state a firm belief that neither the economy nor security prices are *invulnerable*. We do have major risks in the situation. For the stock market, I have already mentioned the possibility that earnings benefits from removal of the E. P. T. may become over-discounted in share valuations, from a near-term standpoint, particularly if for some unforeseeable reason it is deferred. The possibility of extended war is perhaps the most important single risk to common share prices and must certainly be taken into consideration in appraising equities today.

Offsets to Debt Worries

In the realm of economic analysis one can perceive that some statistics are now tending to be unduly weighted and publicized by the pessimists, for instance, the "decline in the new family formation" and the "burden of debt."[13] In my own view these considerations are much more than offset by other factors of a positive nature. To turn to somewhat more important business risks, however, we must recognize that apparently the economy no longer has the free-and-easy money supply of the early postwar years. The evidence is strong that the dollar volume of business activity (production and prices) has finally caught up to within hailing distance of the expanded supply of credit born in the war years. It remains to be seen whether the new Administration will act wisely in its handling of the credit situation and the related problem of income tax revisions. And we must recognize, too, that the international economic position of the "free" world, especially Western Europe, is far from strong. The international commodity price situation is likewise very uncertain.

For reasons given earlier you will excuse my reluctance to leave you with a prophecy of the "market." To do so would be even more foolhardy than submitting a precise forecast of where the level of business activity will be at the end of 1953 or 1954 or 1955. However, I am quite willing to state a personal belief, as you may have gathered, that in our dynamic, growing economy it just appears "too soon" for a major collapse.

If this general economic background holds, then many industries and companies will continue to do very well indeed. A number may actually improve upon their current rate of earnings if price inflation further subsides (*foods, tobacco, telephone, casualty insurance, electric utilities*, etc.). Several might even earn *more* (due to greater efficiency) at moderately lower levels of business than they do now, with or without tax relief.[14] I would suspect that this may apply in the case of *steel, motors, electrical equipment, paper, construction equipment* and *containers*, among others. If you are looking for new growth it would be only logical to believe that future progress will be especially marked in *chemicals, oil production, electronics* and *television, aircraft, natural gas, new metals, air conditioning* and *business equipment*, as examples. The outlook for certain industries appears mixed—*railroads, lead and zinc, oil refining* and *textiles* as well as others which receive varying degrees of stimulation in a semi-war economy (and which may therefore be useful for portfolio holding in a period of uncertain peace).

If we examine *price-earnings* relationships in the various major groups, we find them currently about in line with the experience of recent years. Market *prices* are substantially higher but except for a few instances the *relative* positions *vis-a-vis* earnings have not changed to a substantial degree. Chemicals and other "growth" stocks still look "high" in terms of current profits, oils and motors are in the middle more or less, and rails and steels still appear "cheap." Careful analysis will disclose, however, that there are still some pretty sound reasons for these industry-by-industry variations in market valuation, providing they are not carried too far. For example, we may later find that the real investment opportunities lie more in the "cyclical" categories than in the "defensive" groups so popular in recent months.

Job of Selection

I trust you will regard the foregoing as a matter of broad generalization and therefore not suited for indiscriminate application. We must search beyond the averages and composites to do an intelligent investment job. I have endeavored to show that, by and large, common share valuations in the market are not inflated in terms of earnings and dividends. The analytical problem is to select stocks in companies that will *continue* to enjoy favorable earnings.

We must realize that the economy has enjoyed a very high level of prosperity for several years. While a boom-and-bust pattern ahead does not appear likely, the prospects are for a slowing down to something closer to "normal."

Looking forward, therefore, to keener competition throughout the economy, this points to companies with superior managements, a low cost position in the industry, and a willingness to *grow* by development of new products and markets or by obtaining a larger percentage of the available business. We can be certain that institutional investors such as pension funds, now appearing as stock buyers in increasing volume, will seek these situations out for long-term investment. In relation to prevailing prices I am confident that shares in such companies, whether "cyclical" or not, will prove to be profitable.

5 The *dividend* payout for Moody's 125 Industrials is just over 60% of net earnings. While higher than in recent years the percentage is historically on the low side. It would be especially low if net earnings were to rise by reason of a cut in corporate income taxes.

6 Joint report of the Securities and Exchange Commission and Department of Commerce, December, 1952.

7 As compared with total corporation net income (after taxes) of $16 to $18 billion at recent annual rates.

8 By the same token there is increasing risk that potential benefits from rescission of E.P.T. will be over-stressed in the market. Some companies will probably have to pass such savings along to consumers through competition or to labor through higher wage rates. The railroad, utility and oil industries, among others, have not been exposed to the burden of E.P.T.

9 Popular forecasts of a 20-25% decline in industrial production "after 1953" are usually coupled with an estimated decline of only 5 to 10% in real national disposable income. This appears to be an anomaly. Such steadiness of real income should provide a relatively high normal base for business activity. Studies of the Federal Reserve Board indicate that consumer *savings* in the past two years have been in excess of the historic average. This suggests a potential enlargement of consumption expenditure, especially if income taxes on *individuals* can be reduced after 1953. See also C. H. Linder (General Electric Co.) address before the N. Y. Society of Security Analysts on Oct. 20, 1952, on the relatively low saturation points for household appliances. Also Dr. Millard C. Faught (Harvard Business Review, September-October, 1952), on the "Outlook for Television" and potential expansion of expenditure on recreation, services, etc.

10 Most forecasts for the motor industry give great weight to the factor of high replacement demand but seem to underestimate potential *expansion* of the number of vehicles on the road. Contrariwise new housing forecasts typically overlook the strong possibilities of a substantial *replacement* demand. For some interesting views, see *Commercial & Financial Chronicle* of Nov. 20, 1952 (address by A. W. Zelomek before the New York Area Chapter, American Statistical Association); also Moody's Stock Survey of Oct. 10, 1952.

11 Studies of The Econometric Institute (N. Y.)

12 Stahrl Edwards, "Plant Capacity—Too Much or Too Little" (Harvard Business Review, 1952) and Dexter M. Keezer, "The Outlook for Capital Expenditure" (*Commercial & Financial Chronicle*, Aug. 28, 1952).

13 Related to national income, private debt of all types is only some 60% of the 1929 level. It is even less of a "burden" in light of the vastly larger amount of liquid assets held by the public. One can concede, however, the *rate of increase* of private debt in recent years could turn into a factor of instability.

14 Contrary to general belief, pretax profit margins of most major industries are not historically high, considering the level of business volume. According to Moody's the estimated 1952 pretax margin for 100 manufacturing companies (13.7%) is about the same as in 1940. This compares with over 16% in 1941 and 1950. If anything the profit margin for railroads and utilities is subnormal.

TABLE II

"Corrective" Price Changes Common Stocks 1949-1952

	Approximate High	Recent Price	Approx. % Decline	*% Group Change
Loew's Inc.	20 (1951)	13	—35	—24
Bigelow-Sanford	24 (1951)	13	—46	—25
Liggett & Myers	90 (1950)	75	—17	— 7
Robbins Mills	42 (1951)	19	—55	—27
Consolidated Mining (Canada)	43 (1952)	31	—28	—26
Montana-Dakota Utilities	29 (1952)	24	—17	+ 4
Corn Exchange Bank Trust	76 (1950)	66	—13	+ 1
Marshall Field	38 (1951)	23	—40	— 8
J. I. Case	39 (1951)	23	—41	—12
Safeway Stores	39 (1950)	34	—13	+ 7
National Distillers	37 (1951)	21	—43	—22
TransWorld Airlines	28 (1951)	18	—36	—16
Aetna Insurance	67 (1950)	62	— 7	+ 5
Merck & Co.	39 (1951)	26	—33	—21
Underwood	58 (1951)	51	—12	+ 1
Cerro de Pasco	55 (1951)	35	—36	—16
American Viscose	77 (1951)	57	—26	—25
Allegheny-Ludlum Steel	51 (1951)	36	—29	—14
Martin (Glenn L.)	22 (1950)	15	—32	— 2
Chic., Milw., St. Paul & Pac.	30 (1951)	20	—33	+ 1
Emerson Electric Mfg.	22 (1950)	16	—27	+10
Commercial Solvents	35 (1952)	20	—43	— 2
Continental Oil	75 (1952)	62	—17	— 7
Kaiser-Frazer	9 (1950)	4	—55	+ 6
American Broadcasting	14 (1951)	9	—36	+ 9
Puget Sound Pulp & Timber	39 (1951)	29	—26	+ 3
Amerada Petroleum	235 (1952)	187	—20	—15
Dayton Rubber	26 (1951)	20	—23	+ 8
Assorted Industrials				
United Fruit	74 (1951)	55	—26	
Corn Products Refining	80 (1951)	69	—14	
Owens-Illinois Glass	90 (1951)	76	—15	
Food Machinery & Chemical	56 (1952)	43	—23	
Glidden	48 (1951)	36	—25	
Bristol-Myers	40 (1951)	25	—37	
American Woolen	46 (1951)	24	—48	
Pabco Products	21 (1951)	12	—43	
Symington-Gould	10 (1950)	6	—40	
Wilson & Co.	16 (1950)	11	—31	

*Approximate change in Standard & Poor's Corp. weekly group indexes from 1950-52 pre-election highs to Dec. 3, 1952 level, as shown in Table I. The individual stocks used herein are not necessarily included in the group indexes.

TABLE III

Barron's 50 Common Stock Average
Price-Earnings Multiples and Dividend Yields

As of Year-end	Price As Multiple of Five-Year Average Earnings	Price As Multiple of Latest Year Earnings	Dividend Yield
1926	†13.9	†10.7	*4.7%
1927	17.2	14.8	*3.5
1928	20.9	17.0	*3.2
1929	16.7	13.3	*3.5
1932	6.8	12.8	*4.5
1936	27.3	18.0	4.4
1937	13.8	10.3	7.7
1938	16.6	24.8	3.7
1939	14.7	15.2	4.7
1940	12.0	10.9	6.3
1941	9.3	7.6	8.8
1942	11.0	10.1	6.1
1943	11.1	11.3	5.5
1944	12.7	13.7	4.7
1945	17.2	19.6	3.6
1946	15.6	15.6	4.3
1947	13.7	9.6	5.3
1948	11.1	7.3	6.7
1949	11.0	8.9	6.3
1950	10.4	7.6	6.8
1951	9.9	9.5	6.1
1952	*10.5	*11.2	*5.6

*Estimated. †Extra dividend.

TABLE IV

Common Stocks

Price-Earnings Multiples and Dividend Yields 1950-1952

	*Barron's 50 Stocks	†Moody's 200 Stocks	‡S. & P. Industrials	‡S. & P. Rails	‡S. & P. Utilities
Price-Earnings Multiples					
(Latest 12 months est.)					
July, 1950	¶7.8	¶8.1	¶6.5	¶5.8	¶11.5
December, 1950	7.6	8.1	7.0	5.3	11.3
December, 1951	9.5	10.3	9.5	7.0	14.1
June, 1952	10.4	10.7	10.5	7.8	14.3
December, 1952 (est.)	11.2	10.9	10.8	7.1	14.5
Dividend Yields					
(Latest 12 months est.)					
July, 1950	6.4%	6.1%	6.8%	8.0%	5.8%
December, 1950	6.8	6.3	7.4	5.9	6.0
December, 1951	6.1	5.5	6.0	6.3	5.5
June, 1952	5.9	5.4	5.8	5.7	5.3
December, 1952 (est.)	5.6	5.3	5.5	5.5	5.1

*Barron's—Composite of industrials, rails and utilities. †Moody's—Composite of industrials, rails, utilities, banks and insurance. ‡Standard & Poor's Corp.—Daily Averages. ¶Extra dividend.

To Dedicate American Stock Exchange Jan. 5

E. T. McCormick Harry A. McDonald

Edward T. McCormick, New York Curb Exchange President, has announced that Hon. Harry A. McDonald, Administrator, Reconstruction Finance Corporation, and former Securities and Exchange Commission Chairman, will deliver the principal address at unveiling and dedication ceremonies for the American Stock Exchange, the Curb's newly chosen name, at four o'clock p.m. on Jan. 5, 1953.

Mr. McDonald will address exchange members and their guests on the market's trading floor. The official party and invited brokers, bankers, and corporate executives will then repair to the front of the building on Trinity Place where the RFC Administrator will unveil the new name "American Stock Exchange."

Messrs. McDonald, McCormick and Curb Chairman, John J. Mann, will receive guests at a reception to be held at the Bankers Club of America following the ceremonies.

Wm. P. Haring With T. L. Watson & Co.

T. L. Watson & Co., 50 Broadway, New York City, members New York Stock Exchange, have announced that effective Jan. 1, 1953 William P. Haring became associated with the firm, and that Robert Harding and Gerard Pears, both of whom are members of the New York Stock Exchange, are making their offices with the firm. Messrs. Haring, Harding and Pears withdrew Dec. 31 as partners in the firm of Lawrence Turnure & Co.-Blyth & Bonner with which T. L. Watson & Co. merged, effective Jan. 1, 1953, under the name of the latter firm.

$62,000,000 California Toll Bridge Authority 3⅞% Revenue Bonds Publicly Offered

A nationwide underwriting group headed by Blyth & Co., Inc.; The First Boston Corporation; Harriman, Ripley & Co., Incorporated and Lehman Brothers and comprising 207 investment firms made public sale on Dec. 30 of a new issue of $62,000,000 California Toll Bridge Authority, Richmond-San Rafael Bridge 3⅞% toll-bridge revenue bonds, series A. The bonds, due Sept. 1, 1992, are priced at 102½ plus accrued interest to yield approximately 3.75% to maturity. The issue was awarded to the syndicate Dec. 29 on its bid of par plus a $1 premium.

Proceeds of the sale will be used by the Authority to construct a new four-mile bridge over San Francisco Bay linking Marin and Contra Costa Counties. The bridge will form an important link in the existing highway systems connecting Route 40, the San Francisco-Oakland Bay Bridge and other vital state highways on the east side of San Francisco Bay, with U. S. Route 101 and other public highways on the west side.

In order that the bridge may carry a traffic capacity sufficient to meet estimated growth in traffic volume for a number of years, it is proposed that the bridge will, upon final completion, be a double-decked structure with three 12-foot traffic lanes on each level. Such a capacity, however, will not be required in the immediate future and it is therefore proposed to construct the bridge in two stages. Initially, and from proceeds from the sale of series A bonds, the bridge will be constructed with only one roadway having a single 18-foot traffic lane in each direction. When increased traffic justifies completion of the bridge as a two-level structure, the lower level will be added.

The bonds are redeemable on and after Sept. 1, 1957 at prices beginning at 106½ and decreasing to par.

Members of the offering syndicate include: Smith, Barney & Co.; Drexel & Co.; Blair, Rollins & Co., Incorporated; C. J. Devine & Co.; Goldman, Sachs & Co.; Kidder, Peabody & Co.; Bear, Stearns & Co.; R. H. Moulton & Company; Merrill Lynch, Pierce, Fenner & Beane; Phelps, Fenn & Co.; Equitable Securities Corporation; Union Securities Corporation.

Salomon Bros. & Hutzler; White, Weld & Co.; Weeden & Co.; Eastman, Dillon & Co.; Ladenburg, Thalmann & Co.; R. W. Pressprich & Co.; Shields & Company; Stone & Webster Securities Corporation, and B. J. Van Ingen & Co. Inc.

Continued from first page

The Stock Market Thru '53

during 1951 or 1952 or in 1946 or 1937. Over 40% of the listed common stocks are selling below their 1946 highs when the industrial average was 213. Of the 51 stock groups that make up Standard & Poor's weekly industrial index, approximately one-third are selling below their highs reached in 1937 when the industrial average was 196.

	1951	1952
January	141	57
February	157	19
March	49	21
April	25	13
May	28	5
June	5	11
July	7	30
August	30	23
September	53	20
October	96	10
November	10	53
December	19	180

Averages Meaning Less

All of this leads to the conclusion that the action of the averages has little meaning as far as the individual investor is concerned. The closing price level on the Dow-Jones Industrial Index on Dec. 31, 1951 was 269. The average is now 288 or an advance of almost 20 points. Many individual issues had much greater percentage advances, as witness Servel from 8 to 13, General Dynamics from 26 to 45, Motorola from 27 to 44 and Carrier Corporation from 23 to 35. However, the fact that the industrial average advanced almost 20 points is little solace to the investor who bought, on the last day of 1951, such stocks as Commercial Solvents at 31 and now 21, National Distillers at 34 and now 22, Cerro de Pasco at 54 and now 36, Celanese at 52 and now 37, or Abbott Laboratories at 59 and now 45.

Of course, the market has always been selective but, in recent years, it has become more so. There is a reason for this. In the past, the principal motivation behind the market was mainly the purchases and sales of two types of individuals—the short-term speculator for capital appreciation, and the wealthy investor for income. The buying and selling of the speculator, operating on low margin requirements and aided by the large operators who didn't have to worry about short-term gains or regulations, resulted in an active market that moved up and down more or less as a unit with strength in one section generating strength in other portions of the list. Margin calls often caused selling flurries that were also general in nature. The buying and selling of the wealthy investor seeking income also resulted in the market acting more or less as a unit as the dividend paying section of the list was concerned. The huge increase in taxes, higher margin requirements and the Securities Act changed this pattern considerably. The number of short-term speculators has decreased sharply and taxes have driven the wealthy investor into tax-free municipals and into long-term growth stocks.

New Investing Element

A new investing element has become of increasing importance in the past 10 years. A great deal of the volume in today's stock market is furnished by institutional accounts such as mutual funds, investment trusts, insurance companies, pension funds and larger individual accounts that are advised by investment counsellors. This type of buying and selling is not motivated by tips, hunches or emotions. Their judgment may not always be entirely correct, but it is arrived at after considerable research and thought by competent professional analysts. Action is not taken until there is some valid reason. Only stocks with favorable past dividend and earnings records or very promising growth qualities are considered. Obviously speculative secondary issues are avoided.

That is why many of the speculative favorites of the past have shown little market action. Issues like Pepsi-Cola have done nothing, marketwise, for the good and sufficient reason that nothing has happened in the affairs of the company to cause any great change in the outlook or the price. In the past, these issues moved up or down just because the market was moving in one direction or the other. This appears to be no longer true in today's more intelligent and selective market. It is entirely possible to have groups moving against a more or less general trend, as witness the action of the tobacco stocks in dropping sharply from 1950 to August, 1952, while the industrial average was advancing from 200 to 280.

More Intelligent Behavior

The market of today is probably a much more intelligent market than that of the past, but it is also a more difficult market to interpret, particularly for the individual who has not the benefit of sound, professional analysis of individual companies and industries and a sufficient portfolio of graphs of the market action of these companies to interpret their technical outlook. The technical action of the market as depicted by the various averages is becoming of less and less importance. Because of various mechanical faults in the construction of the various averages and also because they are becoming merely an index number for an average price of 30 or 50 or 100 individual issues in which the index number bears little relationship to each of its individual components or the individual components to each other, it might be wiser in the future to attach much less significance to the technical action of the various averages and to concentrate on the action of individual issues and groups. This, of course, is a much more difficult task. It requires watching the technical action of some 1,500 or more listed issues on the New York Stock Exchange and the New York Curb, rather than just the averages, and a couple of hundred issues. Otherwise many worthwhile profit opportunities are liable to be missed.

It is true one cannot entirely ignore the averages in observing and projecting the market action. No matter how imperfect the averages may be under present conditions, the averages are the only instruments we have to measure the broad fluctuations of the market. We shall continue to use averages in our market discussion, but only in the sense described above.

The old adage that sometimes "one can't see the forest for the trees" also applies to security investment and speculation. Quite often one gets so engrossed in the near-term movement of the averages or in the sudden rise or fall of an isolated security that he loses sight of the broad overall pattern. Perhaps a review of my thoughts on the probable outlook for security prices over the longer term based on my interpretation of technical market action and a discussion of the prudent policy to follow under such probable circumstances is in order.

Outlook Based on Technical Factors

It has been my belief for a considerable period of time, and it is still my belief, that we are in a long-term war and postwar upward cycle in prices similar to that of 1914 to 1929. I believe the advance started in 1942 from 95 in the Dow-Jones Industrial Average and is still headed upward. The World War I advance lasted for 15 years. Considering that the present advance started from a relatively low level of stock prices, and after 10 years of a low level of business and economic conditions, it appears reasonable to expect that the present long-term advance may last somewhat longer than the 1914-1929 market. I project it forward to approximately 1960-1962. It also appears reasonable to expect that the 1929 high of 386 will be substantially surpassed. An advance of only 40% from present levels would bring the industrials to the 1929 highs. This does not appear to be an unreasonable expectation over a period of the next eight years. Many issues are now selling considerably above 1929 levels.

Five Bull Market Phases

Quite obviously such an advance will not be in a straight line. Long-term upward cycles of this nature usually consist of five phases. The first phase is a broad advance from a depression level with the entire market participating—investment stocks, secondary stocks, marginal stocks and also the very speculative issues. This phase occurred from 1942 to 1946 with an advance of over 125%, from 95 to 213.

The second phase is a sharp correction of the overspeculation. This occurred in late 1946 when the market dropped 25% in six months, from 213 to 160, but with many overexploited speculative situations suffering declines of from 60% to 80%. After a long period of consolidation, the third phase started in June, 1949.

The third phase generally is an advance more moderate than the first advancing phase. The better grade securities and special situations are featured while the lower grade stocks usually participate to only a minor extent. This has been true of the present rise. The average has advanced 80% from 160 to the recent high of 289, but the leaders have been the better grade institutional type issues. There has been very little overspeculation with the possible exception of the Canadian oil stocks and possibly some rather high grade overinvestment in excellent quality growth stocks that has forced prices up to 20 or 30 times earnings and yields down to 2% to 3%.

The fourth phase is a corrective phase of relatively moderate proportions in line with the relatively moderate previous advance. After a decline and a period of consolidation, the fifth and final phase begins. This phase usually lasts for a considerable period of time with a heavy volume of trading and broad market participation similar to—but on a more moderate scale—the 1924 to 1929 period.

Recent Divergence

Due to the changed conditions of the market as noted in the earlier part of this article, price action of individual issues has been extremely diverse over the past two years. There is no pattern to the general market and it is impossible to definitely state at what particular point in the five cycle pattern outlined above, the general market stands at the moment. When the technical action of individual issues is observed, we find that some stocks are in the later part of the third phase while others are in various stages of the fourth phase and some have even started the fifth phase. Obviously, this makes for a confused pattern as evidenced by the table in the early part of this article showing the number of stocks reaching a new high for each month in the 1951-1952 period. It has also resulted in an irregular general market as depicted by the averages.

In the last two years, the Dow-Jones Industrial Average has had 11 moves of more than 5%. Six have been on the upside and five have been on the downside. Their approximate scope and dates are listed below:

ADVANCES

Low	Date		High	Date		
223	December,	1950	257	February,	1951	plus 44
242	March,	1951	264	May,	1951	plus 22
241	June,	1951	277	September,	1951	plus 36
255	November,	1951	276	January,	1952	plus 21
255	May,	1952	281	August,	1952	plus 26
263	October,	1952	289	December,	1952	plus 26*

DECLINES

High	Date		Low	Date		
257	February,	1951	242	March,	1951	minus 13
264	May,	1951	241	June,	1951	minus 23
277	September,	1951	255	November,	1951	minus 22
276	January,	1952	255	May,	1952	minus 21
281	August,	1952	263	October,	1952	minus 18

*To Dec. 24.

The rail average has had a similar series of swings although the scope and dates have been somewhat different than that of the industrials.

However, the action of individual issues has been quite different from that of the averages. The steels, for example, reached their highs in February, 1951 when the average was only 254. The chemicals and textiles reached their highs in September, 1951 and the oils and metals in January, 1952. Numerous other examples could be cited. Despite the fact that the averages are at a new high, the groups mentioned above are still below their previous highs. The leaders of the present rise to new high territory are different groups, such as utilities, electrical equipment, foods, automobiles and accessories, etc. and, of course, the rails.

I expect this selective action to continue in 1953 with moves in both directions by both the averages and by individual stocks. I do not expect 1953 to be a bull or a bear year, but rather a combination of both with private bull and bear markets in individual securities. I do not believe, in a broad sense, that we have started the fifth phase of the long-term upward cycle. We are in a diverse combination of the third, fourth and fifth phases. Groups like the electronics may have already started the fifth phase. Groups like the textiles and ethical drugs may have completed the fourth phase, but may need more time to accumulate before moving ahead. Other groups like the oils may be in the early stages of the fourth phase. Still other groups may be in final stages of the third phase. Ninteen fifty-three will probably be a combination of consolidation, adjustment and advance. In terms of the averages, which will mean little or nothing, the range will most likely be between 300 high and 250 low.

Advance of the "Light Blue Chips"

Since 1949, I have stated that the market leaders would be the high grade "blue chip" issues with the speculative issues doing little or nothing. This has been the pattern up to now. I believe the market leaders on advancing phases over the next two years will be the "light blue chips"—the issues slightly below the quality of the "blue chips." This has already started as witness the moves in Clark Equipment, Clevite Corporation (Cleveland Graphite), Sperry, Bendix, Carrier, General Railway Signal, etc. These are issues with good dividend records, good growth prospects and high yields. There are a great many that have just started to move as Elliott Company, Electric Autolite, Blaw Knox, etc. I do not believe the very speculative, low priced issues are ready to move ahead on a broad scale. They will come into the picture at a later date after the consolidating and readjusting phase is completed.

Group action in 1953 will be extremely diverse and selection will be all important. Here is the outlook for the more important groups:

Agricultural Implements: The long-term upside objectives have not yet been reached in most of this group. For over a year, most issues in the group have held in narrow trading areas. A more definite clue to their nearer term action may be given shortly. Indications point to an ultimate upside breakout, but it is possible that this may be delayed and lower levels may be witnessed first.

Amusements: This group appears to be slowly building up accumulation patterns, but considerable time may be needed before the formations are completed. However, substantial long-term capital gains are possible in this group for patient holders.

Apparel: The stocks in this group may be building strong accumulation areas. This process has been going on for a considerable period of time and more time may be required. Action may be slow over the near term but the issues appear not too vulnerable on the downside and the upside appreciation possibilities are substantial. Hart, Schaffner & Marx appears interesting.

Automobiles & Trucks: The leaders continue to show good action in the motor group, but the other issues continue to have uneven patterns. Would exercise some caution in this group. While the leaders have not yet built up any potential top patterns of importance, they are very close to probable upside objectives. The truck issues are vulnerable and indicate lower levels.

Auto Accessories & Parts: The majority of issues in this group have favorable long-term patterns and should be bought during periods of general market weakness. The fact that strong potential base patters have already been formed indicates that this group may be one of the early leaders in the long-term advance. In the event of general market weakness prior to the advance these issues should meet support not too far below present levels. Favorable issues include American Chain & Cable, Borg Warner, Briggs Manufacturing, Electric Autolite, Hercules Motors, A. O. Smith and Standard Steel Spring.

Aviation: The airline issues have the better long-term patterns but show no indication of an immediate move. They appear to be a purchase on slight reactions to the top of their long-term base patterns. The aircraft manufacturing group has selective patterns. Some issues could move higher over the near-term.

Beverages: The distilling stocks have had sharp declines and the leaders appear to have reached downside objectives and support levels. However, considerable time may be needed to form bases and, over the near-term, these issues may be subject to tax loss selling. Buy on weakness for patient, long-term capital appreciation holding. The soft drink stocks appear to be slowly forming accumulation patterns, but there is no indication of any immediate move. National Distillers appears low enough and should be bought on dips. Patience may be required.

Building Materials: The long-term patterns in this group are uniformly favorable. However, there is no indication of an immediate move and more time may be spent in the confines of the long-term trading ranges. This group presents a chance of sizable price appreciation for the patient holder and should be bought on minor price dips. The air-conditioning issues have already advanced and may need some consolidation. Carrier Corporation would be an interesting situation in the event of market weakness. Cement issues also have shown above average action in this group. Alpha Portland, Lehigh Portland and Lone Star are attractive. Penn Dixie Cement could most likely show the greatest appreciation. Other interesting building situations that may require patience include American Radiator, American Seating, Celatex, Certainteed, Crane, Masonite, National Gypsum, Otis Elevator and U. S. Gypsum.

Chemicals: This group continues to have potentially vulnerable technical patterns. Most issues have shown below average action in the recent rally. Would, with few exceptions, avoid this group as far as purchases are concerned.

Coal & Coke: Most issues in this group have rather uninteresting patterns and better situations appear to be available in other groups.

Containers: The formations in this group are varied with no set pattern. In the main, however, upside possibilities appear limited over the near term.

Drugs: The ethical drug issues have declined sharply and are at or are approaching long-term buying levels. Considerable time, however, may be needed to form base patterns. Abbott, Merck, Parke Davis and Pfizer appear attractive on price declines. The proprietary drugs have rather dull patterns.

Electrical Equipment: The leaders of the group have shown excellent action recently and have worked into new high territory. However, they are approaching upside objectives and some consolidation may be needed. Long-term patterns are favorable and stocks should be bought on weakness. Elliott Company, which might be included in this group, has a favorable pattern.

Finance and Insurance: The finance companies have been in steep uptrends, but they have in most instances, reached their upside objectives and appear to be in a selling area. Insurance issues point moderately higher. Bank stocks also indicate moderately higher levels.

Food Products: Action of individual issues is mixed and there is no general trend. There should be several switch possibilities in this group. Favorable issues include American Chicle, Corn Products, General Mills, Pillsbury Mills, Purity Bakeries and United Biscuit.

Household Equipment: The group has mixed patterns and may need considerable time to form re-accumulation areas. Price action may be slow in most cases. However, there are several issues with good potential patterns. They include Armstrong Cork in the better grade group and Servel and York Corporation in the more speculative category.

Investment Trusts: The group will more or less follow action of the market. The general market issues appear to be more vulnerable than the specialty issues.

Leather & Shoes: A relatively dull group. No definite indications although chances are that prices are near bottom.

Machinery & Machine Equipment: The great majority of issues in this group have very favorable long-term patterns. In most cases, the issues are still in their formative base patterns and eventual appreciation could be substantial. More patience may be required before the potential bases are penetrated on the upside. Favorable issues include Blaw Knox, E. W. Bliss, Bucyrus Erie, Chain Belt, Elliott Company, Hewitt Robbins, Joy Manufacturing and Worthington Corporation.

Mail Order: Moderately higher levels are indicated. Montgomery Ward may require patience, but the upside potential is good.

Metal Products: The issues in this group are subject to rather wide price swings. In most cases, they have held in relatively narrow trading areas for the past year or more. A breakout in either direction could have considerable longer-term significance. The brass stocks have the most favorable potential. This group includes Revere Copper and Mueller Brass. Also Climax Molybdenum appears attractive.

Metals—Aluminum: This group has a toppy appearance and appears headed for lower levels. Would buy only on weakness.

Metals—Copper: This group indicates lower levels. The rally from the May lows has broadened the tops. Would sell on strength. Even after the lows are reached, considerable time may be needed to build base formations. Howe Sound is a possible exception.

Metals—Gold & Silver: In the main, these issues have strong technical patterns. This is especially true of the golds. Long-term bases have been formed and the upside indications are considerably above present levels. There is no indication of an immediate move, however.

Metals—Lead & Zinc: With the exception of Eagle Picher, which is more of a building issue than a metal, these issues have unfavorable patterns and should be avoided.

Natural Gas: All of the issues in this group have favorable long-term patterns, but the advance has been rapid and some consolidation may be needed. They have rallied from recent lows, but appear to need more time to build-up accumulation patterns. Buy only on weakness. Favorable issues include: American Natural Gas, Columbia Gas, Consolidated Natural Gas, El Paso Natural Gas, Lone Star Gas, Mississippi River Fuel, Northern Natural Gas, Oklahoma Gas, Pacific Lighting, Panhandle Eastern Pipeline, Shamrock Oil & Gas, Southern Natural Gas, United Gas Corporation.

Office Equipment: Another group with many favorable long-term patterns. Immediate action may be slow and some issues indicate lower levels. Long-term upside potentials are substantial, however. Burroughs, Gray Manufacturing and Remington Rand have promising potentials.

Oils: Despite the decline already witnessed in this group, the indications still point to lower levels. Even after downside objectives are reached, considerable time will be needed to build new base patterns. Most long-term upside objectives were reached early in the year. Stocks with a heavy natural gas background like Phillips and Pure Oil should be favored on price declines. As a specialty situation, Warren Petroleum would also appear attractive on moderate dips.

Papers: Some of the issues in this group have been showing better action recently, but they are mainly in specialized companies. Most of the group have heavy overhead resistance and are potentially vulnerable. Would sell on strength.

Printing & Publishing: The patterns here are relatively favorable and the group appears to be in a good defensive position. American News and Hall Printing may be slow but have interesting potentials.

Radio, Television & Electronics: This group has exceptionally strong long-term patterns. Positions in these issues should be retained despite possibility of moderately lower levels over the near term. Would add to positions on declines. Most issues in the group have excellent long-term technical patterns, including Admiral, Arvin, Columbia Broadcasting, Motorola, Philco, Radio, Sylvania and Zenith. International Tel. & Teil. and Raytheon in the more speculative group, also have wide upside potentials.

Railroads: This group has been the market leader of 1952. The rail average has advanced almost 40% since the start of the year. After such a steep rise, some consolidation may be needed. A number of the higher priced issues have already reached objectives and may require a little time to build up new patterns. Some of the secondary issues still indicate higher levels.

Railroad Equipments: There are only a few issues that offer worthwhile appreciation possibilities. Most of the group have rather dull patterns with no indication of any immediate move. General Railway Signal is especially favored. New York Air Brake may be slow, but long-term potential is good.

Retail Stores: The food chains have shown the best recent action and indicate moderately higher levels. The rest of the group has long-term upside possibilities, but no immediate move is indicated. The more favorable patterns are American Stores, Federated Department Stores, First National Stores, May Department Stores and Western Auto Supply.

Rubber: This group has only mild upside possibilities, but the downside potential is considerable in the event of unfavorable developments. Would avoid this group and lighten holdings on strength.

Steels: This group has shown below average rallying power in the advance from the October lows. In most cases, lower levels are indicated despite the already sizable percentage decline. The disappointing factor is that even after the lows are reached, considerable time may be needed to form bases. The steel group is noted for long accumulation and distribution areas. Sell on strength. The two most favorable patterns are Allegheny Ludlum and Vanadium. Would switch other steels into these two.

Sugars: A relatively unattractive group with no signs of an immediate move. Should be avoided until the pattern clarifies.

Textiles: The group has had a steep decline and, in many instances, the individual issues have reached their downside objectives. The group appears to offer little downside risk. Buy during periods of price weakness. Some time may be needed to form base patterns, but this group has formed bases very rapidly in the past. Issues with favorable patterns include Beaunit Mills, Burlington Mills, Cannon Mills, Celanese, Goodall Sanford and Lowenstein.

Tobacco: This group has shown better action recently but, except for defensive purposes, the group has little to offer. Individual issues are approaching levels of heavy overhead supply.

Utilities-Communications: The group has diverse patterns. The outlook is constructive for the longer term. American Tel. & Tel. seems undervalued.

Utilities-Holding Companies: The advance has been steep and some consolidation and correction may be needed. However, no top patterns have as yet been formed.

Utilities-Operating Companies: Some issues are close to upside objectives but others still indicate higher levels. In cases where upside objectives have been reached, it is usually intermediate term objectives. Long-term objectives still point higher. No important tops have been formed and this group is not vulnerable in the main. Best appreciation possibilities are in growth territories, but there also are attractive situations in Eastern and Mid-western territories.

Continued from page 2

The Security I Like Best

not now followed. The overall effect could be an increase in net asset value and a narrowing of the discount gap.

Tri-Continental is generally regarded as being a moderately leveraged investment trust. Historically, this common stock has been able to maintain a pace of moving about 1.4 times faster than the general stock market during periods of rising prices. This common stock is recommended in terms of the above and also because it appears to be a very satisfactory means of participating in the overall market through a single security at a substantial discount.

There are also outstanding perpetual warrants giving the right to subscribe to common stock at a parity price of 14; the actual ratio is 1.27 shares at $17.76. With the common selling above parity, it should be expected that the warrants will about move in line with the equity. In these terms, should the common advance from 17 to 20, the warrants should move up about three points or 60% above the present $5 price.

The warrants and the common stock in combination offer interesting straddle opportunities. A long position in the warrants and a short position in the common stock allows for profits on the upside since the rise in the warrants should exceed, on a percentage basis, the rise in the common stock. Risks on the downside are limited as the warrants have a floor consisting of their value as a perpetual call on the common. In this respect it is interesting to note that the common stock has fluctuated between 17½ and 13½ in 1952, while the warrant's trading range was 5¼ to 3¾.

J. R. Williston Co.-Conrad, Bruce Merger

The Pacific Coast investment house of Conrad, Bruce & Co. has consolidated its business with the New York Stock Exchange firm of J. R. Williston & Co. and their combined interests will be continued under the name of J. R. Williston, Bruce & Co., with offices in New York City; San Francisco, Los Angeles, and Sacramento, Calif.; Portland and Salem, Ore.; Seattle, Wash.; Miami Beach, Fla; and Rye, N. Y.

Conrad, Bruce & Co., through its predecessor, was established in 1908 and acts as broker and distributor of commercial paper in the 12th Federal Reserve District, in addition to being active in leading insurance stocks, mutual fund shares, and all other types of investment securities. J. R. Williston & Co. was founded in 1889, with memberships in the leading stock and commodity exchanges. Partners of the new firm will be: Harry E. Towle (New York), Malcolm C. Bruce (San Francisco), Joseph A. Dernberger (New York), Oswald Andersen (New York), F. Donald Arrowsmith (New York), Gordon Y. Billard (New York), Frederic F. Blanchett (Seattle), Robert D. Cavanaugh (Los Angeles), Charles I. DeBevoise (New York), Donald W. Hinton (Seattle), Arthur Jansen (New York), Irving Kahn (New York), George G. Moore, Jr. (New York), Frederick L. Morrison (San Francisco), Edwin F. Peabody (San Francisco), Royal E. Peterson (New York), John H. Welsh (New York), Henry J. Zilka (Portland). Direct private wires will connect all offices.

Securities Salesman's Corner

By JOHN DUTTON

BUILDING AN INVESTMENT CLIENTELE

(Article 2 — Part 2)

Unsound Investment Procedures Cause Losses

One of the obvious weak spots in the client-advisor relationships has been that even with all the statistical data available today, it is still a difficult task to make a positive determination regarding the future outlook for many securities. The mutual funds have relied upon research and wide diversification to assist them in solving the problem of what to buy and what not to buy. Some investment firms have large research staffs of their own, and they supplement this work with the data that comes to them from outside analytical sources. No one has all the answers, but if the average investor would only have an opportunity to witness the tremendous amount of study, experienced effort and time, that is expended by reputable investment firms and the mutual funds, in order to assist their clients to do a better job of investing, he would think long and hard before he would even dream of taking on this serious responsibility himself.

Third Cause of Losses—Continuous Supervision Is Necessary

It seems to me that certain rules of procedure could be set up regarding supervision. The rules should be sufficiently broad that changes in individual stocks should not be undertaken unless there is a reason of **major importance** that should be considered. As an example, there are times when a whole industry goes through a readjustment period. That should be one reason for suggesting a sale, providing that the event could be forecast with some degree of accuracy in advance. Another reason for suggesting a change of a specific security in a portfolio would involve some discernible weakness within a company that might adversely affect its future earning power and its value. Managerial difficulties of a serious nature would be another cause for considering a "switch." Adverse competitive situations, or unfavorable governmental rulings occasionally might also cause trouble, but sound companies have not often been handicapped permanently by such things. Then there is always the possibility that a stock may overdiscount its bright future. Often stocks do sell too high. But when you are trying to determine how high is up, be sure that your client also understands that you are not trying to pick the "top of a market." Good sellers have always sold too soon.

These matters should be fully discussed with the client. He should know why certain steps are at times necessary, if he wishes to be on the plus side over a long period of years. People have a short memory. Don't ever allow your sound reasons for making an investment move deter you from making the suggestion to a client. But of more importance is the necessity that you make the point absolutely clear to him as to "why" the move is being made. **A portfolio should be considered as a whole and complete investment in itself.** If there is a chance for a weak spot to creep in then it should be removed. Even if the stock that was sold, or "switched," continues to do well, and never causes trouble for those stockholders who held on, its removal was still justified. You don't leave diseased tonsils in a healthy throat —not if you have a good doctor taking care of your health. There are plenty of people walking around who have them, and have never died despite this fact, yet intelligent patients don't criticize the doctor for being careful.

Fourth Cause of Losses—Unsound Diversification

Investors sometimes have pets. They become wedded to a stock. They continue to add to their holdings until they have too large a percentage of their entire stock portfolio in this one place for safety's sake. Often putting a large percentage of capital into one stock works out very well but the risk is great. This is not sound investing even if at times the rewards are substantial. The virtues of proper diversification as to industry, geographical location, company, and class of security have been demonstrated over the years. When you are investing money the only way you can cut down on risk is to spread it out. If you want to be safe, if you believe in growth of capital along the lines of conservatism, and if you have worked hard for your money and don't want to lose it, you'll stick with this rule regardless of the many siren calls of those who say it is outmoded as a fundamental cornerstone of successful investment. This is not my opinion; ask those who handle the millions and millions of dollars of trust funds, insurance monies, and all the vast sums in the pension trusts, etc., and they will tell you that this old adage has been tested by time and experience.

When you can sit down with an invesor and explain what you are attempting to accomplish in eliminating such weaknesses as those I have briefly covered in these last two articles, and you can find an area of agreement that the two of you can work out together in rebuilding and perfecting the best possible program for his portfolio of securities, you are on the right track. You don't have to make ten mistakes in this business. One bad one will cause enough trouble for anyone. But if you have your fundamentals straightened out, you can weather the storms that are sure to come someday.

If you agree so far, that the simple common sense rules which all good securities men recognize as the basis for investment planning should govern the moves that are made in every investor's portfolio, then the next step is to find people with the open-mindedness that will accept this kind of investment guidance. It would be folly to attempt to instill this sort of investment philosophy into the minds of people who look upon the stock market as a horse race, where the morning paper quotes the odds and the market quotations are their main concern.

There are people who are seeking investment guidance. They do not expect the impossible, or desire miracles. What they expect from their investment advisor is complete honesty, and an explanation of what can be accomplished, and what is impossible. These people are waiting and searching for a competent and skillful advisor who can help them invest their money so that they will safely steer clear of the pitfalls of the business cycle and the other avoidable hazards of investment.

Editor's Note: Article Three next week will discuss some methods of recognizing these people when you find them. Then we will take up some methods of finding them.

Invest $4 Billion in Mortgages in 1952

Purchases by life insurance companies include liens on homes, commercial and industrial establishments and farms. Companies now hold over $21 billion in mortgages, by far their largest single investment category.

According to an estimate of the Institute of Life Insurance nearly $4,000,000,000 of life insurance funds have gone into the financing of real estate mortgages in 1952.

This represented new financing for hundreds of thousands of homes, commercial and industrial establishments and farms. It has brought total mortgage holdings of the life insurance companies at year-end to about $21,275,000,000 under more than 2,000,000 individual mortgages. The greater part of these are home mortgages.

The 1952 new mortgages financed by the life companies, estimated at $3,975,000,000, have not bulked up as large as in the previous year, when $5,111,000,000 went into this channel, but they have been greater than reported in any year excepting only 1950 and 1951.

Reflects Postwar Boom

"The great postwar home construction boom, which reached its peak in 1950, continued during 1952, as reflected in these figures on new financing," the Institute said. "In the seven years since World War II ended, more than $25,000,000,000 of mortgages have been financed by the life insurance companies. In this period there have been many prepayments, refinancings due to property sales and replacements, but the net increase in mortgage holdings in the seven years has been $14,640,000,000, more than twice the amount outstanding at the end of 1945."

FHA mortgages have accounted for $850,000,000 of the year's new mortgages and will comprise $5,700,000,000 of the year-end holdings. Seven years ago the FHA mortgage holdings were only $1,394,000,000.

VA mortgages have been written in the amount of $450,000,000 in 1952, compared with $1,268,000,000 the year before. Holdings of VA mortgages at year-end will come to about $3,350,000,000, not including VA farm mortgages.

Many Farms Financed

Farm mortgages of all types have made up $375,000,000 of the 1952 new mortgages, bringing to more than $1,000,000,000 the new financing extended to farmers in the past three years. Total farm mortgage holdings now exceed $1,675,000,000, compared with $776,000,000 at the end of 1945. Nearly 200,000 farmers now have their mortgage financing with the life companies.

Other mortgages, including those on homes directly financed by the companies, and those on commercial and industrial properties, have comprised $2,300,000,000 of the 1952 new financing and will add up to $10,550,000,000 of the year-end holdings.

Total mortgage holdings of the life companies now represent 29% of total assets; in 1945 they were 14.8% of assets.

Life Insurance Investments

Investments made by the life insurance companies of the country during October and holdings at the end of October are reported by the Institute of Life Insurance as follows (000,000 omitted):

	Acquired —October— 1952	1951	Acquired —10 Months— 1952	1951	—Holdings— October 31 1952	1951
U. S. Government Securities	$331	$356	$3,699	$6,669	$10,244	$11,254
Foreign Government Securities	6	26	96	194	1,354	1,515
State, County, Munic. Bonds (U. S.)	13	14	153	164	1,133	1,171
Railroad Bonds (U. S.)	39	30	319	244	3,449	3,202
Public Utility Bonds (U. S.)	232	112	941	789	11,518	10,711
Industrial and Misc. Bonds (U. S.)	485	185	2,920	2,273	12,863	10,667
Stocks (U. S.): Preferred	5	4	84	96	1,473	1,438
Common	9	16	71	125	679	626
Foreign Corporate Securities	7	4	155	104	864	727
World Bank Bonds	6	22	34	40	127	93
Farm Mortgages: Veterans' Adminis.	--	--	--	3	27	29
Other	27	24	306	344	1,636	1,472
Non-Farm Mortgages: FHA	79	82	713	895	5,626	5,148
Veterans' Administration	30	74	376	1,137	3,333	3,015
Other	228	196	1,905	2,019	10,339	9,264
Total Securities and Mortgages	$1,497	$1,145	$11,772	$15,096	$64,665	$60,332
Farm Real Estate	--	--	--	--	19	25
Other Real Estate	17	26	175	192	1,732	1,553
Policy Loans	43	45	430	459	2,692	2,563
Cash	--	--	--	--	1,037	949
Other Assets	--	--	--	--	1,889	1,759
Total Assets	--	--	--	--	$72,034	$67,181

Allen Group Offers Colo. Fuel & Iron Shs.

Public offering of 320,000 shares of common stock of The Colorado Fuel and Iron Corp. was made on Dec. 30 by an underwriting group headed by Allen & Company. The stock was priced at $18.75 per share. This offering was heavily oversubscribed and the books have been closed.

Proceeds from the offering, together with other funds, will be used in connection with the purchase by the company's subsidiary, Colorado Steel Corp., of all of the manufacturing business, plants and inventories of John A. Roebling's Sons Co. The latter company, founded in 1876, manufactures steel wire and cold rolled products, wire rope, electrical wire and cable bridge products and services.

To finance the purchase of the Roebling assets, for approximately $23,000,000, and to provide additional working capital, Colorado Steel Corp. is selling privately $15,000,000 of its first mortgage 15-year sinking fund 4½% bonds due Dec. 1, 1967 to a group of insurance companies and institutional investors and, simultaneously, is selling to its parent, The Colorado Fuel and Iron Corporation, $10,000,000 of preferred stock and $5,000,000 of common stock. The parent, to finance the purchase of the subsidiary's preferred and common stock, is selling 320,000 shares of its common stock to the public and $10,000,000 of its 5½% cumulative preferred stock, series B, $50 par value, to Roebling.

Consolidated sales of Colorado Fuel and Iron during the year ended June 30, 1952 totaled $195,757,164 while net income was $5,761,965.

Gross sales of John A. Roebling's Sons Co. and subsidiaries during the year ended Dec. 31, 1951 amounted to $66,688,584 and net profit to $3,013,229.

Blyth & Co., Inc. Elect Nine New V.-Ps.

Blyth & Co., Inc., 14 Wall Street, New York City, announces the election of nine Vice-Presidents. The new executives are: H.

H. Neill Brady R. George LeVind

Neill Brady, in the New York office, who has been associated with the company for 14 years, and is currently Assistant Manager of its Trading Department; R. George LeVind, of the New York office, with the firm 20 years, and now Manager of the firm's Municipal Bond Department; Walter C. Cleave, with the Chicago office for 20 years and associated with its Municipal Bond Department; Alonzo C. Allen, who joined the organization in 1936 and is now Resident Manager of the Detroit office; John E. Hollett, Jr., with the firm since 1932 and now Resident Manager of the Indianapolis office; Wilber W. Wittenberg, Resident Manager of the Minneapolis office, who came with the firm in March, 1943; Owen Kraft, with the firm since 1936 as Resident Manager of its Pittsburgh office; Charles B. Harkins, in charge of the Trading Department in San Francisco (and northern California) who joined the firm in 1934; Edwin Mott, Sales Manager of the combined offices of Seattle and Spokane, who started with the company in 1925.

S. F. Analysts Elect Officers

SAN FRANCISCO, Calif.—John G. Ediell of Shuman, Agnew & Co. has been elected as President of the Security Analysts of San Francisco for 1953. Herbert B. Drake, Assistant Vice-President of the Anglo California National Bank will be Vice-President and H. Taylor Peery, Vice-President of the Bank of America, N. T. & S. A. will be Secretary-Treasurer. The Board of Governors for the coming year in addition to the above mentioned officers will be: Nathaniel S. Chadwick of E. F. Hutton & Co.; Stanley Dickover of Elworthy & Co.; M. J. Duncan of Calvin E. Duncan & Co.; Philip A. Fisher of Fisher & Co.; William P. Held of J. S. Strauss & Co. and Ernest Stent of Schwabacher & Co. William P. Held is the outgoing President.

Joins Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cailf. — William S. Cook has become associated with Shearson, Hammill & Co., 520 South Grand Avenue. He has recently been associated with Sutro & Co. and J. Henry Helser & Co.

Shearson, Hammill Adds

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—F. Thomas Kemp has become associated with Shearson, Hammill & Co., 348 East Green Street. Mr. Kemp was formerly with Douglass & Co. and Taylor & Co. In the past he conducted his own investment business in Pasadena.

Continued from page 6

Will Sterling Damage the Dollar?

Emir's country, where they are legal tender, and deposited with the British Bank for Iran and the Middle East. This bank in turn credits them, to, let me say, the account of the Imperial Bank of India, through which procedure they automatically become "Colonial Resident Sterling." The next step is the sale of these Resident Sterlings, via Beirut to Switzerland or to New York or Hong Kong.

I have seen a dozen of time charters of British vessels, which were paid for in Resident Sterling, have known of million pound payments of this kind for other interesting dollar saving transactions, from diamond transfers to gold purchases. And you may believe me that at any time you can buy or sell a few hundred thousand "Residentials" in New York, just two blocks from this room.

Britain's newly nominated Ambassador to Washington, until now Foreign Exchange Expert of England's Foreign Office, went to Kuwait 10 months ago with the mission to plug the hole of Resident Sterling. He did not succeed.

The fifth Sterling variety is the famous **Handpayment London**, also called the "diamond pound." This Sterling results from illegal transfers of British funds abroad. Sometimes as much as 1,000,000 pounds of completely "black transfers" have been sold in New York in one day. The money really never leaves the country, just as the dollars paid for it never reach England. It is some sort of "private clearing" where clients avoid bothering the Bank of England, who will refuse to grant a license, anyhow. All such payments are made in banknotes, never by check, so that they cannot create "banking" complications. 90% of U. S. illegal diamond imports are among other deals financed by Handpayments.

The sixth Sterling variety is **British Banknotes**, which cannot be legally exported from England. Principal smuggling goes via France into all other parts of the world. Zurich has the largest market of Sterling notes.

You easily see in these 60 different sub-Sterlings a rather complicated set-up of British currency difficulties, which clarifies —in spite of official "hush-hush-treatment" — the advanced destruction of the pound value. You cannot manage a huge labyrinth efficiently. And the Sterling administration, trying to do as good a job as humanly possible, will not be able to scrap the control regulations which daily add new walls and dead-end lanes to the network of trade barricades that surround the pound.

Resulting Unpleasant Trade Picture

The trade picture, therefore, cannot be pleasant. I do not want to give you all the details and figures of the British trade deficit. You probably know them better than I. But I do want to say that if we would not have constantly subsidized Great Britain since 1942, there would be no pound today.

Britain's trade would have stopped, because with all our grants and loans, with all our hidden and strategic or military subsidies, England has not more than about $1.8 billion of gold and dollar reserves.

The U. S. Government spends such an amount every week! And if we would not do our utmost to help Britain, not only her trade, but our whole North Atlantic Pact, would dissolve into nothing. Therefore, for the time being at least, we have to continue to play ball with her financially and close our eyes to all the constant irritations that result from British currency regulations.

We have to overlook all triangulary Sterling deals, masterpieces of well advised international traders, many of whom are established here in New York and make more profits with a sick Sterling than they would with a sound one. We also cannot complain about the fact that British ships chartered with rebate pounds are more competitive than our Merchant Marine. Because chartered Sterling opportunities, as disturbing as they all have been to the average trader, were and are available to him in New York —but not in other cities. He only has to think a little more than before. He has to deal with a number of highly specialized and internationally reputed foreign exchange firms with large capital and resources, instead of his usual commercial banks, in order to master the new techniques. But I am sure that there are still many among you who do not have air conditioning in your offices or a television set in your home.

Since the return of the Conservative Government, Britain has made efforts to reduce imports from the countries of the dollar-bloc and has tried to increase trade with the Soviet world, who wants to deal with London on a strict barter basis and not in pounds or dollars.

But, here again, our U. S. policy conflicts with English desires and in spite of considerable amounts of editorial comments, Britain is having difficulty in giving satisfaction to her traders, to her Treasury and to our State Department. And in trying to be fair and as objective as possible, I have to say that in spite of all of Great Britain's currency problems, there are many people, who after 37 years of declining Sterling value, seem to hope that the pound will be made freely convertible again. And these hopeful voices originate not exactly in England or Continental Europe, but mostly in the United States. What is it all about?

Convertibility Prospects

The outlook for Sterling convertibility is, to my personal knowledge, rather dim at the present time. As you know, Washington's experts have something to say, when it comes to additional credit discussions for England. I doubt that many of them know the difference between Bi-lateral Japanese Sterling or Transferable Indonesian pounds. But they all seem to fear a Sterling collapse. They know that if we — that means you and I—cut our pound support, Britain's foreign exchange and gold reserves will disappear and the Sterling might drop to $2—or even less.

The damage that a collapse of the 61 currencies forming the Sterling-bloc and accounting for more than one-third of the world trade, would do to all other currencies cannot be predicted or estimated. It would be gigantic and every one of you sitting here would suffer from it. On the other hand, to make a currency convertible into dollars, you have to have either the dollars or gold to pay for the foreign goods and services billed in dollars to the British buyers. With her total dollar and gold reserves of only $1.8 billion, only 5-6 months of her trade deficit with the U. S., and only 3-4 months of her trade deficit with the whole dollar area could be paid.

That is a rather gloomy outlook and I am afraid that we only have the choice to remain in the frying pan of the non-convertible Sterling or to jump into the fire of a desperate Sterling drop which would damage our trade more than the present pound subsidies cost us. It might also be added that in spite of all political and strategic considerations which justify our Sterling support, such a situation cannot last eternally. And as we have elected a "new" Administration and a new President some important changes in our currency policy are already in the advance stage of planning. The outgoing Administration made the formal promise not to change the official gold price. The promise was held. Dollar depreciation paid for it, the easy way. The new Administration has not given such a promise. Therefore, no moral hurdles are barring its way on the difficult road to international currency reconstruction.

The Gold Price

The plan of a world devaluation, opposed so far by the inefficient Bretton Woods agreement, the International Monetary Fund and the International Bank, not to speak of our Treasury Department, will have to be put from blueprints into the working stage.

According to information from reliable sources we will have to increase one day the official gold price of $35 an ounce, to $52.50. This 50% rise of the price of the yellow metal, without a return to the gold standard, will enable us to increase the paper value of our gold stock from $23.3 billion to $35 billion. From this paper profit of nearly $11 billion, we will, according to this same information, transfer anywhere from $7 to $8 billion of gold (in New Dollars), on some sort of lend-lease basis to the countries of the North Atlantic Treaty Organization. England would get more than 50% of this gold stock. But she, as well as all other countries accepting this "loan," will have to make their currencies at least "commercially" convertible. That means that all foreign trade with dollar countries, probably before the end of 1953, will have to be transacted on a basis of freely exchangeable currency.

In the case of Great Britain with her huge Sterling debts, it will not be too easy an undertaking. But it is expected, that in spite of such difficulties, it will be possible. All imports and exports after the date of accepted convertibility, will be free of foreign exchange control regulations. All commercial or private debts, resulting from transactions before the convertibility date will be freed progressively, according to a plan which provides their "unfreezing" within 10 or 15 years in equal annual installments. We will get a "new Sterling" and an "old pound," the first completely free, the latter subject to exchange regulations. The plan seems reasonable and sound, and could work.

It would establish currency peace for many years and bring back freedom from fear to traders, investors, and commercial and financial enterprises. But, I hate to tell you what we will have paid for it. It will be close to a trillion dollars, destroyed and buried in the inflationary cemetery of the United States, and more than $400 billion buried in European inflation graves.

With Inv. Service

(Special to The Financial Chronicle)

DENVER, Colo.—Edwin M. Oliver has become connected with Investment Service Corporation, 444 Sherman Street.

With Williston, Bruce

(Special to The Financial Chronicle)

MIAMI BEACH, Fla. — Harry Levin is now with J. R. Williston, Bruce & Co., 631 71st Street. He was formerly with Bache & Co. and Carl M. Loeb, Rhoades & Co.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

At the beginning of a new year it seems appropriate to review stock holdings and determine a suitable investment policy for the months ahead. While many stocks are held, more or less, as permanent investments, most or at least many individuals are inclined to adjust their positions periodically to conform to their ideas of which issues are the most favorably situated to benefit from future trends.

In keeping with this proposition, several of the leading investment banking houses specializing in insurance stocks have been suggesting that it may prove advantageous to switch holdings of fire insurance stocks into casualty shares or at least to modify positions along these lines.

The major premise of this idea is that after five years of very profitable underwriting on fire lines, the business has become vulnerable to rate reductions in the several states. To bolster this point, it is pointed out that there have already been several rate reductions.

Conversely, casualty insurance has been very unprofitable in recent years. Indeed, the 1951 underwriting experience on casualty lines was the worst in history with casualty insurance companies showing large losses. At the same time there are indications that the business is turning around. Although losses continue to be a major problem, adjustments in rates, both past and prospective, when fully effective should place casualty operations on a profitable basis. In other words the casualty business appears to be on the verge of emerging from a period of unprofitable underwriting into one which is profitable.

This premise is believed to be generally sound and certainly one should emphasize these trends in considering insurance investments at this time. However, the foregoing is believed to be a simplification of a complicated problem and other factors should be kept in mind when reviewing present investments or in making new commitments.

In the first place the nature of the insurance industry should be remembered. Multiple line underwriting has become widespread in recent years with major companies expanding into all lines of the business. Then, fleet operations are widespread with large companies owning both casualty and fire subsidiaries.

The net result of this condition is that most companies, following a basic insurance principle, have spread the underwriting risk over several lines. Fire lines are still most important however.

Nevertheless, should fire underwriting become less profitable this could be offset by a recovery in casualty underwriting. As a general proposition, it is seldom that all underwriting lines are profitable at the same time. Rather, many years are marked by a divergence in experience among the different lines.

In view of the foregoing it is difficult, if not impossible, to transfer stock holdings out of a company writing straight fire into one writing straight casualty which will take complete advantage of the apparent trends outlined at the beginning.

Another consideration is that even though rate reductions are probable in certain additional states, there are other factors which may tend to keep fire underwriting on a satisfactory basis.

Despite the fact that estimated fire losses have been increasing rapidly in recent years and will undoubtedly reach a new peak for 1952, underwriting on fire lines has continued to be very profitable. Increases in costs as a result of inflationary pressures brought on by the Korean War have been absorbed through more efficient operations.

Currently there are signs which indicate that costs and prices may be leveling off. Should this be true and should prices decline even moderately over the next year, such adjustments could absorb a large part of any rate reduction.

As can be seen from the above, the problem is a complicated one. While the basic premise that casualty stocks are in a better position to benefit from current trends than fire shares is sound, correct analysis of individual companies and selection of shares continues to be of fundamental importance for a successful investment policy.

Blair Rollins Elects Davis and Bryant

Joshua A. Davis Emmons Bryant

Joshua A. Davis has been elected Chairman of the Executive Committee and a Director of the investment banking firm of Blair, Rollins & Co. Incorporated, 44 Wall Street, New York City, and Emmons Bryant has been elected President and a Director, according to an announcement by H. Theodore Birr, Jr., Chairman of the Board. The elections are effective Jan. 1, 1953.

Both Mr. Davis and Mr. Bryant have had long and varied experience in the investment field. Nearly 20 years ago they joined the firm of Reynolds & Co., members of the New York Stock Exchange, of which firm they were partners from 1942 to Dec. 31, 1952.

Virgil D. Dardi, while continuing as a Director of Blair, Rollins, is resigning the Presidency of that firm to devote his full time to his duties as President and Director of Blair Holdings Corporation, of which Blair, Rollins is a wholly owned subsidiary.

Mr. Davis and Mr. Bryant will be elected Directors of Blair Holdings Corporation in the near future, Mr. Dardi said.

Mutual Funds

By ROBERT R. RICH

LARGER CORPORATE earnings and record dividend disbursements will highlight the first year for business under the new Republican Administration, according to a forecast released by National Securities & Research Corporation, sponsors and managers of a group of mutual investment funds.

Net earnings of all U. S. corporations are expected to rise to $18.5 billion in 1953, the forecast said. This would compare with estimated earnings of about $17.5 billion for 1952. Dividends are expected to rise to a new peak of $9.5 billion, up from the previous record of $9.0 billion attained in 1950 and 1951 and believed equalled in 1952. Figures for 1952 are estimated by the National Securities staff from reported data for most of the year.

Noting that the incoming Administration plans to end injurious price and wage controls, cut taxes as soon as possible, retain the Taft-Hartley Act and encourage private business in many other ways, the investment company's research staff says these steps should result in wider profit margins, while business volume will be sustained by rising military expenditures, large outlays for plant, equipment and construction of all kinds, and increased consumption expenditures.

"Regulated industries, such as the railroads, the public utilities, and particularly the natural gas companies, will benefit from improved rate-making procedures," the forecast said. "Oil companies will benefit from settlement of the tideland dispute, and rapidly growing industries will benefit from modification or termination of the Excess Profits Tax."

The comprehensive 16-page "1953 Forecast" contains estimates of 1952 and 1953 earnings and dividends of 40 railroads, 25 utilities and 65 industrial companies. The forecast concludes with a bullish stock market prediction.

A moderate decline in the prices of U. S. Government securities was forecast for 1953 as the financing requirements of the government increase and the new Administration's fiscal authorities adapt their offerings to the needs of the market instead of relying on Federal Reserve support. Municipal and high grade corporate bonds will reflect these trends, as will high grade preferred stocks.

Total offerings of new corporate securities in 1952 are believed to have approximated the all-time record of $10.0 billion established in 1929, the forecast disclosed. However, aside from the lower value of the 1952 dollar, the character of the 1952 offerings differed markedly from those of 1929, in that 69% of the 1929 offerings consisted of stocks and only 31% of bonds and notes, while in 1952 it was the other way around, with bonds and notes accounting for 76% of the offerings and stocks for only 24%.

A moderate decline in offerings of all classes of securities is forecast for 1953. Bond and note offerings are expected to total approximately $7.6 billion, preferred stock offerings are expected to amount to about $770 million, and common stock offerings are estimated at about $1.3 billion—for a grand total of $9.7 billion.

ANNUAL PAYMENTS of American industry into retirement funds now total $2.2 billion a year and constitute one of the largest and fastest growing investment markets in the country, Rawson Lloyd, Vice-President of the $238 million Wellington Fund, estimated in his recently completed study of pensions and profit sharing plans.

The study, made to assist employers in the establishment of retirement funds, places the number of such plans presently in operation at 18,000 and adds that new plans are being filed at the rate of more than 300 a month.

Employers, Mr. Lloyd found, now set aside about $1.2 billion in trusteed retirement funds and an additional $1 billion in insured plans every year. The Wellington executive estimated that trusteed funds now total between $8 and $10 billion and are growing rapidly from substantial annual contributions and establishment of new plans.

He attributed the growth of retirement funds in part to the fact that many companies are able to set up such plans so that a major part of the cost is offset through tax savings. "Many firms have taken advantage of this opportunity," he pointed out, "to establish some kind of retirement plan for their employees. And," he added, "the list is growing." "In fact," he continued, "with income taxes and the cost of living so high and the return on savings so low, a company plan is sometimes the only way many can put aside enough for their old age."

The study makes the point that most progressive companies can be expected to establish some form of retirement plan for their employees within the next few years. "The competition for workers," Mr. Lloyd says, "and the large tax savings available to the companies and their employees under present high income taxes are compelling reasons for the smaller companies to follow the big companies in providing for their employees."

His study goes on to analyze the advantages to both employer and employee of retirement plans based on profit sharing. Stressed particularly are the tax savings available not only to business, but to employees as well, under such plans.

MASSACHUSETTS Investors Growth Stock Fund, in its 20th annual report for the year ended Nov. 30, 1952, shows total net assets of $40,904,324 with 2,288,168 shares outstanding, compared with $32,155,326 and 1,846,368 shares outstanding for the preceding year—a gain of $8,748,988 and 441,800 shares. Net assets per share at the year end amounted to $17.88, exclusive of a capital gains distribution of 35 cents per share, compared with $17.42 for 1951. The Fund has 15,742 stockholders, a gain of 3,651 over last year. All the 1952 figures represent new high points in the Fund's history.

During the year, the Fund paid four quarterly dividends from income totaling 52 cents per share and a special distribution of 35 cents in November from net gains on the sale of securities. Operating expenses of the Fund for the fiscal year amounted to approximately one half of one per cent of average net assets.

Purchases and sales of securities during the year totalled $11,762,314 and $3,105,403 respectively. The report shows that at the year end, the Fund owned stocks of 52 different companies in 14 different types of industries representing 93.8% of net assets. Investment classified by industries and percentage of assets were as follows:

Oils 21%; chemicals 10.2%; natural gas 9.6%; electrical and electronics 8.5%; pulp and paper 6.5%; aluminum 6.6%; drugs and medical 6%; containers and packaging 4.4%; synthetic fibres 4.4%; machinery 3.4%; insurance 3.3%; construction materials 2.6%; office equipment 2.3%; miscellaneous 4.9%.

Among the purchases and sales of the Fund for the fourth quarter ended Nov. 30, 1952 were:

PURCHASES

Company	Bought	Now Owns
Amerada Petro. Corp.	400	9,400
Amer. Viscose Corp.	4,000	12,000
Dow Chemical	627	32,761
Int. Cellucotton Products	15,000	15,000
Motorola, Inc.	900	12,500
Philco Corp.	20,000	20,000
Seaboard Oil Co. of Del.	2,000	17,000
Skelly Oil Co.	1,000	18,000

SALES

Company	Sold	Now Owns
Amer. Hos. Supply Corp.	10,000	--
Merck & Co., Inc.	400	29,600
Northern Nat. Gas Co.	1,200	15,000
Rayonier Inc.	2,000	40,000
Scott Paper Co., incl. rts.	8,000	--
Sears, Roebuck & Co.	6,200	--
Western Natural Gas Co.	3,000	30,000

BULLOCK FUND, Ltd., reports total net assets on Nov. 30, 1952, the company's fiscal year-end, were $14,699,797 compared with $12,451,602 a year earlier. Net asset value per share of $24.30 was reported, compared with $23.11 on Nov. 30, 1951. Both assets and share value were at record highs for the end of any reporting period.

The report to shareholders took notice of the company's completion of 20 years of operations, during which it has paid more than $3,600,000 in dividends from net investment income and distributed more than $2,200,000 from net profits on sales of securities.

President Hugh Bullock told stockholders: "Psychology is one of the principal sources of economic behavior. Confidence in the future, stemming from a constructive and congenial political environment, can produce unexpectedly favorable consequences

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Fund Managers Work on Forecast

This was the final meeting of the Economics and Investment Staff and of the consulting economists of National Securities & Research Corporation, held in New York to arrive at conclusions for the 1953 Forecast. Seated around the table starting from the left are: John A. Munro, Vice-President and Chairman of the Investment Committee; Dr. Max Winkler, consulting economist; Frank Davis Newbury, consultant on business forecasting; Dr. Frederick R. Macaulay, consulting economist; Henry J. Simonson, Jr., President and Chairman of the Policy Committee; Victor F. Morris, assistant to the manager, Industrial Division; Dr. Andrew A. Bock, co-manager, Industrial Division; Anthony Osborne Leach, Manager, Railroad Division. Robert T. Shadoan, Manager of the Public Utility Division, was absent.

Bankers Expect Continued High Business Level in the First Half of New Year

Fred F. Florence, Chairman of Credit Policy Commission of ABA, reports a feeling of optimism and confidence prevails, but calls for alertness and caution in preparing for changes in government policies and economic trends.

According to results of a semi-annual survey on the outlook and condition of business made by the Credit Policy Commission of the American Bankers Association, bankers from all sections of the United States expect no material change in the present high level of business activity during the first six months of 1953. Fred F. Florence, Chairman of the Commission and President of the Republic National Bank of Dallas, Dallas, Texas, reports: "A feeling of optimism and confidence in the future prevails. Bankers anticipate constructive adjustments by the new Administration in the interests of the economy. It is recognized that some industries, because of overexpansion, may be more affected by such adjustments than others."

Fred F. Florence

Mr. Florence warned however, that "The first six months of 1953 should be marked by unusual alertness and caution on the part of businessmen in preparing for changes in governmental, foreign, and domestic policies, and economic trends affecting their operations. Generally, however, a continuation of the present level of business activity, principally supported by defense spending, is expected."

The survey was made among banks representative of all sizes of communities and business environment to obtain the opinion of bankers as to the existing conditions and future trends affecting the extension of bank credit. The detailed information obtained from participating banks will be the basis for discussions at the National Credit Conference to be held under the auspices of the Commission in Chicago, January 26-28.

During the first six months of 1953, bankers expect that competition will be tremendously increased. The possibility of the stretching out of defense orders will force some business classifications with enlarged productive capacity to seek new civilian markets for their products. However, bankers report that inventories of manufacturers, wholesalers and retailers generally are in balance at this time; and there are indications of understocking in some areas. This is particularly true of steel stocks which were consumed during the work stoppage of the summer and which have not as yet been replaced. Inventories in other lines held by wholesalers and retailers have been worked down due to the general belief that sufficient supplies are available.

It is the opinion of the majority of bankers responding to the survey that there will be some decrease in housing construction during the first six months of 1953; and in some areas a saturation point is being reached on residential housing. The majority of those reporting forecast a decrease in construction other than housing. This is predicated on the belief that the defense production expansion program is nearing completion. However, the overall decline in construction will be offset in part in some cases by such developments as the steel mills and industrial plants building in the Philadelphia area and the atomic energy program in Southern Ohio.

A divided opinion among bankers exists as to what change, if any, will take place in the volume of bank loans during the first six months of 1953. Approximately 30% of those reporting believe that there will be an increase in bank lending while the same percentage anticipates a decline. About 40% see no appreciable change in volume. Factors taken into consideration for an expected increase in bank loans were continuing expenditures already committed in the defense program, the accelerated increase in tax payments under the Mills tax provision, a continuing increase in consumer credit outstanding, and unfavorable weather conditions in certain areas which will necessitate larger credit requirements by farmers.

Bankers who anticipate a decline in credit outstanding report that recent borrowings have been seasonal and will be liquidated shortly after the first of the year. Much recent financing has been for the processing and movement of crops to market and the normal build-up of inventories by stores for the Christmas season.

The great majority of bankers participating in the survey believe there will be no appreciable change in the average interest rates unless the prime rate advances in New York. About 12% of the bankers, however, anticipate some firming of rates because of the apparent need for upgrading rates in some cases. However, most bankers believe that rates during the past year were realistically adjusted upward, and that the higher expenses of banks require earnings to be maintained at approximately present levels. Most of the bankers believe that business management has brought inventories into better balance and better relationship to their orders during the past year.

Geo. Marshall With Smith, Moore & Co.

ST. LOUIS, Mo.—As of the first of the year George Marshall will become associated with Smith, Moore & Co., 509 Olive Street, members of the New York Stock Exchange. Mr. Marshall had been with A. G. Edwards & Sons until recently. Prior to June, 1948, he spent many years with the Mississippi Valley Trust Co., serving in the Trust and Investment Departments, where he acted in the capacity of a security Analyst and later as an Account Manager.

During World War II, Mr. Marshall served as an officer in the United States Navy, finishing as Executive Officer on an Attack Transport in the Pacific. He was discharged with the rank of Lieutenant Commander. He is a member of the St. Louis University Alumni Association and the Advertising Club of St. Louis.

M. P. Cook With Green, Ellis Co.

PITTSBURGH, Pa.—M. Pierce Cook is now associated with Green, Ellis & Anderson, members of the New York Stock Exchange, Commonwealth Building.

Mr. Cook has been in the investment business for many years.

Continued from page 3

Competition in Investment Banking

tion of the Sherman Act. Three years later, in November, 1950, the trial began.

Justice has now (December, 1952) concluded the presentation of evidence to support its charges. The record to date includes 18,600 pages of testimony and lawyers' argument and 24 volumes of exhibits relating to some 40,000 pieces of financing. It occupies about 14 feet of book shelving. I can necessarily give you only the high lights.

The evidence introduced was primarily documentary in character. The major live witness called by the prosecution was Mr. Harry Stuart of the non-defendant banking firm of Halsey, Stuart & Co., Inc. He was on the stand for four months.

Mr. Stuart's testimony brought out that—

(1) Halsey, Stuart did a larger share of the underwriting business than any of the defendants, and in fact more than 10 of them put together;

(2) the government witness's firm conducted its business along lines similar to that of the defendants;

(3) Halsey, Stuart & Co. competed vigorously and effectively for corporate bond underwriting business.

Early in the trial, Judge Medina, of Communist trial fame, declared that Justice's objections to the lobbying activities of the bankers and the IBA constituted an unwarranted interference with the right of free speech and dismissed the charges as to the IBA.

Medina also declared that whatever might have been the historical situation the conspiracy must be proved as of a time subsequent to 1935 and limited the introduction of evidence and exhibits accordingly.

III
The Charge of Conspiracy and Monopolization

The gravamen of the complaint is that there is an unwritten code of ethics, a custom, a pattern or mode of operation which when viewed in its entirety amounts to and has the effect of restraining active competition in the investment banking business and of monopolizing said business. It is contended that there is a "conscious parellelism of action" which amounts to a conspiracy as that term has been broadened by recent anti-trust cases.

This conspiracy centers around three main practices or concepts:

(1) The traditional banker for an issuer;

(2) The entitlement to a historical position in an underwriting syndicate; and,

(3) Reciprocity in underwriting participation among the defendants.

(a) **The Traditional Banker Concept:** The "traditional banker" concept is a charge that there is a code of ethics, or observed custom with the force of such, which restrains bankers from trying to get business when another banker has once managed an issue for that corporation. Other bankers were not to, and did not try to, interfere with the "established relationship" of the traditional banker by trying to "poach on his preserve" or his "proprietary rights" by competing for the business. The unique aspect about this code is that the restraint is not so much on others as it is a self-imposed restraint not to compete.

The evidence to support this charge consists primarily of tabulations of the financing of issuing corporations which showed that there had been no change in the managing underwriter over a long period of time. These lists were supported by fragmentary statements, office memoranda, letters, and depositions to the effect that it was the practice to recognize the claim of the traditional banker to the leadership of the account.

(b) **The Insistence on a "Historical Syndicate Position":** Closely related to the concept of the traditional banker is the practice of participants in past syndicate accounts to insist on their "historical position" being maintained in any future underwriting business from the same issuer. Once a banker has a "position" in an "account" which has distributed some securities he has a "right" thereafter to participate in any future distribution of securities from that issuer and to the same relative position of importance in that syndicate account. It is contended that the maintenance of historical position is a regular practice in the trade and, secondly, that once historical position is recognized, others are effectively prevented from competing or getting access to the business. A manager cannot take in all who may want to join.

The solution, of course, is in the formation of another syndicate account which can compete for the business. But the practice of recognizing a traditional banker, to the extent followed, would bar the formation of another group to seek the new business. It is further contended that managers stifle competition through overly large syndicates or by buying-off potential competition with large participations or co-managerships.

(c) **The Discipline of Reciprocity:** A third major part of the pattern of activities alleged to have the effect of lessening competition is the practice of reciprocating underwriting participations among the defendants. Reciprocity derives from recognition of a mutual obligation to exchange participations with one another in the buying groups which they respectively manage. As in the case of adherence to the concept of historical position, this practice of reciprocity reduces incentive among defendant firms to compete for managerships of buying groups. It also has an exclusionary effect on nondefendant bankers since these participations are largely filled from among their own membership. In effect, reciprocity develops an exclusive private club to which admittance is difficult.

It is alleged that the three parts of the code or triple concept all work together to form an integrated operation, the result of which is to prevent or make exceedingly difficult the entry of other firms to compete for the business. Recognition of a traditional banker, the maintenance of the historical position of others in the syndicate account and the discipline of reciprocity, makes a very tight situation effectively preventing entry or access.

Judge Medina has stated that the "triple concept" is the heart of the case. The government must prove the existence of the practices, and secondly that these practices result in preventing active competition among Club 17 or in preventing outsiders from entering or getting access to the business. Failing to substantiate the triple concept and the code of self restraint it represents, the conspiracy case falls.

This is a conspiracy under the enlarged concept of the term. Conspiracy is spelled out, say the government, from "conscious parallel action," a "common course of action" or a similar behavior pattern. Such was the case of so-called independent cement producers who, using common basing points and the trade association freight manual, reached identical bid prices on government orders despite varying production costs. Counsel has frequently declared that the government is not attacking the syndicate method of doing business as being illegal *per se* but only the abuses of the syndicate method.

It is unwise to pass on the merits of an issue until all the evidence is in and it is considered bad form to comment on a case while it is under consideration as being an attempt to influence the Court. But it does seem in order to summarize some of the arguments of the defense with respect to the triple concept, as follows:

(1) It is only natural for the so-called traditional banker to try to maintain a business connection once he has established it. It is much easier to keep old customers than to try to attract new ones. Other bankers know it is extremely difficult to attract a customer when he has satisfactory relationships elsewhere. Therefore he may be quite satisfied with only a participation.

(2) In rebutting the implications of keeping a syndicate group intact over a period of time it is said that it is only natural that associates who have done business successfully would want to continue to work together as an effective team when future financing arises. This is particularly true when there is considerable risk to be shared and each must rely on the others' ability and judgment. Thus groups or accounts may stay together for many years.

(3) The sharing of participations is inherent and necessary in the syndication and distribution of large issues. The syndication of securities as a joint venture is only a modified partnership and it is only natural that these managers will expect reciprocity in the form of business returned for underwriting participations extended. Business is not a one-way street. There is nothing questionable or shady in this everyday normal practice. Maintenance of Syndicate accounts and reciprocity take place under competitive bidding, too.

The government does not rely on any single bit of evidence but asserts that a study of the massive number of exhibits introduced will show an overall mosaic or pattern of a common course of action from which is spelled out the conspiracy to restrain trade.

Conclusions on the Conspiracy Charge

The character of the government's evidence does seem rather intangible, subtle, vague, circumstantial and inferential, often hearsay in nature. This is not a firm foundation for a solid finding of fact upon which to promulgate a decree to govern the future.

Such an intangible and subtle situation needs informed judgment and quicker execution. The length of this trial, as in many other anti-trust cases, shows how inadequate the judicial process is to attain a desired economic result. A continuing administrative supervision under some sort of statutory directive would be better adapted to achieving the desired economic result.

It should be noted that there is a vast amount of difference between a judicial finding under a general statute which must be supported by a preponderance of evidence that competition was un-

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Competition in Investment Banking

reasonably restrained and a situation where a positive administrative determination must be made quickly, pursuant to a detailed statute that "competitive conditions were maintained" in a particular transaction. It was because of the subleties of the latter that the SEC in 1941 promulgated Rule U-50 requiring public sealed bidding to assist it in carrying out its statutory directive under the Holding Company Act of 1935.

Reference need only be made to the Dayton Power & Light case to demonstrate these difficulties. (See 8 SEC 950 [1941]; affirmed, Morgan Stanley & Co., Inc., v. SEC, 126 F. 2d 325 [1942].)

What is really disturbing, assuming the government sustains its conspiracy charge, is that it will rest on evidence which is preponderantly more than ten years old and on a set of conditions which do not exist today. Revolutionary changes have taken place in the capital market and in underwriting techniques during the past decade, such as the growth of internal financing, private placements, competitive bidding, issuance of convertible bonds and other rights financing without an underwriting.

These have so narrowed the field by excluding the bankers or by sharpening competition that the area left to monopolize is almost negligible. In fact, competition for the little business left is extremely intense and the profits obtained certainly not monopolistic in character or amount. A decree based on prewar data would be irrelevant to the postwar economy.

IV

Analysis of the Charges of Price Fixing in Security Syndication

(a) Price Practices in Security Distribution: One of the chief offenses charged in the complaint is that the defendant bankers have by agreement and concert of action engaged in the restrictive practice of fixing uniform and non-competitive price structures for the securities they merchandise, as follows:

(1) Underwriters in buying groups agree among themselves upon a uniform, non-competitive price which each of them will severally pay for its proportionate share of a particular security purchased;

(2) The buying group fixes uniform, non-competitive public offering prices which are applicable to all retail sales by all underwriters and security dealers, and agree to adhere to them for the life of the syndicate;

(3) A uniform, non-competitive concession from the public offering price is fixed for wholesaler sales to selling group members; and,

(4) The manager often engages in market price stabilization to maintain the public offering price during syndication.

These well-known and long practiced customs DJ now condemns as a restraint on price competition. The government says they do not attack the syndicate method of distribution but they are after the abuses of the syndicate method. These price fixing charges are similar to those asserted by DJ in its intervention in the SEC review of the NASD disciplinary proceedings involving price cutters in the PSI bond underwriting headed by Halsey, Stuart & Co., Inc. in 1939. But it is contended that illegal price restraining activities in the purchase and distribution of securities through the syndicate are practiced apart from the overall conspiracy to monopolize the securities business.

Government counsel have moved to amend the complaint to make price fixing charges apart from the conspiracy a major issue of the case. The court has denied the motion to amend and the government has moved for a reconsideration, saying it is to the advantage of all parties to have a ruling on the merits to eliminate uncertainty as to the legality of this syndicate practice.

(b) Legal Aspects of Pricing Practices: It is now a settled rule of law that price fixing and restraints on price competition are illegal *per se*. This means that no question as to the reasonableness of prices can be raised. This rule stems from the fact that the judicial process is not set up to make such determinations of reasonableness.

Because of the sharpness of the law eliminating reasonableness as a consideration and making price fixing an illegal act *per se*, and the factual definiteness with which price fixing can usually be determined as contrasted with conspiracy, the price fixing charge is the one most feared by counsel for the defendants.

Without exploring the legal technicalities of the law of price fixing it seems that Justice's charges that syndicate distribution practices constitute illegal price fixing are not founded in a correct interpretation of the factual situation. Under the Standard Oil case of 1911, the Sherman Act does not condemn all restraints but only those which are unreasonable. In 1918 an unanimous Supreme Court upheld the Chicago Board of Trade rule prohibiting members from purchasing or offering to purchase grain between sessions of the Board at a price other than the closing bid at the previous official trading hours. Brandeis' opinion reasoned as follows:

"But the legality of an agreement or regulation cannot be determined by so simple a test as whether it restrains competition. Every agreement concerning trade, every regulation of trade, restrains. To bind, to restrain, is of their very essence. The true test of legality is whether restraint imposed is such as merely regulates and perhaps thereby promotes competition or whether it is such as may suppress or even destroy competition. To determine that question the court must ordinarily consider the facts peculiar to the business to which the restraint is applied; its condition before and after the restraint was imposed; the nature of the restraint, and its effect, actual or probable. The history of the restraint, the evil believed to exist, the reason for adopting the particular remedy, the purpose or end sought to be attained, are all relevant facts."

The government's position is a twisting of the factual situation to get an artificial result on purely formal grounds and not the economic substance of the case. The fact that issue purchases are now several and not joint as they used to be before the bond transfer tax enacted in 1932 or the Securities Act of 1933 is a mere legalistic technicality to meet a non-related situation and is devoid of economic significance with respect to syndicate sales and distribution of securities. Essentially an underwriting syndicate is a group of people combined into a joint venture or common undertaking for the accomplishment of a single unified legitimate purpose — that of purchasing, bearing the risk and distributing securities to investors.

As the SEC said in the PSI case:

". . . the syndicate does not represent a coming together of heretofore independent competitors for the purpose of lessening competition among themselves. . . . The practice of combining to purchase and sell securities at agreed prices is not merely an arbitrary outgrowth of tradition or a conscious attempt to avoid competition, but arises in large part from conditions and needs peculiar to the business of raising capital." (19 SEC 424 at 456-1945)

"Also, in view of the fixed price paid to the issuer and the relatively narrow spread between that and the public offering price, it is an essential element of a successful distribution that the members receive a price at or very close to the public offering price. For this purpose, it will be observed, some price-maintenance devices may be necessary to counteract the selling pressure placed on the market by the distribution itself. . . ." (19 SEC 424 at 457)

The SEC summarized its views on the application of the anti-trust laws to the securities field as follows:

". . . The mere making of agreement containing provisions for a fixed offering price, price maintenance and stabilization is not *per se* unlawful. But, like many other contracts, these may be entered into and performed under circumstances that amount to an unlawful suppression of competition. We have already noted certain factors by which the lawfulness of the syndicate may be judged. Among these are: the size of the group in relation to the size of the issue, the suppression of competition in bidding or negotiating for business, and the duration of a syndicate dictated by manager and major underwriters." (19 SEC 424 at 464)

SEC Commissioner Healy, in a separate opinion, stated that for underwriters, engaged in a common undertaking to distribute securities, to agree to observe a public offering price and "not to cut that offering price during a reasonable period of initial distribution does not to me appear to be price-fixing or reseale price maintenance as those terms are used in the cases under the Sherman Act." Having combined for a legitimate purpose, "it was proper for each quasi-partner to agree not to cut his other partners' throats." In fact, it should be noted that the Securities Act and the regulations promulgated thereunder require that the underwriters state the proposed price at which the securities are to be publicly offered.

Economic Conclusions on Syndicate Pricing Practices

The objects of the anti-trust laws are to help eliminate impediments to desirable economic action, not to raise them. Government's witness Stuart, testified that it is necessary to have a fixed public offering price to facilitate high speed distribution. Congress required in Appendix A of the Securities Act that the public offering price be stated. It is noteworthy that the Federal government practices price stabilization and even "pegging" of the outstanding marketable government bonds—the world's most stable security. The SEC pursuant to Congressional authority permits limited price stabilization. Everyone has been well aware of these syndication practices since the passage of the Securities Act of 1933 and the Pecora Investigation of Stock Exchange Practices of over 20 years ago. In all the New Deal investigations and Congressional hearings on securities legislation no one has complained of fixed public offering prices or other well known pricing practices of syndicates as an evil. Suddenly it was found to be an evil by DJ. The charge of price fixing is essentially a straw man.

Should a judicial determination be made that current syndicate distribution practices are a restraint of price competition and therefore illegal it will have the result of increasing the syndicate selling period and consequently the risks to which underwriting capital is exposed. Prices to issuers will be lower and underwriting spreads will be necessarily increased on account of the increased risk. This will have the undesirable economic effect of increasing the cost of raising capital —a necessary process which is to be aided and not hindered by the administration of the anti-trust laws. The government should not push for a legal victory regardless of its impact on industry. Law should be responsive and adaptable to the economic and social needs of the people. Surely action which comes to an unsound result has, somewhere along the line, jumped the track. The financial community should not be whipsawed by legal opportunism.

IV

Competitive Forces in Investment Banking Today

(a) Replacement of Market Financing by Internal Financing: Let us now take a look at the competitive forces operating in the postwar economy. There are those which compete with the investment banking function as a fund raising intermediary and those which make for increased competition among the bankers themselves.

As a result of action of regulatory authorities, changes in savings habits, and corporate policies the capital market has undergone a revolution during the past decade with a result that DJ's thinking and prayer for relief is inapplicable to today's conditions.

The investment banking function during the past decade has been subjected to terrific competition which has competed the bankers right out of a large part of the business. No competition can be more severe than that which eliminates one from the economic scene.

First, the growth of internal financing, resulting in substantial independence of the capital market, has taken away a large part of the business of fund raising which formerly the bankers enjoyed. Department of Commerce and SEC figures show that of the $180 billion of corporate capital expansion which took place in the postwar expansion of industry (1946-1951 inclusive) retained earnings financed 35%, while depreciation furnished another 22%, or a total of 57% from internal sources. It is well known that some of our large industrial corporations have expanded enormously during the past decade but have not publicly sold any stock in over a generation, for example, du Pont.

The same sources show that net new capital raised through the securities market amounted to $26.8 billion or a mere 15% of the postwar capital requirements. This amount breaks down as follows:

Bonds	$17.5 billion or	10%
Stocks	9.3 billion or	5%

The balance is accounted for by increases in mortgages, term loans, trade payables and tax liabilities. Certainly when industry has alternative methods of raising its required funds investment bankers can exercise no effective monopolistic control of the securities business. Their services are not required or are pre-empted from 85% of the current capital raising of industry. Such a situation is just the reverse of that in the aluminum monopoly case where Alcoa controlled 90% of the market. Here the investment banker is being ruthlessly supplanted by competitive forces in today's dynamic postwar capital market.

(b) Competition from Direct Financing by Institutions: A second major factor displacing the investment banking function and therefore acting as a vigorous competitor is the phenomenal growth of direct placements of corporate securities with savings institutions during the past ten years. During 1946-1951 $40.7 billions of corporate securities were issued and $15.8 billion or 37% were placed directly. $15.4 billion or 49% of all bonds were privately placed, 85% of which went to the life insurance companies.

The concurrent growth of equipment financing through conditional sales contracts, sale and leaseback arrangements, mortgages, and term loans, are smaller but important factors in restricting the investment bankers' intermediary function and activities. No competition can be more severe.

The competitive effect or impact of private placements of bonds is felt not only in the $15 billion of loans made directly by the insurance companies but also by its impact on the general market. The availability of such a fund of capital just around the corner has forced a reduction of gross underwriting spreads and on occasion has reduced the bankers to functioning as order takers without much risk taking or selling activities, particularly when bankers put in an agency bid.

It should not be lost sight of, however, that in about half of the bond issues placed privately investment bankers were used as intermediaries or agents for the issuing corporation.

SEC figures show that for this, they received nearly $6,000,000 in 1950. Fees ranged from 20 cents to $1.70 per $100 of proceeds, depending on the size and quality of the issue, averaging about 85 cents. Fees for the placement of equity securities were higher.

It was reported in Congressional hearings that Dillon Read & Co. received $370,000 for its work in placing $50,000,000 of Texas Gas Transmission Company bonds.

As an example of the existence of powerful forces competing with the investment bankers, we note that Union Carbide and Carbon recently secured a commitment from several institutions for a $300,000,000 financing to cover a hundred years. Institutions are invading the usual competitive municipal field. For example, they financed directly the New Jersey Turnpike with $300,000,000. On the other hand, bankers can give a good account of themselves when they have the opportunity. When the Federal Power Commission refused to permit the Duke Power Co. to place its bonds privately in 1949 the bankers bid such a price and coupon that the utility saved $2,500,000.

It is interesting to note that government regulation has resulted in restricting freedom of entry and reducing competition. By PSB regulations many utilities are kept out of the direct placement market, and by limiting the size of what is a "private offering" smaller institutions are often unable to participate in "private deals." This compartmentation of the market reduces the competition among investors and borrowers.

(c) The Impact of Public Sealed Bidding on Investment Bankers: The adoption of Rule U-50 in 1941 by the SEC requiring competitive bidding for utility securities under the Holding Company Act of 1935, and a similar rule for railroad bonds by the ICC in 1944, followed by the FPC and several state commissions has had a double impact on the investment banking business. First, it has helped to preserve for the bankers their traditional function as intermediaries in the capital market.

Without compulsory public offerings of these securities the market for rail and utility bonds probably would have been pre-empted by the life insurance companies through direct placement. The bankers would have been almost completely out of the bank rated bond business. Despite complaints by the bankers about compulsory bidding it has been a partial blessing in disguise.

The second impact of compulsory sealed bidding is that after the elimination of direct placements it has almost preempted the remaining high grade bond business and resulted in a most active, even cutthroat competition for business. That competition is genuine and severe one only needs to watch the results of public sealed bidding for a few days.

An analysis of the bidding over the past decade will show:

(1) Active competition for rail and utility bond issues as demonstrated by the number of syndicates submitting bids. In only a few cases out of the 1,100 issues for which bids were invited have there been less than two bids. In the case of the Madison Gas & Electric bond financing in 1946, 14 bids were received with an interest cost to the utility of 2.41%.

(2) An analysis of the "cover" or the spread between the high bid and the next bidder shows the bidding to be extremely close and occasionally identical. This is indeed a good measure of the perfection of the capital market. There have, of course, been misjudgments of the market which have caused losses which were considerable in relation to the anticipated gross underwriting spread. For example, Halsey Stuart had to cut the price over seven points or approximately 30 basis points to clean up the inventory of Southern California Edison bonds which were brought out late in February, 1951 when the Federal Reserve unpegged the bond market.

(3) There has been no hint of any collusion or conspiracy in all of the government's evidence as to the submission of non-competing or identical bids as occurred so frequently in the basing point cases.

(4) An analysis of the gross underwriting spread and its division among the manager, the underwriters, and the dealers in relation to the expenses of operation, the risk of loss, and an adequate return on capital tied up will show that the bankers' profits are barely compensatory. At times the bidding may even be termed "cutthroat" in the sense of doing business for less than it costs, particularly if an adequate allowance is made for overhead expenses.

(5) Public sealed bidding definitely negatives the existence of monopoly in two ways. There is no control, first over getting and keeping the business; and, secondly, over the gross profit margin. Control over business and profits must be shown to demonstrate the existence of any substantial or significant degree of monopoly.

(6) On occasion, insurance companies have bid and won an entire issue. They have, however, been reluctant to take any action which would force the yield any lower than it was on corporate obligations, such as "reaching" for an issue.

Statistics from the ICC and the SEC indicate that 99% of the rail bonds are sold by public sealed bidding; that 45% of utility bonds are sold by PSB and 40% are placed directly; and that 90% of industrial bonds are sold directly to institutions. It is readily seen that less than 10% of all corporate bonds issued during the past six years have been negotiated through investment bankers. Indeed 4% of the total bonds, or about $1.5 billion have been publicly offered via rights without the assistance of any investment banker, as witness the ATT convertibles sold by subscription. Thus it is readily seen that the possible area of conspiracy to restrain trade or to monopolize the securities business is very small indeed. The possibility of any monopolization or restraints is reduced to the vanishing point when it is remembered that the sealed bidding is continuously setting a competitive norm of price and spread and that the alternative of direct placement always lurks around the corner as a threatening substitute for bankers who may get out of line.

It is well known that some firms have been reluctant to bid and no judicial decree can force them to do so. But that does not change the overall result that there is intense competition in today's bond market. DJ is behind the times.

(d) **Competitive Forces in the Raising of Equity Capital:** Let us now consider the extent of competition in the raising of capital by the sale of preferred and common stock.

Of the $40 billion of postwar securities, SEC figures show $3.5 billion was raised by preferred stock and $7.4 billion through common stock, a total of $9.5 billion or only 5% of the economy's expansion requirements. These figures do not include increases in equity resulting from conversion of securities which were originally bonds. Any possible monopolization taking place in this small area cannot have a substantial effect on the general economy. Equity capital has, however, more significance than the absolute figures would indicate.

The $7.4 billion of common stock offered 1946-1951 was about evenly divided between offerings to the general public and rights offerings to shareholders. Of the total $7.4 billion, bankers bought and sold to the general public 17%; bankers underwrote rights offerings aggregating 20%; and, publicly offered 30% on a best-efforts basis. Issuers disposed of the remaining 33% without banker aid, mostly by rights offerings to their own shareholders. Although the SEC has not tabulated the data, it is known that a small percent of the total preferred and common stock were offered via PSB. $480,000,000 of stock was disposed of by private placement. Thus, taking this field by itself, it is readily apparent that bankers individually or collectively do not dominate the market though they may hold a given issuer captive by stockholdings or interlocking officers. A particularly interesting fact is the amount of increase in common stock equity which has taken place as the result of the conversion of bonds and some preferred stock. The amount of convertible issues has been huge and the percentage converted substantial. Some of these bonds were underwritten by negotiated or competitive channels, but a surprising amount of equity capital has been raised through the issuance of non-underwritten rights to subscribe to convertible senior issues. ATT, of course, dominates the total with $2.3 billion increase in equity capital consisting of:

$1,500,000,000 converted bonds, principal amount
500,000,000 conversion premium
300,000,000 sale of stock to employees.

Although bankers have been seldom used by the ATT system to help sell their stock, ATT's success in raising equity capital via the convertible bond route is bidding fair to be accepted by others. It has the advantages of little market pressure, some tax deduction, appealing to a wider investor market, low flotation expense, low cost of money before conversion takes place, speculative features of possible capital appreciation coupled with high loan value. This success presages more competition for investment bankers through their displacement and the reduction of the scope of their operations. A spectacular example is Houston Lighting & Power Co. which has twice offered convertible bonds via rights at competitive bidding. In both cases Halsey, Stuart & Co., Inc., a bond house, has paid for the privilege of purchasing the unsubscribed portion which turned out to be very small.

In the straightforward issuance of rights the demand for bankers' services may be quite limited. In 1951, a $22,000,000 offering of common stock on a 2 for 1 basis to the general public was made by the New England Telephone & Telegraph Co. The issue was very successful, the rights being 97% taken-up despite the heavy percentage increase in stock, and the spotty record of the company's earnings and dividends. No bankers were used to solicit the exercise of the warrants.

Postwar, techniques have been worked out by the Columbia Gas System and others to reduce the activities of the bankers. The stock is offered close to the market, but with no underwriting. A small fee is paid to broker-dealers for all the warrants which are exercised through their efforts. This is a best-efforts arrangement modified to fit a rights offering instead of a public offering. This has worked in the case of utilities to get a high subscription price, together with a high percentage of the rights taken-up with a low solicitation expense.

Another dramatic instance of where the bankers were totally displaced was the 1951 common stock financing of American Gas and Electric Co. The management was not satisfied with the price or spread of the two syndicates bidding for $18,000,000 of new common. Bids were rejected and the stock was reoffered directly to shareholders without any dealer aid and at a price close to the market. The AG & E got a 98% take-up. In 1952, AG & E sold $10,000,000 of additional common stock by bidding and got a top price from the three bids submitted with only a small "cover."

It is noteworthy that the Staff of the SEC has been studying the advisability of a rule requiring all companies under the Holding Company Act to sell additional shares by the use of pre-emptive rights to prevent possible dilution to old shareholders.

Competitive bidding in the case of utility preferred and common stocks has kept the bankers on their toes for well established companies; even when huge blocks were offered to the public for the first time competitive bidding was quite successful. In June, 1946, a syndicate of 143 members headed by Blyth & Co. beat out the so-called traditional banker, Morgan Stanley & Co. for the 1,530,000 shares of Dayton Power & Light Co., paying the holding company, Columbia Gas & Electric Corp., in excess of $51,000,000 for the issue. Ordinarily the amounts of common stock are more modest in size and offered to an established market.

Where competitive bidding has not worked well there is frequently some artifical restriction which limits the bidding. For example, the very first issue of preferred stock to be offered pursuant to Rule U-50, that of New York State Electric & Gas Co. in 1941, specified a price of par or better for a $5.00 dividend rate. No bids were submitted. Six weeks later when the price restriction was removed bids giving a money cost of 5.07% and 5.122% were received for the $12,000,000 issue, a rather sizable block.

An intriguing and important question which I raise for discussion is the question: What kind of competition among bankers is possible and desirable in the case of new promotions? In small local untried corporations it is usually impossible to get much banker sponsorship, let alone competition of two or more, if that is desirable. It is well known from SEC studies that the cost of raising equity capital for new enterprises is extremely expensive, often absorbing 25% of the proceeds put up by the public.

I merely suggest as food for thought what kind of competition would we like to have in some of the larger well known postwar promotions such as Texas Eastern Transmission (Big Inch); Transcontinental Gas Pipeline; Cinerama; Glen McCarthy Oil; Kaiser Steel; Kaiser-Frazer; and least, and we hope last, Tucker Corp.

Summarizing the monopolistic restraint possibilities in the stock field we find, first that there is none in the railroads since no stock is being sold. In the utility field there is pretty close supervision over the issuance of securities in a large area. Where state control is weak the utility is protected against possible exploitation since they have a competitive market as a guide.

In the industrial field the public interest is not quite so prominent. But here, if the management is strong, they can resist possible traditional banker pressures and shop around. They also have several alternatives for raising funds —retained earnings, private placement, sale of common stock to the public or an offering of rights to shareholders. The existence of workable alternatives is valuable to prevent monopolistic exploitation. At times RFC funds have been available for weak companies as a competitive substitute for reluctant bankers.

VI
Summary and Conclusions

(1) The crux of competition in investment banking is freedom of entry or opportunity to compete for the business. Entry into a business is always difficult because established firms are usually entrenched with customer goodwill. But new firms like Kidder, Peabody; Merrill Lynch, Pierce, Fenner & Beane; and, Halsey Stuart & Co., Inc., do rise to the top while old ones like E. B. Smith; Bonbright & Co.; Kissel, Kinnecutt & Co.; and, Speyer & Co. recede through merger and liquidation.

(2) Department of Justice charges that through a code of ethics or practices embracing the concepts of traditional banker, historical position, and reciprocity, competition is restrained among the several defendants and others are effectively prevented from entering to compete for underwriting business. The industry has yet to put in its rebuttal but they have pointed out that the practices charged are a natural result of the kind of business being done. If the government proves the existence of a restraining conspiracy it will be with evidence originating mostly before 1940. As such, Justice should have prosecuted the case 20 years ago.

(3) Justice also charges that pricing practices of underwriting syndicates amount to a restraint on price competition and therefore are illegal abuses. Defendants say Congress knew of these practices and did not forbid them. Syndication is a combined operation to achieve a desirable economic result. Altering the underwriting machinery will increase the risk, and therefore the cost of flotation to the detriment of issuers and investors who, ultimately, must bear the costs.

(4) Competitive forces in the capital market, both within and from outside of the investment banking business, have shown great growth and vigor during the decade of the 'forties. Revolutionary changes have taken place in the capital market and underwriting techniques during the past decade, such as the growth of internal financing, private placements, competitive bidding, issuance of convertible bonds and other rights financing without an underwriting. These have so narrowed the field by excluding the bankers or by sharpening competition that the area left to monopolize is almost negligible. In fact, competition for the remaining business is extremely intense and the profits obtained certainly not monopolistic in character or amount.

(5) Public sealed bidding has increased competition and established competitive prices and spreads for high quality standard securities of regulated companies. It has terminated the possibility of a traditional banker and his captive company for rails and many utilities. Industrial securities are not suited for this form of sale. Bidding has not had the effect of reducing the concentration in managerships or participations nor in giving the small dealer more business, as was hoped by its sponsors. But concentration due to successful competition for business and that due to monopolistic domination should not be confused.

(6) The suit is based on prewar thinking and conditions. Due to changes nothing significant can come out of it. The relief requested, namely, that the major defendants be enjoined from working together, is unrealistic in that there is not enough underwriting capital in the business to carry large issues if they do not combine forces in syndicates.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following changes:

Carstairs & Co. has been dissolved, effective Dec. 31.

John S. Billingslea, general partner in Francis I. du Pont & Co., will become a limited partner, effective Jan. 1.

C. Kenneth Smith and William T. Maddox, Jr. will withdraw from partnership in W. E. Hutton & Co. Dec. 31.

John F. Wark, general partner in Merrill Lynch, Pierce, Fenner & Beane, became a limited partner Dec. 31. Earl W. English and Winthrop H. Smith, general partners, also became limited partners on the same date, when William W. Woods, limited partner, retired from the firm.

I. Tucker Burr, Jr., general partner in Tucker, Anthony & Co., became a limited partner Dec. 31.

Trustees under the trust indenture dated Dec. 13, 1944, will be admitted to limited partnership in Salomon Bros. & Hutzler, Jan. 1.

W. R. Biggs Opens

MUSKOGEE, Okla.—William R. Biggs has opened offices at 515 West Broadway to engage in the securities business. Mr. Biggs was formerly connected with Small-Milburn Company and Looper & Co.

R. W. Porter Opens

CARTHAGE, Tex.—R. W. Porter is engaging in a securities business from offices at 500 West Panola Street.

Barrett Brokerage Formed

SHERMAN, Tex.—The Barrett Brokerage Co. has been formed with offices at 127 East Wall St.

Continued from first page

No New Business Boom in '53

However, I want to make it clear that "all bets are off" the day Stalin dies or retires.

The H-bomb gives us another lease on time. Our first lease, from Hiroshima in 1945, to the Russian A-bomb explosion in 1949, was frittered away in idle bickering. This time we will have another "breather." It may be our last chance.

1953 will be most important in the struggle for World Peace. We will need more than an H-bomb to win the peace. We shall need a great rise of spiritual strength, which is not now evident.

No New Business Boom

The long business boom following World War II was beginning to run out of steam when the Korean War gave it a new lease on life. However, the stimulus of defense spending is already fading. Barring further international troubles, defense activity in 1953 will be a floor under, and not a new stimulus to, business activity.

Capital expansion will move into a readjustment phase sometime in 1953. This has been an outstanding economic force behind our long period of good times. Nevertheless, I do not now anticipate any sharp break in business. If a slide starts it should be gradual, not steep.

Big credit expansion has been a powerful "shot in the arm" for business during the past two years. I predict that in 1953 loan repayments will become more important than new credit advances. This could handicap over-all business unless advertising expenditures are increased.

Under an Eisenhower Administration I do not look for expansion of our money supplies as a result of increased deficit financing. Thus, another stimulating force will be absent next year despite the better confidence following the Eisenhower landslide.

More Conservatism in Government

Although General Eisenhower ran far ahead of his ticket, there has been a considerable gain in the conservative complexion of Congress. The margin in favor of conservatism is not measured by the slight excess of Republicans over Democrats. It results from the fact that several Democrats can be counted in the conservative column. The emphasis will be on purifying Bureaus and Commissions.

All government departments will be at the service of the Republicans after Jan. 20. Never before in the history of the United States has a conservative government had such a powerful bureaucracy at its finger tips. In 1953 we shall see the use of these bureaus to aid rather than handicap business.

Hang Onto Your Job

Unemployment will be no problem for the workers of the nation during the early months of 1953. The demand for and the supply of labor promise to hold in good balance. Later, however, unemployment will increase, reaching its highest point toward the end of the year.

While employment runs high during the first part of the year, strikes will continue to plague management. Unions, however, will be cautious so that they will not bring down on their heads the legislative wrath of a conservative Congress.

During the early months of 1953, amendments to the Taft-Hartley Act will be moderate. Great labor turmoil would surely result in severe restrictions on labor being read into the Act. All in all, I forecast a decline in strike totals for 1953.

Looking to the year 1953, I am urging my friends and their children to work more faithfully at their jobs. They should not be fooled by present high demand for labor. Early 1953 should be used to "dig in" and work harder. Drifters will be the first to be let go.

Price Forecasts

Barring World War III and severe droughts, the supply of most raw materials, farm products, and manufactured goods promises to be adequate during 1953. Even the so-called invisible inventories in the hands of consumers are high as a result of heavy buying since the outbreak of the Korean War. I anticipate few shortages next year.

Do not forget that there is always a big IF in the supply situation with regard to farm products. Severe drought could cause havoc. One is already long overdue. Scan closely weather reports from the nation's "bread basket."

The demand for goods will be stronger in the first half of the year than it will be during the last half. Disposable income will hold close to current high levels during the first half of 1953.

Total pay rolls will hold well, with prospects favoring a slight drop during the late months of 1953.

Farm gross income will strengthen along seasonal lines during the first four or five months of 1953. If we then avoid drought, I look for a lower farm income during the second half of the year.

The trend of wholesale commodity prices will remain in a basic long-term downswing. Look for temporary price recoveries in many groups during the early part of 1953, but do not let them fool you.

Unless more international troubles or drought strike hard, living costs should average some lower in 1953 than in 1952. Here again, the tapering-off will occur late, not early in the year.

Retail Trade

Over-all trade in 1953 will be close to 1952 levels as far as physical volume is concerned, with a moderate decline in dollar totals. The most attractive merchandising investments should be: (1) Supermarket groceries; (2) Variety chains; (3) Mail-order stores; and (4) Department stores, excepting a few in the largest and most congested cities.

Demand for capital goods will hold strong during most of 1953. A definite slowing, however, will take place at some time. 1953 sales of consumer durables should about equal 1952's total sales, which were restricted by the steel strike.

Movement of soft goods during 1953 should be about the same as during 1952. Some freshening of demand in the early months may be offset later by a renewed lull.

Real Estate

Barring World War III, rent controls will be a thing of the past in most areas by the end of 1953.

Home building will be less in 1953. Prices may weaken during the latter part of the year. Building costs should edge lower. Only small new houses will be in demand.

In my opinion, the cost of mortgage money will tend somewhat higher during 1953.

Construction of municipal and public works should rise moderately in 1953 as compared with 1952. This may be stepped up sharply late in the year if business falters. There may be a surplus of tax-free bonds.

A moderate slide-off in the sale of commercial farm properties can be expected. No bad break, however, seems likely in 1953. Fear of World War III, moreover, should help farm prices.

Population trend is away from the big cities. Fear of possible bombing and automobile overcrowding will continue as a drag on city realty values. Continued migration from the urban centers will help suburban properties.

For those who plan buying new homes in 1953, I strongly urge the purchase of acreage in suitable suburban areas. Surely, the H-bomb experiments should quicken the trend toward subsistance farms.

As public housing programs are far behind schedule, the new Congress will not promote such in 1953 unless the need for pump-priming becomes much greater.

Tax Easing Will Be Slight

Tax relief will come mostly from expiration of present laws rather than from a new enlightened tax program. Barring further international problems, the present corporate excess profits tax will be permitted to expire at the end of June, 1953.

If the need for new taxes continues high, after expiration of the excess profits tax, the new Congress may consider additional excise or manufacturers' sales taxes. They may also serve to discourage consumer spending, if the war danger becomes acute.

State and local taxes may be increased moderately here and there during the year 1953. However, I do not look for total advances in such to be so great in 1953 as they were in 1952.

There will be no increase in capital-gains taxes during 1953; but there will be a cushion under falling profits provided by the current very high tax rates. If profits slide, Uncle Sam will share the heavier loss. This very fact, however, will make it difficult for Congress to reduce the rate of taxation. Income taxes may be reduced.

Foreign Trade Outlook

Exports will fall again in 1953. The drop in imports will be much less than in exports. The new Administration will be urged to promote foreign trade instead of foreign aid. Only by buying our neighbors' goods can we get them off the relief rolls. To save ourselves, I predict, we will buy more abroad, although this will be hard on some United States manufacturers.

I look for no change in the official United States buying price for gold. We won't "monkey with" the mint price of gold until the nation gets really "hard up."

Conclusion

For the year as a whole I look for business profits to be slightly lower than in 1952. Earnings will be better during the early months, with a decline occurring later in the year. Profit margins will be cut by stiffer competition from both domestic and foreign sources.

Recently upped wages, plus some additional 1953 boosts, will also put heavier cost pressure on profits.

Some companies that have been hard hit by excess profits taxes may show improved earings when the excess profits tax expires June 30.

Stocks are high historically. We are approaching the end of a long period of prosperity, much of which is based upon artificial measures. Therefore, sometime during 1953 I forecast lower stock prices than exist today.

Yet, do not forget that the stock market was at about the same price point when President Hoover won by a landslide in 1928. With business prospects good for early 1953, confidence might again cause a temporary boom. If an "Eisenhower bull market" develops, I strongly urge readers to take profits and build up reserves. Within 12 months after Hoover entered the White House the Industrial Averages fell 100 points.

New Administration will not favor "soft money" policy. Therefore, some further rise in interest rates seems probable. For this reason, I favor high-grade, short-term bonds, rather than long-term.

Finally: Wise investors are taking no action unless prepared to follow a carefully **planned** and **supervised** investment program. The keystone of this program will, in 1953 as in 1952, prove to be a policy of diversification and selectivity. Among those groups which offer safety and good yield are certain fire insurance stocks, bank stocks, variety chain store stocks, food processing companies, and telephone companies. **Even these may fail us unless our nation has a real spiritual awakening. This must include both you and me.**

Railroad Securities

Bond Financing Expected in New Year

One result of the vast improvement in investment sentiment toward the railroads during the year has been the spurt in bond financing. For the most part these offerings have been for refunding purposes, either to replace higher coupon issues called for redemption or to provide funds for maturing bonds. The biggest operation so far has been that of Illinois Central which called all of its Joint Refunding 4s, 4½s and 5s, 1963 and replaced them with a new $62 million series of the Consolidated Mortgage. Thus, not only did the company accomplish a significant reduction in its interest charges, but, also, it joined that expanding group of carriers having a simplified, one-mortgage, debt structure.

Colorado & Southern was another road that was able to do a comprehensive job, paying off the balance of its RFC loan and calling all of its publicy owned bonds and replacing them with a single $17 million Forth Worth & Denver First Mortgage issue. Other roads joining the parade have been Reading, Detroit & Toledo Shore Line (a company jointly owned by Grand Trunk Western and New York, Chicago & St. Louis), and Southern Railway. In the case of Southern, mortgages of two subsidiaries were sold at competitive bidding. One, the New Orleans Terminal, was to provide, in part, for an impending maturity. The other, New Orleans & Northeastern, was sold to provide part of the funds for the anticipated call for tender of $30 million Development & General 4s, 6s and 6½s, 1956. These bonds, which are not callable, are outstanding at about $65 million.

Based on present indications the railroads new issue market will continue active in the opening months of 1953, although none of the new issues definitely announced at the time of this writing is substantial in size. New York, New Haven & Hartford is the largest so far, with $14 million of Harlem River & Port Chester mortgage bonds to take care of the present outstanding 4s which do not, however, mature until May 1, 1954, and which are not callable. Southern Railway plans to sell the $10 million St. Louis Division bonds now held in its treasury. When these bonds originally matured (January 1, 1951) the company attempted to refund them but received no bids for the competitive offerings.

New York, Chicago & St. Louis also plans to sell $10 million of new bonds, in part to pay off its remaining bank loans and in part to replenish cash. Some observers believe that this operation will bring closer the day when the company will be in a position to increase its dividend closer into line with the $10.00 earning power. Chicago Great Western plans to invite bids for $6 million Collateral Trust bonds. Proceeds, similar to the Nickel Plate offering, will be used in part to pay off $3 million bank loans and in part to build-up working capital. The heavy property rehabilitation program of this road in recent years, and debt retirement, have militated against the building-up of any substantial cash reserves by this company. This rehabilitation program, which included complete dieselization in addition to heavy work on roadway property, is believed to be nearing its end.

The bond financing done during the closing half of 1952, was for the most part notably successful. If the offerings now scheduled for early in 1953, are equally well received by the institutional buyers it is generally considered in financial quarters that some more sizable issues will be forthcoming. It would not be at all surprising, for instance, if the Denver & Rio Grande Western plan for refunding its First Mortgage bonds to eliminate onerous indenture provisions were dusted off and reconsidered. Most analysts also feel that if market conditions permit, Baltimore & Ohio would be only too pleased to get out of the RFC through the medium of a public offering of bonds. These are just two of the most obvious possibilities. There are many more that would have considerable appeal if market conditions remain unchanged, or perhaps even improve further under the stimulus of continued high earnings.

Kelley Beach, V.-P. of Sills, Fairman

CHICAGO, Ill. — Kelley R. Beach has been elected Vice-President in charge of sales of Sills, Fairman & Harris, Incorporated, 209 South La Salle Street, members of the Midwest Stock Exchange, it is announced by D. J. Harris, President.

Mr. Beach has been associated with Sills, Fairman & Harris and its predecessor company, Sills, Minton & Co., for over nine years. During the past 20 years, he has been associated with several LaSalle Street investment banking houses.

Vaughn McKim Opens

(Special to THE FINANCIAL CHRONICLE)

WINTER PARK, Fla.—Vaughn W. McKim has opened office at 737 Maryland Avenue to engage in the securities business.

With Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Henry F. Brock has become affiliated with Goodbody & Co., 45 Forsyth Street, N. W. Mr. Brock was previously with Thomson & McKinnon and Courts & Co.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Jan. 4	106.9	*102.7	107.7	97.3
Equivalent to—					
Steel ingots and castings (net tons)	Jan. 4	2,220,000	*2,133,000	2,180,000	2,021,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Dec. 20	6,610,800	6,561,600	6,662,550	6,205,800
Crude runs to stills—daily average (bbls.)	Dec. 20	†6,928,000	6,715,000	7,076,000	6,545,000
Gasoline output (bbls.)	Dec. 20	23,497,000	23,124,000	23,842,000	21,773,000
Kerosene output (bbls.)	Dec. 20	2,942,000	2,951,000	2,946,000	2,664,000
Distillate fuel oil output (bbls.)	Dec. 20	10,583,000	10,509,000	10,857,000	10,150,000
Residual fuel oil output (bbls.)	Dec. 20	9,134,000	8,978,000	8,885,000	9,017,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 20	131,017,000	129,582,000	123,885,000	128,145,000
Kerosene (bbls.) at	Dec. 20	28,652,000	29,635,000	32,086,000	29,054,000
Distillate fuel oil (bbls.) at	Dec. 20	105,884,000	109,675,000	117,834,000	93,957,000
Residual fuel oil (bbls.) at	Dec. 20	48,504,000	49,081,000	52,081,000	45,914,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Dec. 20	710,358	721,252	810,922	671,362
Revenue freight received from connections (no. of cars)	Dec. 13	667,738	642,022	699,721	668,914
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Dec. 25	$154,502,000	$167,304,000	$203,025,000	$173,495,000
Private construction	Dec. 25	87,365,000	94,744,000	129,149,000	106,654,000
Public construction	Dec. 25	67,137,000	72,560,000	73,876,000	66,841,000
State and municipal	Dec. 25	40,771,000	56,273,000	40,426,000	61,137,000
Federal	Dec. 25	26,366,000	16,287,000	33,450,000	5,704,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Dec. 20	9,800,000	9,950,000	10,425,000	10,732,000
Pennsylvania anthracite (tons)	Dec. 13	760,000	746,000	917,000	961,000
Beehive coke (tons)	Dec. 13	97,200	94,800	81,000	159,300
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Dec. 20	237	*224	134	228
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 27	7,549,730	‡8,280,073	7,701,176	6,921,625
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Dec. 25	91	141	127	163
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Dec. 23	4.376c	4.376c	4.376c	4.131c
Pig iron (per gross ton)	Dec. 23	$55.26	$55.26	$55.26	$52.72
Scrap steel (per gross ton)	Dec. 23	$42.00	$42.00	$42.00	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 24	24.200c	24.200c	24.200c	24.200c
Export refinery at	Dec. 24	34.925c	34.725c	35.075c	27.425c
Straits tin (New York) at	Dec. 24	121.500c	121.500c	121.375c	103.000c
Lead (New York) at	Dec. 24	14.250c	14.000c	14.000c	19.000c
Lead (St. Louis) at	Dec. 24	14.050c	13.800c	13.800c	18.800c
Zinc (East St. Louis) at	Dec. 24	12.500c	12.500c	12.500c	19.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 30	95.72	95.91	96.84	96.36
Average corporate	Dec. 30	109.60	109.60	109.60	108.16
Aaa	Dec. 30	113.50	113.50	113.70	112.37
Aa	Dec. 30	112.00	112.00	112.37	111.62
A	Dec. 30	108.88	108.88	109.06	107.09
Baa	Dec. 30	104.14	104.14	103.80	101.97
Railroad Group	Dec. 30	106.92	106.74	106.74	103.64
Public Utilities Group	Dec. 30	109.42	109.42	109.79	108.34
Industrials Group	Dec. 30	112.37	112.37	112.37	112.75
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Dec. 30	2.80	2.79	2.72	2.75
Average corporate	Dec. 30	3.19	3.19	3.19	3.27
Aaa	Dec. 30	2.98	2.98	2.97	3.04
Aa	Dec. 30	3.06	3.06	3.04	3.08
A	Dec. 30	3.23	3.23	3.22	3.33
Baa	Dec. 30	3.50	3.50	3.52	3.63
Railroad Group	Dec. 30	3.34	3.35	3.35	3.53
Public Utilities Group	Dec. 30	3.20	3.20	3.18	3.26
Industrials Group	Dec. 30	3.04	3.04	3.04	3.02
MOODY'S COMMODITY INDEX	Dec. 30	403.7	407.7	406.1	458.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Dec. 20	178,124	217,081	205,897	153,591
Production (tons)	Dec. 20	242,394	242,647	248,614	203,923
Percentage of activity	Dec. 20	96	97	98	86
Unfilled orders (tons) at end of period	Dec. 20	441,859	519,191	502,963	333,224
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Dec. 26	108.71	108.80	109.24	114.81
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Dec. 13	28,876	29,886	22,637	26,929
Number of shares	Dec. 13	867,325	870,172	648,337	774,374
Dollar value	Dec. 13	$37,618,852	$39,371,197	$26,623,489	$34,369,715
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Dec. 13	32,435	30,235	19,383	24,487
Customers' short sales	Dec. 13	105	101	119	122
Customers' other sales	Dec. 13	32,330	30,134	19,264	24,365
Number of shares—Total sales	Dec. 13	920,904	855,119	543,012	678,350
Customers' short sales	Dec. 13	3,194	3,125	3,949	4,316
Customers' other sales	Dec. 13	917,710	851,994	339,063	674,034
Dollar value	Dec. 13	$36,125,595	$33,911,738	$22,128,328	$27,959,465
Round-lot sales by dealers—					
Number of shares—Total sales	Dec. 13	327,780	276,750	144,590	212,650
Short sales	Dec. 13				
Other sales	Dec. 13	327,780	276,750	144,590	212,650
Round-lot purchases by dealers—					
Number of shares	Dec. 13	281,220	289,910	271,040	298,940
TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Dec. 6	238,270	255,950	404,060	422,160
Other sales	Dec. 6	9,001,240	8,237,200	6,643,500	8,898,090
Total sales	Dec. 6	9,239,510	8,553,150	7,047,560	9,320,250
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Dec. 6	935,280	875,460	826,350	929,580
Short sales	Dec. 6	161,530	162,860	225,980	167,170
Other sales	Dec. 6	704,900	726,430	652,980	755,290
Total sales	Dec. 6	866,430	889,290	878,960	922,460
Other transactions initiated on the floor—					
Total purchases	Dec. 6	231,840	229,430	153,970	277,840
Short sales	Dec. 6	9,400	13,600	36,400	32,300
Other sales	Dec. 6	242,850	216,070	160,350	240,420
Total sales	Dec. 6	252,250	229,670	196,750	272,720
Other transactions initiated off the floor—					
Total purchases	Dec. 6	364,330	301,240	260,747	351,310
Short sales	Dec. 6	22,400	28,150	45,050	134,990
Other sales	Dec. 6	392,455	303,833	285,075	479,570
Total sales	Dec. 6	414,855	331,983	330,125	614,560
Total round-lot transactions for account of members—					
Total purchases	Dec. 6	1,531,450	1,406,130	1,241,067	1,558,730
Short sales	Dec. 6	193,330	204,610	307,430	334,460
Other sales	Dec. 6	1,340,205	1,246,333	1,098,405	1,475,280
Total sales	Dec. 6	1,533,535	1,450,943	1,405,835	1,809,740
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Dec. 23	109.3	109.3	110.0	------
Farm products	Dec. 23	101.0	*99.5	101.7	------
Processed foods	Dec. 23	102.8	*103.1	104.5	------
Meats	Dec. 23	92.5	*92.5	96.2	------
All commodities other than farm and foods	Dec. 23	112.7	112.8	113.0	------

*Revised figure. †Includes 574,000 barrels of foreign crude runs. ‡All-time high figure.

	Latest Month	Previous Month	Year Ago
AMERICAN PETROLEUM INSTITUTE—Month of September:			
Total domestic production (barrels of 42 gallons each)	213,776,000	211,057,000	204,885,000
Domestic crude oil output (barrels)	195,528,000	192,798,000	187,816,000
Natural gasoline output (barrels)	18,211,000	18,232,000	17,029,000
Benzol output (barrels)	37,000	27,000	40,000
Crude oil imports (barrels)	18,459,000	19,596,000	15,000,000
Refined products imports (barrels)	8,608,000	7,639,000	7,318,000
Indicated consumption domestic and export (barrels)	223,435,000	223,804,000	211,925,000
Increase all stock (barrels)	17,408,000	14,488,000	15,278,000
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Lint—Consumed month of November	759,737	915,593	731,137
In consuming establishments as of Nov. 29	1,464,783	1,286,942	1,439,559
In public storage as of Nov. 29	7,462,269	6,665,848	5,944,770
Linters—Consumed month of November	109,328	108,017	126,911
Stocks Nov. 29	789,906	658,048	459,740
Cotton spindles active as of Nov. 29	20,180,000	20,215,000	20,519,000
COTTON GINNING (DEPT. OF COMMERCE)			
Running bales to Dec. 13	13,987,832	------	13,592,012
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPARTMENT OF AGRICULTURE — Final report issued Dec. 17 (in thousands):			
Corn, all bushels	3,306,735	3,302,875	2,899,169
Wheat, all bushels	1,291,447	1,298,921	980,810
Winter (bushels)	1,052,801	1,062,590	646,325
All spring (bushels)	238,646	236,331	334,485
Durum (bushels)	21,363	21,424	34,762
Other spring (bushels)	217,283	214,907	299,723
Oats (bushels)	1,268,280	1,265,660	1,321,288
Barley (bushels)	227,008	222,476	254,287
Rye (bushels)	15,910	15,759	21,301
Buckwheat (bushels)	3,163	------	3,340
Flaxseed (bushels)	31,002	------	34,696
Rice (100-lb. bags)	48,660	48,392	45,797
Popcorn (bags)	253,089	------	205,149
Sorghum grain (bushels)	83,316	70,674	160,195
Sorghum forage (bushels)	4,441	------	6,455
Sorghum silage (bushels)	3,801	------	5,623
Cotton, lint (bales)	15,038	14,905	15,144
Cottonseed (tons)	6,108	------	6,286
Hay, all (tons)	104,424	103,858	107,991
Hay, wild (tons)	10,935	11,083	12,145
Alfalfa seed (pounds)	172,810	------	104,620
Red clover seed (pounds)	97,555	------	86,316
Alsike clover seed (pounds)	13,055	------	14,245
Sweetclover seed (pounds)	43,420	------	48,990
Lespedeza seed (pounds)	122,480	------	126,270
Timothy seed (pounds)	33,270	------	38,720
Beans, dry edible (100-lb. bags)	16,777	16,655	17,341
Peas, dry field (bags)	2,610	2,697	3,810
Soybeans for beans (bushels)	291,682	289,268	282,477
Cowpeas for peas (bushels)	1,709	------	2,033
Peanuts picked and threshed (pounds)	1,365,000	1,262,820	1,675,955
Velvet beans (tons)	159	------	242
Potatoes (bushels)	347,504	349,257	320,519
Sweetpotatoes (bushels)	29,292	29,362	28,796
Tobacco (pounds)	2,207,477	2,231,188	2,330,787
Sorgo sirup (gallons)	2,595	------	2,831
Sugarcane for sugar and seed (tons)	7,132	7,277	6,118
Sugarcane sirup (gallons)	6,100	------	6,040
Sugar beets (tons)	10,217	10,392	10,485
Maple sugar (pounds)	158	------	200
Maple sirup (gallons)	1,631	------	1,763
Broomcorn (tons)	29	------	34
Hops (pounds)	61,263	61,330	63,239
Apples, commercial crop (bushels)	92,696	92,696	110,660
Peaches (bushels)	62,746	62,622	63,627
Pears (bushels)	30,744	30,494	30,028
Grapes (tons)	3,160	3,140	3,390
Cherries (12 States) (tons)	218	202	230
Apricots (3 States) (tons)	175	174	183
Plums (2 States) (tons)	61	------	102
Prunes, dried (3 States) (tons)	138	------	181
Prunes, other than dried (3 States) (tons)	79	------	82
Avocados (2 States) (tons)	31	------	37
Olives (California) (tons)	57	------	64
Oranges (5 States) (boxes)	126,350	------	122,590
Grapefruit (4 States) (boxes)	38,440	------	40,500
Lemons (California) (boxes)	13,100	------	12,800
Cranberries (5 States) (barrels)	796	786	910
Pecans (pounds)	123,638	126,482	154,895
Almonds (California) (tons)	35	------	43
Walnuts (2 States) (tons)	81	------	77
Tung nuts (5 States) (tons)	120	------	49
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1947-1949 AVERAGE = 100—Month of November:			
Sales (average monthly), unadjusted	116	116	*127
Sales (average daily), unadjusted	123	110	*130
Sales (average daily), seasonally adjusted	98	105	*103
Stocks, unadjusted	128	*124	*131
Stocks, seasonally adjusted	111	110	*114
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION —Month of October (000's omitted):			
Savings and loan associations	$627,343	$592,897	$491,793
Insurance companies	134,920	118,218	135,331
Bank and trust companies	342,393	316,181	304,640
Mutual savings banks	117,286	103,284	89,710
Individuals	253,100	227,979	231,585
Miscellaneous lending institutions	252,301	228,964	230,727
Total	$1,727,343	$1,587,523	$1,483,786
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of September:			
Net railway operating income	$120,912,579	$104,939,432	$78,668,843
Other income	19,207,206	16,942,620	15,503,257
Total income	140,119,785	121,882,052	94,172,100
Miscellaneous deductions from income	4,182,612	4,443,093	4,653,008
Income available for fixed charges	135,937,173	117,438,959	89,519,092
Income after fixed charges	97,446,935	81,185,966	56,338,087
Other deductions	2,990,787	3,030,649	3,109,724
Net income	94,456,148	78,155,317	53,228,363
Depreciation (way & structure & equipment)	41,153,828	41,047,320	42,720,961
Federal income taxes	74,370,476	59,021,251	52,506,947
Dividend appropriations:			
On common stock	19,817,615	26,690,526	11,386,349
On preferred stock	2,909,587	4,511,274	1,580,832
Ratio of income to fixed charges	3.53	3.24	2.70
WINTER WHEAT AND RYE—U. S. DEPT. OF AGRICULTURE—As of Dec. 1, 1952:			
Winter wheat—Production (000's omitted)	611,141	------	1,05[illegible]
Rye—Condition	67%	------	83%

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

If you've been watching the market you know that the Dow averages made another new high last week. At least the industrials did; the rails made their high earlier and then backed off. It all made for a pleasant Christmas with an afterglow and a hope that 1953 will be equally generous.

* * *

If you study the familiar averages still more closely you will be gratified to see that the highs made last week were about eight points above the August highs made by the industrials and about six and a half points for the rails in the like period.

* * *

Yet, despite the glowing implications that you can get from studying the averages—it makes little difference which one you use—the single fact remains that very few of us ever buy or sell the averages. The trader and the investor is concerned with individual stocks. If they go up he's in a bull market no matter what the averages tell him. If they do nothing or go down then all the folderal about bull markets remains meaningless.

* * *

The big gainers during the past year were the oils and the rails. This column recommended oils a long time ago. It did nothing about the rails. Yet, the writer will venture to say that the majority of public buyers of oil stock buyers didn't come in until their recent top or pretty close to it. The result is that when the group retraced the losses, most of the holders saw in the subsequent advance an approach to their original purchase prices, not any real betterment in their profit side.

* * *

The same picture is repeated all over the list. Stocks go up, and back down, then they go up again. Most of the heavy buying is done on the second rise and usually on the advance. So when a setback occurs, it creates a locked-in long interest. Any new advance, no matter how pretty it looks in the various averages, is only a temporary relief for the longs, a surcease to their fears.

* * *

Some three weeks or so ago I said in this space that the signs of a top were in the making. I foresaw an additional advance in the familiar averages to somewhere between 285 and 290 but most of it in the so-called blue chips, and warned that any new buying, which hadn't been done up to then, be postponed. At the time this was written the industrials were about 285.

* * *

Since then the milling around and the advance and retrace of the various issues hasn't brought the averages much higher.

The major hope now is that with the entrance of the Eisenhower Administration a new vista will be opened which will give rise to still higher stock prices. That's a pleasant thought to have. Unfortunately, I don't place much reliance on it. I still prefer to sit it all out and wait to see what will happen.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Continued from first page

As We See It

velt was of no small help to the Kremlin. But whatever the cause, there can be no question that at the present moment the Soviets constitute a real world power, what with their own enormous armies, their numerous satellites and the ruthless and, apparently, competent insistence of the ruler of that unfortunate land that no stone be left unturned in preparing for relentless war.

Would Be Easier for the Kremlin

It is equally clear that the Kremlin would have a relatively easy time reaching out in all directions were its intended victims unable to draw upon the enormous resources and unmatched productive power of the United States. Moreover, it is true, we are afraid, that at least some of the peoples most likely to feel the ill effects of Soviet expansion have come to look upon the United States as a sort of rich uncle who can be more or less indefinitely held victim of the notion that he must keep his relatives financially afloat in order to protect his own hide.

Neither is it possible to disregard wholly the persistent reports from across the Atlantic—and across the Pacific, too, for that matter—that we here in this country are rather generally regarded as neophytes in this dark game of world politics, whose awkward and brash self-confidence could plunge the world into a cataclysmic conflict. Thus a good many peoples look with great uneasiness upon our activities in international affairs, and yet cannot bear the thought of us withdrawing if that would mean an end to the benefactions to which they have now grown accustomed.

Meanwhile, we must admit to ourselves that blundering has resulted in committing us to an almost incredible sort of conflict on the Continent of Asia, a conflict we have as yet found no feasible way of winning and from which we seem unable to withdraw without undesirable results. We say "committing us" advisedly, since although the Korean war is technically one being waged by the United Nations against the Communists in China and Korea (not to mention Russia), the fact is that we have borne and are bearing very nearly all of the burden of that conflict, and apparently shall continue to have to bear it indefinitely if no way is found to bring the tragedy of errors to an end.

A Basic Situation

This is the basic nature of the foreign situation by which the new Administration will be faced when it enters into office about three weeks hence. It is without question this situation which has led the British Prime Minister to seek conferences with the President-elect. Of course, there are certain aspects of the situation which particularly interest Europeans, the British being no exception. It is the old, old story of precedence between the East and the West in the thinking and the actions of the United States. Even short of the catastrophic developments feared in some offices abroad, a change might occur in our official policy which would drain off some of our resources and our help from the West to the East, and this is one of the things that Europe would find most to its disliking.

Mr. Churchill once said (during the war) that he had not become the Prime Minister for the purpose of presiding over the liquidation of the British Empire, or words to that effect, and no one need for a moment ever to doubt that Britain and British interests are always the first consideration of this worthy descendant of the Duke of Marlborough. This is a fact which President-elect Eisenhower would do well always to bear in mind.

Yet, it is a fact that Mr. Churchill really does have a world view, and that he is the product of a tradition of world affairs which extends far into the past. It is true also that in one rather real sense any consideration of the interests of the British Empire involves consideration of the whole world. Mr. Churchill has likewise upon occasion shown himself to have a grasp of world currents worthy of his position at the head of one of the world's greatest and longest lived empires.

But even the experienced leaders of the British Empire find themselves faced by a world which is in very important aspects different from any heretofore known. Empire building in the past has largely been a matter of conflict among would-be empire builders. World affairs are still troubled by some of these factors. Russia is still primarily interested in building a world empire, but the materials out of which such an empire can now be built and the techniques appropriate for the building have undergone profound change, and no one is more keenly aware of these changes than the Kremlin.

World ferment has ended, probably for all time, the old style empire in which large areas and enormous populations were ruled directly by foreign conquerors. The ruling is now done by puppets, national in origin, born of unrest and trained by a proselyting tyranny centered in Moscow. President-elect Eisenhower—and Churchill, too, for that matter—will need all the assistance they can get in dealing with this situation.

Continued from page 5

The State of Trade and Industry

Many in the industry expect the ingot rate to ease moderately in the second half of 1953. But very hard-to-get items, such as large bars, heavy plates and structurals, and oil country goods, are expected to remain tight throughout the year.

The U. S. production potential is backed by increased capacity which "The Iron Age" estimates now totals about 116 million net tons, a gain of well over 7 million tons for the year. By the middle of 1953 the industry should be close to its capacity goal of 120 million tons.

Despite die-hard efforts of the planners to keep controls alive, gradual easing of restrictions is expected to continue. By mid-year the industry should be free of controls, except for simple priorities and directives to assure adequate steel for military and atomic energy uses. Steadily improving supply outlook is expected to be the keynote of decontrol.

Meanwhile, manufacturers are training more of their big guns on the civilian market, which is expected to be the biggest in history. Knowing that the market for their goods will become more competitive, they are racing to reach consumers first with the most. This is evidenced by their high production targets, and by increasing pressure from their purchasing agents for steel delivery, concludes "The Iron Age."

Auto output last week declined 11% from the week previous due to the Christmas Day holiday.

"Ward's Automotive Reports," industry statisticians, said 83,973 cars were built by United States plants the past week, compared with 99,509 in the preceding week and 24,042 in the like week a year earlier.

"Ward's" estimated total car output for 1952 would hit 4,345,000, just shy of the 4,356,000 quota set by the National Production Authority. However, output exceeded quotas in two quarters—in the second (1,204,000 against 1,050,000) and in the fourth (1,315,000 against 1,150,000).

On 1953 production, "Ward's" forecast the year's output would be "upwards" of 5.3 million passenger cars, based on the "removal or evaporation" of Government controls by April.

December output will be at least 420,000 cars, the agency forecast. This would bring total auto production for the last three months this year to 1,315,000, the second-best fourth quarter in the industry's history. The record corresponding period was in 1950.

Working capital of United States corporations continued to increase in the third quarter, according to the Securities and Exchange Commission. As of Sept. 30, it totaled $86.9 billion, up $1.2 billion from the June 30 level. Current assets rose about $6.1 billion during the period, compared with a gain of only $4.9 billion in current liabilities. The jump in current assets was largely due to a $4.9 billion increase in notes and accounts receivable, which reached a new high of $62 billion. Inventories were unchanged at $60.7 billion.

Continuing, this governmental agency reported that business outlays for new plants and equipment next year will hit $26.3 billion, off slightly from the record $26.9 billion of 1952. A reduction of more than $500 million in planned capital expenditures by manufacturers of hard goods is the main reason for the decline, the Commission stated. Railroads are expected to slash their capital outlays by 20% and slight increases will be made by mining and commercial industries, and public utilities, the agency forecast.

Steel Output Scheduled at 106.9% of Capacity This Week

Good business for the steel industry for the first half of 1953 is "in the bag" says "Steel," the weekly magazine of metalworking this week.

Analysts are concerning themselves now with the outlook for the last half. Where once there was considerable apprehension about the last half, there's now a growing inclination toward optimism, this trade paper declares.

Some of the analysts, however, don't feel certain that the steel industry will need to run at 100% of capacity throughout the year to fill the demand for steel. They're now thinking that the 1953 steel ingot output will be around 105 million net tons.

We'll go into the new year with around 116 million net tons of capacity, and as the year progresses it will grow to around 120 million tons, it adds.

While some of the analysts feel a steelmaking capacity of 120 millions tons is more than we will need for the near term once we are caught up from the strike, they think that ultimately 120 million tons will not be too much, may not be enough, in view of the expansion in the country's population.

As in other recent years, most of the steel made in the United States in 1952 went into uses normally regarded as part of the civilian economy.

The defense uses of steel, however, made themselves felt out of proportion to the tonnage involved and left consumers without steel to go with other materials they could get readily, "Steel" points out.

Any amount of easing that may be seen in 1953 is not likely to bring outright reductions in the standard prices on steel. Premium prices would first disappear; qualities would go up and freight absorption by steel producers would become increasingly prevalent, states this trade weekly.

Although merchant pig iron is in sufficient supply, there are indications that demand will pick up soon. Good prospects for business in the first half of 1953 have brightened the outlook for gray iron foundries, users of merchant pig. Foundries already are getting heavier orders for castings, particularly from the household appliance industry.

As if to get a rest before launching into high gear again for the new year, the steel industry lowered its production rate last week during the Christmas holiday, concludes "Steel."

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at an average of 106.9% of capacity for the week beginning Dec. 29, 1952, equivalent to 2,220,000 tons of ingots and steel for castings. In the week starting Dec. 22, the actual rate was 102.7% of capacity and output totaled 2,133,000 tons. A month ago output stood at 105%, or 2,180,000 tons, while a year ago when the capacity was smaller the estimated output was 2,021,000 tons with the rate at 97.3%.

Electric Output Declines From All-Time High Record Of Previous Week

The amount of electric energy distributed by the electric light and power industry for the week ended Dec. 27, 1952, was estimated at 7,549,730,000 kwh., according to the Edison Electric Institute.

The current total was 730,343,000 kwh. below that of the preceding week when output reached a new all-time high record at 8,280,073,000 kwh. It was 628,105,000 kwh., or 9.1%, above the total output for the week ended Dec. 29, 1951, and 1,070,428,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Drop 1.5% Below Preceding Week

Loadings of revenue freight for the week ended Dec. 20, 1952, totaled 710,358 cars, according to the Association of American Railroads, representing a decrease of 10,894 cars, or 1.5% under the preceding week.

The week's total represented an increase of 38,996 cars or 5.8% above the corresponding week a year ago, but a decrease of 36,831 cars, or 4.9% below the corresponding week in 1950.

United States Auto Output Drops 11% in Christmas Week

Passenger car production in the United States last week dipped 11% from the preceding week, due to the Christmas holiday, according to "Ward's Automotive Reports."

It aggregated 88,973 cars compared with 99,500 cars (revised) in the previous week and 24,042 cars one year ago.

Total output for the past week was made up of 88,973 cars and 20,794 trucks built in the United States, against 99,509 cars and 28,369 trucks the previous week and 24,042 cars and 11,151 trucks in the comparable period a year ago.

Canadian plants turned out 3,153 cars and 1,735 trucks against 5,129 cars and 1,923 trucks in the prior week and 2,542 cars and 1,753 trucks in the comparable 1951 week.

Business Failures Hold to Lower Course

Commercial and industrial failures fell to 95 in the week ended Dec. 25 from 141 in the preceding week, Dun & Bradstreet, Inc., reveals. Casualties were down considerably from the 163 and 125 which occurred in the similar weeks of 1951 and 1950, and were off sharply from the pre-war level of 190.

Liabilities of $5,000 or more were involved in 83 of the week's casualties. Concerns failing in this size group decreased from 123 in the previous week and 124 last year. Small casualties, those with liabilities under $5,000, dipped to 12 from 18 and compared with 39 a year ago.

All industry and trade groups showed a decrease in mortality during the week with the drop marked in manufacturing, down to 19 from 36; retailing dipped to 50 from 63. Failures were less numerous than last year in all lines.

Geographically, failures declined during the week in seven of the nine major regions, failures in the Middle Atlantic States fell to 35 from 61, in West South Central to 1 from 10 and in the West North Central to 0 from 7. Small increases occurred in the East North Central and Pacific States. The only region with more failures than a year ago was the South Atlantic. Two regions, New England and the West South Central States, had as many failures as last year, but the other six regions had fewer, with the sharpest decline in the Pacific States where failures dipped to 29 from 79.

Wholesale Food Price Index Scores First Advance in 11 Weeks

Marking the first upward movement in 11 weeks, the Dun & Bradstreet wholesale food price index rose 4 cents above the 2½-year low of $6.11 touched a week ago, to stand at $6.15 on Dec. 23. This represented a drop of 7.4% from $6.64 on the like date a year ago. The 1952 high was $6.70 recorded on Aug. 26 and Sept. 2.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of foods prices at the wholesale level.

Wholesale Commodity Price Index Lifted Mildly Higher in Latest Week

The Dun & Bradstreet daily wholesale commodity price index moved in a narrow range most of the week at around the lowest level in about two and a half years, but rose quite sharply on Dec. 22 to close at 281.93. This was up slightly from 281.00 a week earlier, and compared with 309.79 on the comparable date a year ago.

Grain price movements were irregular and narrow in the above week with small net changes for the period. Most future deliveries of wheat and corn registered new lows for the season. Export sales of wheat under the International Wheat Agreement continued in good volume, totalling over 18,000,000 bushels, but domestic demand remained dull. Prices were somewhat firmer toward the close on expectations of a much smaller Winter wheat crop next year. This was borne out by the Government estimate of only 611,000,000 bushels, which would be the smallest Winter wheat crop since 1943. Corn also displayed strength in late dealings, largely influenced by the smaller-than-expected increase in the Government corn crop estimate, which was placed at 3,307,000,000 bushels, the second largest on record. Oats showed independent strength and closed slightly higher. Trading in grain and soybean futures on the Chicago Board of Trade averaged about 49,000,000 bushels per day. This was slightly below a week previous, and compared with a daily average of approximately 53,000,000 bushels a year ago.

Buying in the domestic flour market continued on a hand-to-mouth basis with little prospect of any expansion in bookings until after the holidays.

Export inquiry for flour remained very slow. Cocoa values went sharply higher in the latter part of the week as heavy dealer buying interest encountered a scarcity of offerings.

Warehouse stocks of cocoa increased moderately to 41,893 bags, from 38,757 a week ago, and compared with 120,838 bags at this time a year ago. Spot coffee finished lower, reflecting slow roaster demand for actuals; while futures developed a steadier tone, aided by Brazil buying in deliveries beyond the spot month. Lard, which had been under pressure for several weeks, turned higher aided by improved export demand and stronger live hog markets. Improvement in the latter market reflected smaller supplies and firmer fresh pork prices. Sheep and lamb prices advanced moderately.

Following a sharp drop early in the week, cotton prices steadied and moved in a fairly narrow range.

The early weakness reflected general liquidation and selling induced by lagging demand for cotton goods and continued slow export demand.

The market rallied at times on buying influenced by the increase reported in the daily rate of consumption during November and the continued sharp increase in loan entries. For the season through December 12, loans on 1952 crop cotton totaled 646,648 bales, indicating entries for the week of 127,245 bales, the largest for any week thus far this season.

Trade Volume Establishes New Record as Christmas Sales Draw to a Close

As Christmas shopping ended in the period ended on Wednesday of last week, retailers throughout the nation chalked up new sales records. Christmas gift purchasing continued to be very heavy on Monday, Tuesday and Wednesday as last minute shoppers completed their gift lists.

While department stores sales in many areas continued to reflect unfavorable comparisons with year ago figures, volume in branch stores and shopping centers boosted the dollar level above a year ago.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 7 to 11% higher than a year ago. Regional estimates varied from year ago levels by the following percentages: New England and the Pacific Coast +6 to +10; East +5 to +9; South and Southwest +9 to +13; Midwest and Northwest +7 to +10.

Consumer purchases of food set a new sales record as had been expected. Although turkey prices were slightly higher than at Thanksgiving, housewives expressed preference for this traditional holiday food. Confectionery and baked goods sales were also well above the preceding levels.

With the approach of the holidays, purchases of the more frivolous items of clothing rose and gained an edge over sportswear and coats and suits. Children's wear continued to reflect sizable increases over a year ago.

The volume of trading in the nation's wholesale markets in the week period ended on Wednesday of last week rose slightly from the preceding week and remained above the level of a year ago. Spurred by last minute calls for holiday items, sales of most wares were higher than in former weeks. Retailers continued to increase their orders for Spring merchandise and items for January promotions.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended Dec. 20, 1952, increased 4% from the level of the preceding week. In the previous week an increase of 5% (revised) was reported from that of the similar week of 1951. For the four weeks ended Dec. 20, 1952, no change was reported. For the period Jan. 1 to Dec. 20, 1952, department store sales registered a drop of 1% below the like period of the preceding year.

Retail trade in New York the past week registered heavy gains over the similar week one year ago. Sales volume was this year given the advantage of three shopping days before Christmas as against one a year ago. Increases ranged from 45 to 75% above 1951 with the average placed around 60%, according to trade observers.

According to the Federal Reserve Board's index of department store sales in New York City for the weekly period ended Dec. 20, 1952, no change was recorded from the like period of last year. In the preceding week a decrease of 4% (revised) was reported from those of the similar week of 1951, while for the four weeks ended Dec. 20, 1952, a decrease of 7% was recorded. For the period Jan. 1 to Dec. 20, 1952, volume declined 8% under the like period of the preceding year.

Allan Kadell, V.-P. Of Homer O'Connell

Allan Kadell

Allan Kadell has been elected a Vice-President of the investment firm of Homer O'Connell & Co., Incorporated, 120 Broadway, New York City. Mr. Kadell has been associated with the firm for some time as manager of the Trading Department. In the past he was with Blair, Rollins & Co.

R. B. Whittaker V.-P. Of Lee Higginson

CHICAGO, Ill.—Lee Higginson Corporation, 231 South La Salle Street, has announced the election of Robert B. Whittaker as a Vice-President and Director. Mr. Whittaker was formerly a partner of F. S. Moseley & Co., and has been associated with that firm since 1923 in their Boston and Chicago offices.

Vincent Kane With Smith, Burris Co.

CHICAGO, Ill. — Vincent T. Kane has become associated with Smith, Burris & Co., 120 So. La Salle St., as Vice-President in the firm's corporate trading department. He was formerly a partner of Alm, Kane, Rogers & Co. of Chicago.

Vincent T. Kane

Joseph Walker & Sons Admit to Firm

Joseph Walker & Sons, 120 Broadway, New York City, members of the New York Stock Exchange, have announced that Joseph Walker, Jr. has been admitted to general partnership in the firm.

Mr. Walker, a great granson of the founder, is the fourth Joseph Walker in direct line to become a member of the firm since its founding in 1855.

Rogers Manager of Bache Toronto Office

TORONTO, Canada — Alfred Rogers, Jr., has been appointed manager of the Toronto Office, 36 Melinda Street, of Bache & Co., members of the Toronto and New York Stock Exchanges.

Mr. Rogers is a director of Elias Rogers Co., Ltd.; St. Mary Cement Co., and Rosedale Securities Ltd. He is a member of the Toronto Club, Royal Canadian Yacht Club and the Winter Club. Mr. Rogers attended Toronto University, Michigan School of Mines and McGill University.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Allied Insurance Co. of America, Broadview, Ill.
Dec. 15 filed 1,000,000 shares of capital stock (par $1) to be offered to agents of Allied Van Lines, Inc. **Price**—$1.60 per share. **Proceeds**—For capital and surplus **Underwriter**—None.

American Alloys Corp., Kansas City, Mo.
Dec. 15 (letter of notification) 1,000 shares of preferred stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Underwriter**—McDonald-Evans & Co., Kansas City, Mo.

★ **American Telephone & Telegraph Co.**
Dec. 22 (letter of notification) 1,786 shares of common stock (par $100). **Price**—Approximately $137 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

Ansonia Wire & Cable Co., New York
Dec. 8 filed 100,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To pay part of purchase price of assets being acquired from Noma Electric Corp. **Underwriter**—Putnam & Co., Hartford, Conn.

★ **Arabol Manufacturing Co., New York**
Dec. 22 (letter of notification) $250,000 of 5% first mortgage bonds, due in 20 years from date of issue, to be offered to officers, directors and employees. **Price**—At par (in units of $25, $100, $500 and $1,000). **Office**—110 West 42nd Street, New York 17, N. Y. **Underwriter**—None.

★ **Auto Finance Co., Spartanburg, S. C.**
Dec. 22 (letter of notification) 24,378 shares of common stock (par $5). **Price**—$10 per share. **Proceeds**—For working capital. **Office**—705 Montgomery Bldg., Spartanburg, S. C. **Underwriter**—None.

★ **Babcock & Wilcox Co.**
Dec. 22 (letter of notification) 1,473 shares of capital stock (no par). **Price**—At market (at about $37.75 per share). **Proceeds** — To stockholders entitled to receive fractional shares in connection with 5% stock dividend payable on Jan. 14, 1953. **Underwriter**—None.

Bank Shares, Inc., Minneapolis, Minn.
Dec. 11 (letter of notification) 10,000 shares of class A stock. **Price**—At par ($20 per share). **Proceeds**—For working capital. **Underwriter**—M. H. Bishop & Co., Minneapolis, Minn.

★ **Beaver Lodge Oil Corp., Dallas, Tex.**
Dec. 23 (letter of notification) 10,000 shares of common stock (par $1). **Price**—$2.75 per share. **Proceeds**—To Tioga Petroleum Corp., the selling stockholder. **Office**—301 Mercantile Commerce Bldg., Dallas 1, Tex. **Underwriter**—None.

Big Basin Oil, Inc., Holyoke, Colo.
Dec. 8 (letter of notification) 1,100,000 shares of common stock (par five cents). **Price**—25 cents per share. **Proceeds**—To repay notes, and for drilling expenses and new equipment. **Underwriter**—E. I. Shelley Co., Denver, Colo.

Bristol Oils Ltd., Toronto, Canada
Sept. 25 filed 1,000,000 shares of common stock (par $1). **Price**—Approximately 64.48 cents per share. **Proceeds**—To acquire leases and for corporate purposes. **Underwriter**—None. To be named by amendment.

Budget Finance Plan, Inc. of California
Dec. 22 filed 150,000 shares of 60-cent convertible preferred stock (par $9). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriters**—Reynolds & Co., New York, and Lester, Ryons & Co., Los Angeles, Calif.

Byrd Oil Corp., Dallas, Tex.
Oct. 22 filed $1,750,000 of 10-year 5½% convertible sinking fund mortgage bonds due Nov. 1, 1962, to be offered for subscription by common stockholders at the rate of $100 of bonds for each 28 shares of stock held (for a 14-day standby). Certain stockholders have waived their rights. **Price**—At par. **Proceeds**—To repay $1,014,500 of outstanding notes and for drilling expenses and working capital. **Underwriters** — Dallas Rupe & Son. Dallas, Texas; Carl M. Loeb, Rhoades & Co., New York; and Straus, Blosser & McDowell, Chicago, Ill. **Offering**—Postponed temporarily.

★ **Cal-Alta Oil & Mining Co., Lovelock, Nev.**
Dec. 23 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For drilling expenses. **Underwriter**—None.

NEW ISSUE CALENDAR

January 5, 1953
Filtrol Corp. — Common (Blyth & Co., Inc.)
Lassiter Corp. — Class B (R. S. Dickson & Co.)
Powers Manufacturing Co. — Common (Dallas Rupe & Son)
Southwestern Electric Service Co. — Common (Offering to stockholders—no underwriting)

January 6, 1953
Commonwealth Oil Co. — Common (Gordon Graves & Co.)
Delaware, Lackawanna & West'n RR. — Eq. Tr. Ctfs. (Bids noon EST)
Multicrafters, Inc. — Preference (Steele & Co.)
Nova Scotia (Province of) — Debentures (Smith, Barney & Co. and Wood, Gundy & Co., Inc.)

January 7, 1953
Moore (William S.), Inc. — Debentures (Fulton, Reid & Co.)
New York, New Haven & Hartford RR. — Bonds (Bids noon EST)
Ohio Edison Co. — Common (Bids 11 a.m. EST)
Video Inc. — Preferred (Graham & Co.)

January 9, 1953
General Public Service Corp. — Common (Offering to stockholders—Stone & Webster Securities Corp. represents Dealer-Managers)
Sinclair Oil Corp. — Debentures (Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane)

January 12, 1953
New York Airways, Inc. — Common (Smith, Barney & Co.)

January 13, 1953
First National Bank of Atlanta, Ga. — Common (Underwriters—To be named later)
National City Bank of Cleveland — Common (Offering to stockholders—underwritten by Merrill, Turben & Co.)
Ohio Edison Co. — Preferred (Bids 11 a.m. EST)
People's National Bank & Trust Co., White Plains, N. Y. — Common (Offering to stockholders)

January 14, 1953
California Water & Telephone Co. — Common (Blyth & Co., Inc.)
Consumers Power Co. — Common (Bids 11 a.m. EST)
Hagan Corp. — Common (Singer, Deane & Scribner)
Southern California Edison Co. — Common (Bids 8:30 a.m. PST)
Texas Western Oil Co. — Common (Scott, Khoury & Co., Inc.)
Toledo Edison Co. — Common (The First Boston Corp. and Collin, Norton & Co.)
West Flager Amusement Co., Inc. — Common (Floyd D. Cerf Jr. Co.)

January 19, 1953
Kansas City Power & Light Co. — Bonds (Bids to be invited)

January 20, 1953
Montreal Transportation Commission — Bonds (Shields & Co. and Savard & Hart)
Ohio Power Co. — Bonds & Preferred (Bids 11 a.m. EST)

January 21, 1953
Smith (L. C.) & Corona Typewriters, Inc. — Common (Kidder, Peabody & Co.)
West Penn Electric Co. — Common (Offering to stockholders—Bids 11 a.m. EST)

January 22, 1953
Southern Railway — Bonds (Bids to be invited)

January 23, 1953
Bank of the Manhattan Co. — Common (The First Boston Corp.)

January 26, 1953
Culver Corp. — Common (Offering to stockholders—no underwriting)

January 27, 1953
Iowa-Illinois Gas & Electric Co. — Bonds & Pfd. (Bids 11 a.m. CST)
State Bank of Albany, N. Y. — Common (Offering to stockholders—underwritten by Salomon Bros. & Hutzler)

January 29, 1953
Southern Ry. — Equip. Trust Ctfs. (Bids to be invited)

February 9, 1953
Sylvania Elec. Prod. Co. — Debentures & Common (Paine, Webber, Jackson & Curtis)

• **California Water & Telephone Co. (1/14)**
Dec. 22 filed 60,000 shares of common stock (par $25). **Price** — To be supplied by amendment. **Proceeds** — For new construction. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

Canadian Prospect Ltd., Calgary, Alta., Canada
Nov. 24 filed 303,595 shares of common stock (par 33⅓ cents), of which 235,000 shares are to be issued upon exercise of share rights and 68,595 shares are to be sold for account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To company to be used for operating expenses to pay for future exploration and development of leases, etc. **Underwriters**—White, Weld & Co., New York, for an undetermined number of shares; balance through a Canadian underwriter to be named later. **Offering**—Expected some time in January.

★ **Capital Bakers, Inc., Harrisburg, Pa.**
Dec. 29 (letter of notification) $30,000 general 4% non-convertible debenture bonds to be offered for subscription by employees. **Price**—At par (in units of $50 each). **Proceeds**—For working capital, etc. **Office**—13th and Walnut Streets, Harrisburg, Pa. **Underwriter**—None.

• **Century Natural Gas & Oil Corp.**
Dec. 9 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—At market (estimated at 20 cents per share). **Proceeds**—To Kenneth P. Milliken, Vice-President, who is the selling stockholder. **Underwriter**—Hunter Securities Corp., New York. **Offering**—Withdrawn.

• **Century Natural Gas & Oil Corp.**
Dec. 17 (letter of notification) 50,490 shares of common stock (par 10 cents). **Price**—At market (estimated at 20 cents per share.) **Proceeds**—To Greenfield & Co. Inc. **Underwriter**—Greenfield & Co., Inc., New York.

Coca-Cola Bottling Co. of St. Louis
Dec. 5 (letter of notification) 2,500 shares of common stock (par $1). **Price**—At market (approximately $25 per share). **Proceeds**—To Willard R. Cox, the selling stockholder. **Underwriters** — G. H. Walker & Co. and Wm. F. Dowdall & Co., both of St. Louis, Mo. **Offering**—Not immiment.

Code Products Corp., Philadelphia, Pa.
Dec. 1 filed 500,000 shares of 6% cumulative preferred stock (par $1) and 255,000 shares of common stock (no par—stated value $1) to be sold in units of two shares of preferred and one share of common stock. **Price**—$3 per unit. **Proceeds** — For working capital. **Business** — Manufactures electrical equipment. **Underwriter**—None. Company intends to offer securities to broker-dealers for public offering.

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

Consumers Power Co. (1/14)
Dec. 16 filed 617,669 shares of common stock (no par) to be offered for subscription by common stockholders of record Jan. 15 at the rate of one new share for each 10 shares held; rights to expire on Jan. 30. **Price**—To be announced on Jan. 12. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Morgan Stanley & Co.; Harriman Ripley & Co., Inc., and The First Boston Corp. (jointly). **Bids**—To be received up to 11 a.m. (EST) on Jan. 14.

Dallas Power & Light Co.
Dec. 17 (letter of notification) 562 shares of common stock (no par) to be offered for subscription by minority stockholders at rate of one new share for each 12 shares held. **Price**—$130 per share. **Proceeds**—For new construction. **Office** — 1506 Commerce Street, Dallas 1, Tex. **Underwriter**—None.

Danielson Manufacturing Co.
Nov. 6 (letter of notification) 5,526 shares of class A preferred stock (par $5) and 10,000 shares of common stock (par $1) to be initially offered to stockholders at rate of one preferred share for each five shares held and one share of common stock for each two shares held. **Price**—For preferred, $8.50 per share, and for common, $6.50 per share. **Proceeds**—For working capital. **Underwriter**—Coburn & Middlebrook, Inc., Hartford, Conn.

★ **Detroit Hardware Manufacturing Co.**
Dec. 22 (letter of notification) 10,000 shares of common stock (par $1). **Price**—At market (approximately $3.25 per share). **Proceeds**—To Detroit Trust Co., co-executor of the Estate of Fred Schrey. **Underwriter**—Wm. C. Roney & Co., Detroit, Mich.

★ **E-I Mutual Association, West Orange, N. J.**
Dec. 29 (letter of notification) 3,500 shares of class B special stock to be offered to employees. **Price**—$10 per share. **Proceeds**—To be held in a redemption fund. **Office**—180 Main Street, West Orange, N. J. **Underwriter**—None.

Ekco Oil Co., Philadelphia, Pa.
Dec. 4 (letter of notification) 99,000 shares of common stock (par one cent). **Price**—$3 per share. **Proceeds**—To acquire leases and drill wells. **Underwriter**—Hopper, Soliday & Co., Philadelphia, Pa.

Electronics & Nucleonics, Inc., N. Y.
Nov. 10 (letter of notification) 1,200,000 shares of common stock (par one cent). **Price**—25 cents per share.

Proceeds—To expand current operations and for working capital. **Underwriter**—To be furnished by amendment.

Empire Oil Corp., Tulsa, Okla.
Nov. 6 (letter of notification) 600,000 shares of common stock (par 5 cents). **Price**—50 cents per share. **Proceeds**—To drill well. **Office**—Mayo Bldg., Tulsa, Okla. **Underwriter**—I. J. Schenin Co., New York.

Erie Meter Systems, Inc., Erie, Pa.
Dec. 9 (letter of notification) $300,000 of 15-year 6% sinking fund debentures dated Nov. 1, 1952 and due Nov. 1, 1967. **Price**—At par and accrued interest. **Proceeds**—To repay bank loans and for working capital. **Office**—1602 Wagner Avenue, Erie, Pa. **Underwriter**—None. Smith & Root, Erie, Pa., will act as distributor.

Farm Equipment Acceptance Corp., Peoria, Ill.
Oct. 10 (letter of notification) 2,000 shares of common stock (par $50). **Price** — $60 per share. **Proceeds** — For working capital. **Office**—3500 North Adams St., Peoria, Ill. **Underwriter**—Paul H. Davis & Co., Chicago, Ill.

Filtrol Corp., Los Angeles, Calif. (1/5)
Nov. 28 filed 653,500 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To Atlantic Co., F. Eberstadt & Co., Inc. and Lazard Freres & Co. and certain individuals. **Underwriters**—Blyth & Co., Inc., San Francisco and New York. **Business**—Production of clay cracking catalysts for petroleum refining, etc.

★ **Financial Fund, Inc., Seattle, Wash.**
Dec. 29 filed 25,000 shares of common stock (par 10¢). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Financial Management Corp., Seattle, Wash.

First Securities Corp.
Dec. 19 (letter of notification) 600,000 shares of common stock (par one cent). **Price**—25 cents per share. **Proceeds**—For expansion and working capital. **Underwriter**—First Securities Corp., Philadelphia, Pa.

General Public Service Corp. (1/9)
Dec. 19 filed 1,101,451 shares of common stock (par 10 cents) to be offered for subscription by common stockholders of record Jan. 9 at rate of one share for each two shares held (with an oversubscription privilege); rights to expire on Jan. 23. **Price**—To be supplied by amendment. **Proceeds**—To add further investments to company's portfolio. **Dealer Managers** — Stone & Webster Securities Corp., New York, is representative.

● **Gyrodyne Co. of America, Inc.**
Nov. 13 filed 350,000 shares of class A common stock (par $1), to be offered for subscription by stockholders of record Dec. 22, 1952, on a pro rata basis; rights to expire on Feb. 28, 1953. The offering will include 50,000 shares to directors, officers and employees of the company and to certain individuals and firms in payment for services. **Price** — $5.75 per share. **Proceeds** — For engineering and construction of prototype coaxial helicopter. **Office**—St. James, L. I., N. Y. **Underwriter**—None.

● **Hagan Corp., Pittsburgh, Pa. (1/14)**
Dec. 24 filed 130,758 shares of common stock (par $1), of which 46,136 shares will be offered by the corporation and 84,622 by certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital and to retire notes. **Business**—Manufacture and sale of automatic control devices and metering equipment. **Underwriter** — Singer, Deane & Scribner, Pittsburgh, Pa.

★ **Hathaway (C. F.) Co., Waterville, Me.**
Dec. 24 (letter of notification) 36,000 shares of common stock (par $1) to be offered to bearers of warrants which entitle holders to purchase stock after Jan. 1, 1953. **Price**—$7.50 per share. **Proceeds**—For working capital. **Underwriter**—None.

Hemisphere Western Oil Co.
Dec. 3 (letter of notification) 1,196,000 shares of common stock (par one cent). **Price**—25 cents per share. **Proceeds**—To acquire working interest in oil wells. **Office**—Cravens Bldg., Oklahoma City, Okla. **Underwriter**—Winner & Meyers, Lock Haven, Pa.

Holiday Plastics, Inc., Kansas City, Mo.
Dec. 10 (letter of notification) 3,799 shares of common stock (no par). **Price**—$13 per share. **Proceeds**—For working capital. **Office**—410 East 27th Street Terrace, Kansas City, Mo. **Underwriter** — Prugh, Combest, & Land, Inc., Kansas City, Mo.

★ **Honolulu Oil Corp., San Francisco, Calif.**
Dec. 23 (letter of notification) 500 shares of common stock (no par). **Price**—At market (approximately $50 per share). **Proceeds**—To W. M. Roth, the selling stockholder. **Underwriters** — Schwabacher & Co. and Dean Witter & Co., both of San Francisco, Calif.

● **Horizon Oil & Gas Corp., N. Y.**
Nov. 24 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—To drill test wells. **Office**—50 Broadway, New York, N. Y. **Underwriter**—Teden & Co., Inc., New York, has withdrawn as underwriter. **Offering**—Indefinitely postponed.

Idaho Maryland Mines Corp.
June 6 filed 200,000 shares of common stock (par $1). **Price**—At market (on the San Francisco Stock Exchange). **Proceeds**—To selling stockholder (Gwendolyn MacBoyle Betchtold, as executrix of the last will and testament of Errol Bechtold, deceased). **Office**—San Francisco, Calif. **Underwriter**—None.

Insurance Securities, Inc., Oakland, Calif.
Dec. 12 filed 10-year participating agreements, as follows: 10,240 units of $1,000 each, Single Payment Plan, Series U, and 12,300 units of $1,200 each, Accumulative Plan, Series E. **Business**—Investment company. **Underwriter**—None.

International Glass Corp., Beverly Hills, Calif.
Sept. 22 (letter of notification) 299,635 shares of common stock, to be issued as follows: To William Hoeppner, 6,985 shares; to stockholders of Soft-Flex Glass Fabrics Corp., 17,650 shares; and to public, 275,000 shares. **Price**—At par ($1 per share). **Proceeds**—For general corporate purposes. **Office**—119 South Beverly Drive, Beverly Hills, Calif. **Underwriter**—Douglass & Co., Beverly Hills, Calif.

★ **Intex Oil Co., Bakersfield, Calif.**
Dec. 24 (letter of notification) $65,000 aggregate amount of common stock (par 33⅓ cents). **Price**—At the market. **Proceeds**—To L. W. Saunders and three other stockholders. **Office** — 531 California Avenue, Bakersfield, Calif. **Underwriter**—None.

★ **Investors Mutual, Inc., Minneapolis, Minn.**
Dec. 29 filed 8,000,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

★ **Iowa-Illinois Gas & Electric Co. (1/27)**
Dec. 30 filed $8,000,000 of first mortgage bonds due 1983 and 60,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: For bonds, Halsey, Stuart & Co. Inc.; Harriman, Ripley & Co. Inc., Union Securities Corp. and White, Weld & Co. (jointly); Equitable Securities Corp.; Glore, Forgan & Co.; Harris, Hall & Co. (Inc.); Lehman Brothers; Blyth & Co., Inc.; The First Boston Corp.; Smith, Barney & Co. For preferred, Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; Glore, Forgan & Co.; Lehman Brothers; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Kidder, Peabody & Co.; Harriman, Ripley & Co. Inc. **Bids**—Tentatively scheduled to be received at 11 a.m. (CST) on Jan. 27.

Ispetrol Corp., New York
Oct. 29 filed 49,500 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—To finance purchase of crude oil for Israeli enterprises and to purchase crude oil and oil products for resale in Israel. **Underwriter**—Israel Securities Corp., New York.

Israel Industrial & Mineral Development Corp.
Oct. 6 filed 30,000 shares of class A stock. **Price**—At par ($100 per share). **Proceeds**—For industrial and mineral development of Israel. **Underwriter** — Israel Securities Corp., New York.

Kalamazoo Stove & Furnace Co.
Dec. 12 (letter of notification) 5,912 shares of common stock (par $10). **Price** — At market. **Proceeds** — To Arthur L. Blakeslee, the selling stockholder. **Underwriter**—Hulburd, Warren & Chandler, Chicago, Ill.

● **Kansas City Power & Light Co. (1/19)**
Dec. 18 filed $12,000,000 first mortgage bonds due 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Blyth & Co., Inc., and Lazard Freres & Co. (jointly); The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Equitable Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc. **Bids**—Tentatively scheduled to be received on Jan. 19.

Langley Corp., San Diego, Calif.
Dec. 5 (letter of notification) 2,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—To Frank H. Nottbusch, the selling stockholder. **Office**—660 Second Avenue, San Diego 1, Calif. **Underwriter**—Dempsey-Tegeler & Co., San Diego, Calif.

Lassiter Corp., Charlotte, N. C. (1/5)
Dec. 4 (letter of notification) 14,344 shares of class B common stock (par $5) and 2,500 shares of class A common stock (par $5). **Price**—$10 per share. **Underwriter**—R. S. Dickson & Co., Charlotte, N. C. **Proceeds**—To selling stockholder.

★ **Lee Mines, Inc., Olympia, Wash.**
Dec. 22 (letter of notification) 50,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For working capital. **Address**—Route 10, Box 510, Olympia, Wash. **Underwriter**—None.

Lonergan Manufacturing Co., Albion, Mich.
Dec. 11 (letter of notification) 6,000 shares of class B common stock. **Price** — $3 per share. **Proceeds** — To Simon J. Lorergan, Jr., the selling stockholders. **Underwriter**—David A. Noyes & Co., Chicago, Ill.

Lorain Telephone Co., Lorain, Ohio
Dec. 9 (letter of notification) 5,000 shares of common stock (no par) to be offered for subscription by common stockholders at rate of one new share for each 15.41 shares held. **Price** — $20 per share. **Proceeds** — For property additions. **Office**—203 W. Ninth Street, Lorain, Ohio. **Underwriter**—None.

★ **Lucky-Custer Mining Corp., Boise, Ida.**
Dec. 22 (letter of notification) 25,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For working capital. **Office**—423 First National Bank Bldg., Boise, Ida. **Underwriter**—None.

Magma King Manganese Mining Co.
Nov. 12 (letter of notification) 553,500 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For working capital. **Office** — 532 Security Bldg., Phoenix, Ariz. **Underwriter**—Weber-Millican Co., New York.

McCarthy (Glenn), Inc.
June 12 filed 10,000,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds** — For drilling of exploratory wells, acquisition of leases and for general corporate purposes. **Underwriter**—B. V. Christie & Co., Houston, Tex. **Dealer Relations Representative**—George A. Searight, 50 Broadway, New York, N. Y. Telephone WHitehall 3-2181. **Offering**—Date indefinite.

McGraw (F. H.) Co., Hartford, Conn.
Sept. 10 (letter of notification) 5,000 shares of common stock (par $2) and warrants to purchase 20,000 shares of common stock at $6 per share to be offered in units of one share and warrants to purchase four additional shares. **Price**—$19.87½ per share. **Proceeds**—To Clifford S. Strike, the selling stockholder. **Underwriter**—Granbery, Marache & Co., New York.

Mex-American Minerals Corp., Granite City, Ill.
Nov. 3 filed 113,000 shares of 6% cumulative preferred stock (par $5) and 113,000 shares of common stock (par 10 cents) to be offered in units of one share of each class of stock. **Price**—$6 per unit. **Proceeds**—For working capital. **Business**—Purchase, processing, refining and sale of Fluorspar. **Underwriter** — To be supplied by amendment.

★ **Mid-Atlantic Publishing Co.**
Dec. 22 (letter of notification) 984 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—To pay debt and for expansion and working capital.

Mid-Gulf Oil & Refining Co.
Nov. 10 (letter of notification) 400,000 shares of common stock (par five cents). **Price**—60 cents per share. **Proceeds**—To acquire additional properties. **Office**—927-929 Market St., Wilmington, Del. **Underwriter**—W. C. Doehler Co., Jersey City, N. J.

★ **Midland Cooperative Wholesale**
Dec. 22 (letter of notification) $250,000 of 5% subordinated debenture notes and $50,000 of 4% preferred stock, series D (par $100). **Price** — At par. **Proceeds** — For working capital. **Office** — 739 Johnson Street, N. E., Minneapolis 13, Minn. **Underwriter**—None.

Montana Basin Oil Corp. (N. Y.)
Sept. 19 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development expenses. **Underwriter**—Aetna Securities Corp., New York.

★ **Montreal Transportation Commission (Canada) (1/20)**
Dec. 31 filed $18,000,000 of 4¼% sinking fund debentures due Jan. 1, 1973. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for general funds. **Underwriters** — Shields & Co., New York, and Savard & Hart, Montreal, Canada.

Moore (William S.), Inc., Newark, Ohio (1/7)
Dec. 12 filed $700,000 of 6% convertible sinking fund subordinated debentures due Jan. 1, 1968. **Price**—100%. **Proceeds** — For new equipment and working capital. **Business**—Chain of retail stores. **Underwriter**—Fulton, Reid & Co., Cleveland, Ohio.

● **Multicrafters, Inc., Lincolnwood, Ill. (1/6)**
Oct. 28 (letter of notification) 99,900 shares of 6% convertible prior preference stock. **Price**—At par ($3 per share. **Proceeds** — For new machinery and equipment. **Office**—3517 Touhy Ave., Lincolnwood, Ill. **Underwriter**—Steele & Co., New York.

★ **Multnomah Plywood Corp., Portland, Ore.**
Dec. 18 (letter of notification) $250,000 of 5-year 7% debenture bonds due Jan. 1, 1958, to be offered for subscription by present stockholders, employees and suppliers. **Price**—At par (in denominations of $100, $500 and $1,000 each). **Proceeds**—For general corporate purposes. **Office**—1500 S. W Harbor Drive, Portland 1, Ore. **Underwriter**—None.

Murphy (A. A.) & Co., Inc., St. Paul, Minn.
Dec. 19 (letter of notification) 1,000 shares of 6% prior preferred stock. **Price** — At par ($50 per share). **Proceeds**—For working capital. **Underwriter**—Piper, Jaffray & Hopwood, Minneapolis, Minn.

Nevada Tungsten Corp., Mina, Nev.
Nov. 21 (letter of notification) 4,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For working capital. **Underwriter**—Tellier & Co., New York.

New England Telephone & Telegraph Co.
Nov. 20 filed 232,558 shares of capital stock being offered for subscription by stockholders of record Dec. 10 at rate of one new share for each ten shares held; rights to expire on Jan. 12. **Price**—At par ($100 per share). **Proceeds**—To repay borrowings made from American Telephone & Telegraph Co., the parent (owner of 69.15% of the present outstanding stock), and for other corporate purposes. **Underwriter**—None.

● **New York Airways, Inc., Flushing, N. Y. (1/12)**
Dec. 23 filed 100,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For working capital and general corporate purposes. **Business**—Operation of mail and passenger helicopter service in New York City. **Underwriter**—Smith, Barney & Co., New York.

Nielco Chemicals, Inc., Detroit, Mich.
Nov. 19 (letter of notification) 34,800 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—To liquidate notes. **Office**—8129 Lyndon Ave., Detroit 21, Mich. **Underwriter**—Smith, Hague & Co., Detroit, Mich.

★ **Northern Indiana Brass Co., Elkhart, Ind.**
Dec. 23 (letter of notification) 25,000 shares of class B stock to be offered for subscription by employees. **Price**—$8.36 per share. **Proceeds**—For working capital. **Office** — 935-937 Plum Street, Elkhart, Ind. **Underwriter**—None.

Northland Oils, Ltd., Calgary, Alta., Canada
Nov. 21 filed 1,000,000 shares of capital stock (par 20 cents—Canadian) and subscription warrants for 600,000

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shares, of which the stock and subscription warrants for 400,000 shares are to be offered in units of 100 shares of stock and subscription warrants for 40 shares. **Price**—$52 per unit. **Proceeds**—For drilling of additional wells and to purchase producing wells. **Underwriter**—M. S. Gerber, Inc., New York.

★ Northwestern Drug Co., Tacoma, Wash.
Dec. 22 (letter of notification) 13,140 shares of common stock (no par). **Price**—$20 per share. **Proceeds**—For expansion program. **Underwriter**—None.

Nova Scotia (Province of) (1/6)
Dec. 18 filed $12,500,000 debentures due Jan. 15, 1972. **Price**—To be supplied by amendment. **Proceeds**—To repay Treasury bills issued to provide funds for various Provincial purposes, including $3,196,039 for refunding purposes at maturity of 2½% debentures due Nov. 15, 1952; expenditures by various departments of the Provincial Government, principally the Department of Highways and Public Works; and for certain advances, including advances to the Nova Scotia Power Commission. **Underwriters**—Smith, Barney & Co. and Wood, Gundy & Co., Inc., both of New York.

★ Nyal Co., Detroit, Mich.
Dec. 28 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—To repay loans and for working capital. **Underwriter**—Gearhart & Otis, Inc., New York.

Ohio Edison Co. (1/7)
Dec. 11 filed 479,846 shares of common stock (par $12) to be offered for subscription by common stockholders of record Jan. 8, 1953 on the basis of one new share for each ten shares held (with an oversubscription privilege); rights to expire on Jan. 23, 1953. Warrants evidencing rights will be mailed on or about Jan. 9. **Price**—To be fixed by company. **Proceeds**—For repayment of bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Morgan Stanley & Co.; The First Boston Corp. **Bids**—To be received up to 11 a.m. (EST) on Jan. 7 at offices of Commonwealth Services Inc., 20 Pine Street, New York 5, N. Y.

Ohio Edison Co. (1/13)
Dec. 11 filed 150,000 shares of preferred stock (par $100). **Proceeds** — For repayment of bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; The First Boston Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); W. C. Langley & Co., Glore, Forgan & Co. and White, Weld & Co. (jointly). **Bids**—To be received up to 11 a.m. (EST) on Jan. 13, 1953 at offices of Commonwealth Services, Inc., 20 Pine Street, New York 5, N. Y.

Ohio Power Co. (1/20)
Dec. 18 filed $22,000,000 first mortgage bonds due 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co.; Harriman Ripley & Co., Inc., and Stone & Webster Securities Corp. (jointly); Blyth & Co., Inc.; Glore, Forgan & Co. **Bids**—Tentatively expected to be received at 11 a.m. (EST) on Jan. 20.

Ohio Power Co. (1/20)
Dec. 18 filed 100,000 shares of cumulative preferred stock (par $100). **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Dillon, Read & Co. Inc.; Harriman Ripley & Co., Inc., and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co.; Lehman Brothers; The First Boston Corp.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on Jan. 20.

Overland Oil, Inc., Denver, Colo.
Dec. 23 filed 300,000 shares of common stock (par 10 cents). **Price**—20 cents per share. **Proceeds**—To make geological survey of land. **Business**—Oil and gas exploration. **Underwriter**—None.

★ Pan American Sulphur Co., Dallas, Tex.
Dec. 24 filed 499,325 shares of capital stock (par 70 cents) to be offered for subscription by stockholders at rate of one new share for each 2½ shares held. **Price**—$7 per share. **Proceeds** — For new construction and working capital. **Underwriters**—Kuhn, Loeb & Co. and Carl M. Loeb, Rhoades & Co., both of New York.

Paradise Valley Oil Co., Reno, Nev.
Aug. 20 filed 3,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—To drill six wells on subleased land and for other corporate purposes. **Underwriter**—None, with sales to be made on a commission basis (selling commission is two cents per share). **Office**—c/o Nevada Agency & Trust Co., Inc., Cheney Bldg., 139 N. Virginia St., Reno, Nev.

Pennzoil Co., Oil City, Pa.
Dec. 18 (letter of notification) 53,822 shares of common stock (par $10) to be offered for subscription by common stockholders at rate of one new share for each 14 shares held as of Dec. 29, rights to expire on Jan. 16. (South Penn Oil Co. will subscribe for 43,817 of these shares). **Price**—$27 per share. **Proceeds**—For capital expenditures, etc. **Underwriter**—None.

● Powers Manufacturing Co. (1/5-9)
Sept. 25 filed 250,000 shares of common stock (par $1). **Price** — $2 per share. **Proceeds** — For machinery and equipment and new construction. **Business**—Production of heavy duty power transmission chain, prockets, gears, etc. **Office**—Longview, Tex. **Underwriter**—Dallas Rupe & Son, Dallas, Texas. **Offering**—Expected first week in January.

Sapphire Petroleums Ltd., Toronto, Canada
Oct. 28 filed 50,000 shares of common stock (par $1—Canadian). **Price**—To be supplied by amendment. **Proceeds**—To Ken Kelman, the selling stockholder, who will offer the shares from time to time either on the New York Curb Exchange or in the over-the-counter market. **Underwriter**—None.

Schweser's (George) Sons, Inc., Fremont, Neb.
Oct. 17 (letter of notification) 989 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Office**—108 East 6th St., Fremont, Neb. **Underwriter**—None, but Ellis, Holyoke & Co., Lincoln, Neb., will act as broker.

Seaboard Finance Co., Los Angeles, Calif.
Nov. 14 (letter of notification) 14,000 shares of common stock (par $1). **Price**—$20.75 per share. **Proceeds**—For working capital. **Office** — 945 South Flower St., Los Angeles 15, Calif. **Underwriter**—None.

★ Shirks Motor Express Corp., Lancaster, Pa.
Dec. 22 (letter of notification) 3,800 shares of 6% cumulative preferred stock (par $10). **Price**—$11 per share. **Proceeds**—To Harry Thomas Waters, the selling stockholder. **Underwriter**—None, but Alex. Brown & Sons, Baltimore, Md., will act as broker.

Sinclair Oil Corp.
Nov. 10 filed 298,735 shares of common stock (no par) to be offered to certain officers and other employees of the company and its subsidiaries under the Stock Purchase and Option Plan. **Price**—$39.50 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

Sinclair Oil Corp. (1/9)
Dec. 18 filed $101,758,900 convertible subordinated debentures due Jan. 15, 1983, to be offered for subscription by common stockholders of record on or about Jan. 9 at rate of $100 or debentures for each 12 shares of common stock held. Rights will expire on Jan. 26. **Price**—To be filed by amendment. **Proceeds**—For capital expenditures, to repay $40,000,000 bank loans and other corporate purposes. **Underwriters**—Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York City.

★ Smith (L. C.) & Corona Typewriters, Inc., New York (1/21)
Dec. 31 filed 33,639 shares of common stock (no par). **Price** — To be supplied by amendment. **Proceeds** — To three selling stockholders. **Underwriter**—Kidder, Peabody & Co., New York.

Smith (Alexander), Inc.
Dec. 16 (letter of notification) 6,625 shares of common stock, of which 3,625 shares are to be sold immediately and 3,000 shares in January, 1953. **Price**—At market. **Proceeds**—To Alexander S. Cochran, a director, **Underwriter**—None.

Southern California Edison Co. (1/14)
Dec. 11 filed 500,000 shares of common stock (par $25). **Proceeds**—To retire bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; The First Boston Corp.; White, Weld & Co. **Bids**—Expected to be received on Jan. 14, up to 8.30 a.m. (PST).

★ Southwestern Electric Service Co., Dallas, Tex. (1/5)
Dec. 24 (letter of notification) 16,205 shares of common stock to be offered for subscription by common stockholders of record Jan. 5. **Price**—Not less than $13.50 per share, nor more than $16 per share. **Proceeds**—For construction program. **Office**—1511 Mercantile Bank Bldg., Dallas 1, Tex. **Underwriter**—None.

Standard Sulphur Co., New York
Nov. 7 filed 1,250,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For construction of plant and purchase of new equipment and for working capital. **Underwriters**—Gearhart & Otis, Inc., and F. L. Rossmann & Co., both of New York.

Streeter-Amet Co., Chicago, Ill.
Aug. 27 (letter of notification) 2,367 shares of common stock (par $50) to be offered for subscription by common stockholders at rate of one new share for each four shares held. **Price**—$100 per share. **Proceeds**—To increase equity capital to take care of increased business and increased costs. **Office**—4101 Ravenswood Avenue, Chicago 13, Ill. **Underwriter**—None.

Sun Fire Insurance Co., Phoenix, Ariz.
Dec. 22 filed 1,000,000 shares of capital stock (par $1). **Price**—$1.50 per share. **Proceeds**—To qualify to do business in Arizona. **Underwriter**—None. Offering to be made initially to persent and future policyholders of company and to certain specified officers and directors.

Sweet Grass Oils, Ltd., Toronto, Canada
July 29 filed 375,000 shares of common stock (no par). **Price**—To be related to quotation on the Toronto Stock Exchange at time of offering. **Proceeds** — For working capital. **Underwriter**—F. W. MacDonald & Co., Inc., New York. **Offering**—Probaby some time in October.

Texas General Production Co.
June 4 filed 2,500,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—To buy property for oil prospecting. **Office**—Houston, Tex. **Underwriter**—To be named by amendment. **Offering**—Tentatively postponed. Statement may be withdrawn.

Texas Oil Exploration Co., Fort Worth, Tex.
Dec. 5 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—To drill oil and gas wells and for acquisition of properties. **Underwriter**—Peter W. Spiess Co., New York.

Texas Western Oil Co., Houston, Tex. (1/14)
Nov. 12 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For working capital. **Office**—1 Main St., Houston, Tex. **Underwriter**—Scott, Khoury & Co., Inc., New York.

TexSoDak Oil Co., Sioux Falls, S. D.
Nov. 24 (letter of notification) 1,000 shares of class A common stock (par $25) to be offered for subscription by stockholders; 6,226½ shares of class A common stock in exchange for leases and beneficial interest; and 2,679½ shares of class A common stock and 13,750 shares of class B common stock (par $1) to be issued to G. L. Clifton as the promoter. **Price**—Of class A stock, at par. **Proceeds**—To drill and equip wells. **Office**—1213 South Hawthorne Ave., Sioux Falls, S. D. **Underwriter**—None.

Toledo Edison Co. (1/14)
Dec. 17 filed 600,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—For construction expenditures. **Underwriters**—The First Boston Corp., New York; and Collin, Norton & Co., Toledo, Ohio.

Torhio Oil Corp., Ltd., Toronto, Canada
Aug. 21 filed 300,000 shares of common stock (par $1) to be offered first to stockholders and then to the general public. **Price** — 60 cents per share. **Proceeds**—For exploration of oil and gas properties, and to drill a test well. **Underwriter**—None, but offering to public will be handled through brokers.

Union Finance Co., Inc., Tampa, Fla.
Dec. 12 (letter of notification) 4,000 shares of 6% preferred stock (par $20) and 4,000 shares of class B common stock (par $1) to be offered in units of one share of each class of stock. **Price**—$25 per unit. **Proceeds**—For working capital. **Office** — 22 Western Union Building, Tampa, Fla., **Underwriter**—None.

United Equipment & Service, Inc., Baltimore, Md.
Nov. 20 (letter of notification) $238,400 of 6% bonds. **Price**—At par (in denominations of $100, $500, $1,000 and $5,000 each). **Proceeds**—To reduce outstanding notes. **Office**—629 Title Bldg., Baltimore, Md. **Underwriter**—None.

United Petroleum & Mining Corp., Bismarck, N. D.
Nov. 17 (letter of notification) 150,000 shares of class A voting stock and 150,00 shares of 4% class B non-voting stock. **Price**—$1 per share. **Proceeds**—To purchase oil and gas leases. **Office**—222 Main Street, Bismarck, N. D. **Underwriter**—John G. Kinnard & Co., Minneapolis, Minn.

United Security Life, Phoenix, Ariz.
Dec. 2 (letter of notification) 75,000 shares of class A common stock (par $1) and 2,500 participating units to be sold in units of 30 shares and one participating unit. **Price**—$120 per unit. **Proceeds**—To increase capital and surplus. **Office**—7 Weldon, Phoenix, Ariz. **Underwriter**—Life Underwriters, Inc., Phoenix, Ariz.

Victoria Copper Zinc Mines Ltd., Montreal, Canada
Oct. 22 filed 1,050,000 shares of common stock. **Price**—To be taken down in 10 blocks ranging from 50,000 to 200,000 shares at prices ranging from 15 cents to $1 per share. Estimated public offering prices range from 35 cents to $1.50 per share. **Proceeds**—For mining operations. **Underwriter**—Jack Rogers, of Montreal, Canada, who is the "optionee" of the stock to be taken down.

★ Video Inc. (Pa.) (1/7)
Dec. 29 (letter of notification) 69,725 shares of 5% cumulative convertible preferred stock. **Price**—At par ($2 per share). **Proceeds**—For payment of debt, equipment and inventory and for working capital. **Underwriter**—Graham & Co., Pittsburgh, Pa.

Video Products Corp., Red Bank, N. J.
Oct. 3 (letter of notification) 75,000 shares of common stock (par 50 cents). **Price**—$2.50 per share. **Proceeds**—For working capital. **Office**—42 West Street, Red Bank, N. J. **Underwriter**—None.

★ Wagner Electric Corp., St. Louis, Mo.
Dec. 22 (letter of notification) 1,700 shares of common stock (par $15). **Price**—At market (approximately $50 per share). **Proceeds** — For working capital. **Underwriter**—G. H. Walker & Co., St. Louis, Mo.

Warren Petroleum Corp., Tulsa, Okla.
Nov. 7 (letter of notification) 3,000 shares of common stock (par $3). **Price**—At market. **Proceeds**—To J. A. La Fortune and Mrs. Gertrude La Fortune. **Underwriter**—Harris, Upham & Co., New York.

● West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price**—To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sale of $55,000,000 first mortgage bonds, to be used to build a 1,030-mile crude oil pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Expected in the Spring of 1953.

● West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Expected in the Spring of 1953.

● West Flagler Amusement Co., Inc. (1/14)
Nov. 20 filed 170,000 shares of common stock (par 50 cents). **Price**—$10 per share. **Proceeds**—To nine selling stockholders. **Business**—Amusement park. Is owner of West Flagler Kennel Club in Miami, Fla. **Underwriter**—Floyd D. Cerf Jr. Co., Chicago, Ill., and Miami, Fla.

● **West Penn Electric Co. (1/21)**
Dec. 19 filed 264,000 shares of common stock (no par) to be offered for subscription by common stockholders of record on or about Jan. 23 on a 1-for-15 basis; rights to expire on or about Feb. 9. **Proceeds**—To purchase about $5,000,000 additional common stock of Monongahela Power Co. and for general corporate purposes. **Underwriters**—To be determined by competitive bidding. Probable bidders: W. C. Langley & Co. and The First Boston Corp. (jointly); Lehman Brothers and Goldman, Sachs & Co. (jointly); Harriman Ripley & Co. Inc. **Bids**—To be received up to 11 a.m. (EST) on Jan. 21 at office of company, 50 Broad St., New York 4, N. Y.

★ **Western Empire Oil Co., Denver, Colo.**
Dec. 23 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For working capital. **Underwriter**—Carroll, Kirchner & Jaquith, Inc., Denver, Colo.

Western Pioneer Investment Co., Oakland, Calif.
Dec. 11 filed 35,000 shares of common stock (par $10). **Price**—$30 per share. **Proceeds**—To commence operations as a finance company and for working capital. **Underwriter**—None.

Westshore Hospital, Inc., Tampa, Fla.
Dec. 3 (letter of notification) 30,000 shares of common stock (of which 1,250 shares will be issued to Dr. Samuel G. Hibbs and John R. Himes for services rendered). **Price**—At par ($10 per share). **Proceeds**—For property and equipment expenses. **Office**—349 Plant Ave., Tampa, Fla. **Underwriter**—Louis C. McClure & Co., Tampa, Fla.

Wisdom Magazine, Inc., Beverly Hills, Calif.
Sept. 17 filed 6,600 shares of 5% cumulative preferred stock (par $100) and 6,600 shares of common stock (par $10) to be offered in units of one share of preferred and one share of common stock. **Price**—$110 per unit. **Proceeds**—To publish new national picture magazine. **Underwriter**—None. An earlier registration statement filed July 14, 1952, covering a like offering of preferred and common shares was withdrawn Aug. 1, 1952.

Wyoming National Oil Co., Inc., Denver, Colo.
Nov. 17 (letter of notification) 500,000 shares of common stock (par five cents). **Price**—25 cents per share. **Proceeds**—For oil and gas leases. **Underwriter**—R. L. Hughes & Co., Denver, Colo.

Prospective Offerings

Aluminium Ltd.
Oct. 15 directors expected that additional financing will be undertaken in 1953 to meet the major part of the increase in the estimated cost of the expansion program. The First Boston Corp., and A. E. Ames & Co., Ltd., acted as dealer-managers in stock offering to stockholders in Oct. 1951.

Arkansas Power & Light Co.
Dec. 15 it was reported company may issue and sell, probably in June, 1953, about $15,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Equitable Securities Corp. and Central Republic Co. (jointly).

Bank of the Manhattan Company (1/23)
Dec. 19 it was announced Bank plans offering of 250,000 additional shares of capital stock to its stockholders on a one-for-ten basis. Stockholders will vote Jan. 23, on increasing capitalization from 2,500,000 shares to 2,750,000 shares (par $10). **Underwriter**—Probably The First Boston Corp., New York.

California Electric Power Co.
Oct. 7 it was announced company intends to sell early in 1953 approximately $10,000,000 of additional new securities, viz: $8,000,000 of first mortgage bonds and about $2,000,000 of common or preferred stock. **Proceeds**—For new construction and repayment of bank loans. **Underwriters**—May be determined by competitive bidding. Probable bidders: (1) For bonds only—Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler. (2) For bonds and stocks: Merrill Lynch, Pierce, Fenner & Beane and Dean Witter & Co. (jointly); Kidder, Peabody & Co.; Blyth & Co., Inc.

● **Central Maine Power Co.**
Dec. 27, William F. Wyman, President, announced company early in 1953 intends to issue and sell $10,000,000 of first and general mortgage bonds. **Proceeds**—To refund outstanding short-term notes. **Underwriters**—To be determined by competitive bidding. Probable bidders—Halsey, Stuart & Co. Inc.; Coffin & Burr, Inc. and The First Boston Corp. (jointly); Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Harriman Ripley & Co., Inc.; Salomon Bros. & Hutzler. The company has no present plans to issue additional common stock.

● **Charter Oil Co., Ltd.**
Nov. 18, it was reported that company plans to offer and sell 900,000 additional shares of common stock (no par). **Price**—To be named later (around $1.70 per share). **Proceeds**—For expansion program. **Underwriters**—Lehman Brothers and Bear, Stearns & Co. for about 800,000 shares; balance to be offered in Canada. **Offering**—Not expected until the end of January or early February.

Cinerama Productions Corp.
Dec. 11 it was reported corporation may sell $5,000,000 of securities (probably common stock). **Underwriter**—May be Hayden, Stone & Co., New York.

Columbia Gas System, Inc., N. Y.
Oct. 10 it was announced company plans to issue and sell common stock and additional debentures early in the Spring of 1953. **Proceeds**—To repay bank loans and for construction program. Company has sought SEC authority to borrow from banks an aggregate of $25,000,000. **Underwriters**—To be determined by competitive bidding. Probable bidders: For stock, Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co. and R. W. Pressprich & Co. (jointly); Morgan Stanley & Co. For debentures, Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

★ **Cornell-Dubilier Electric Co.**
Dec. 19 it was announced stockholders will vote Jan. 28 on increasing the authorized common stock from 500,000 to 1,000,000 shares, and on eliminating the preemptive rights of common stockholders.

Culver Corp., Chicago, Ill. (1/26)
Nov. 22 it was announced that company proposes to offer to stockholders on or about Jan. 26, 1953, a total of 23,640 additional shares of common stock on a share-for-share basis; rights to expire Feb. 9. **Price**—At par ($2 per share). **Proceeds**—For investment. **Office**—105 West Madison Street, Chicago, Ill. **Underwriter**—None.

Dallas Power & Light Co.
Dec. 15 it was reported company may issue and sell in March, 1953, about $9,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; The First Boston Corp.; Lehman Brothers; Kidder, Peabody & Co.; Equitable Securities Corp.; Union Securities Corp.; Harriman Ripley & Co., Inc.

Delaware, Lackawanna & Western RR. (1/6)
Bids will be received by the company at 140 Cedar Street, New York 6, N. Y., up to noon (EST) on Jan. 6, for the purchase from it of $6,480,000 equipment trust certificates, series L, to be dated Jan. 15, 1953, and to mature annually 1954 to 1968 inclusive. Probable bidders: Halsey, Stuart & Co.; Salomon Bros & Hutzler; and Kidder, Peabody & Co., Dick & Merle-Smith and Wood, Struthers & Co. (jointly).

Eastern Utilities Associates
Sept. 3 it was announced that amended plan of reorganization of this company and subsidiaries calls for issuance by company of $7,000,000 debentures and a sufficient amount of common stock to raise approximately $2,000,000. plan further provides that Blackstone Valley Gas & Electric Co., Brockton Edison Co., and Fall River Electric Light Co. issue mortgage bonds. **Proceeds**—To repay bank loans. **Underwriters**—For EUA debentures may be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. (for bonds only); Lehman Brothers; Estabrook & Co. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co. and Harriman Ripley & Co., Inc. (jointly).

Equitable Gas Co.
Nov. 20 it was announced company may offer early next year $10,000,000 of preferred stock. **Proceeds**—To repay $8,000,000 of bank loans and for construction program. **Underwriters**—May be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Kidder, Peabody & Co.; White, Weld & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane. **Meeting**—Stockholders will vote Jan. 20 on authorizing an issue of $20,000,000 preferred stock (par $100).

European American Airlines, Inc.
June 11 it was reported company plans to raise an additional $400,000 of equity capital. An issue of $200,000 of capital stock was just recently placed privately at $7.50 per share. **Underwriter**—Gearhart & Otis, Inc., New York.

First National Bank of Atlanta, Ga. (1/13)
Dec. 20 it was announced bank plans to issue and sell to stockholders an additional 100,000 shares of capital stock (par $10), following increase in authorized capital stock to be voted upon Jan. 13. **Price**—$30 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—To be named later.

Follansbee Steel Corp.
Dec. 16, M. A. Follansbee, President, said the company plans additional equity financing, totaling about $4,500,000. This may be done through a rights offering to stockholders. **Proceeds**—Together with funds from proposed $29,500,000 RFC loan, would be used for expansion program. **Underwriters**—May include Cohu & Co., New York. **Offering**—Expected in February.

Garrett Freightlines, Inc.
Oct. 17 it was announced company has applied to ICC for authority to issue and sell $1,100,000 6% convertible debentures due 1967. **Price**—At par. **Proceeds**—To retire outstanding debentures and preferred stock and for new equipment and working capital. **Underwriter**—Allen & Co., New York; Peters, Writer & Christenson, Denver, Colo.; and Edward D. Jones & Co., St. Louis, Mo.

General Public Utilities Corp.
Nov. 15, A. F. Tegen, President, announced that its domestic subsidiaries may spend around $30,000,000 for new construction in 1953. Of this total, $15,000,000 will be provided internally leaving about $65,000,000 to be financed by the sale of securities. Subsidiaries expect to sell around $49,000,000 of bonds, debentures and preferred stocks and GPU will furnish about $16,000,000 to them. GPU expects to obtain the funds from bank loans, the sale of debentures, the sale of common stock or a combination of these. If present conditions continue well into next year, GPU would expect to offer additional shares to stockholders rather than resort to borrowing. Merrill Lynch, Pierce, Fenner & Beane acted as clearing agent in last stock offer.

★ **Gulf States Utilities Co.**
Dec. 22 it was reported company plans to issue and sell some additional stock this coming spring. **Underwriters**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and Lehman Brothers (jointly); Stone & Webster Securities Corp.

Harris Foods Co., Pittsburgh, Pa.
Dec. 10 it was announced company plans offer and sale to customers of units of two shares of 7% cumulative preferred stock (par $5) and one share of common stock (par $1) at $11 per unit. Proceeds (about $250,000) will be used to buy a fleet of refrigerated trucks and expand food-handling facilities.

Indiana & Michigan Electric Co.
Nov. 6 it was reported company plans to issue and sell in 1953 some bonds and/or preferred stock. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—May be determined by competitive bidding. Probable bidders: (1) for bonds—Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Union Securities Corp.; Harriman Ripley & Co., Inc. (2) for preferred—Lehman Brothers; The First Boston Corp.; Smith, Barney & Co.

Jamaica Water Supply Co.
Dec. 2 it was reported company plans late in 1953 to raise about $2,000,000 (about 60% in bonds and 40% in stock). Underwriter—Blyth & Co., Inc., New York.

Jersey Central Power & Light Co.
Dec. 15 it was reported company plans to issue and sell $9,000,000 of first mortgage bonds due 1983. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Salomon Bros & Hutzler; Glore, Forgan & Co.; Kidder, Peabody & Co.; Harriman Ripley & Co., Inc. **Offering**—Probably in April, 1953.

Long Island Lighting Co.
Dec. 15 it was announced company has established a bank credit in the amount of $40,300,000 extending to Dec. 1, 1953, to be refinanced by the issuance of new securities. **Underwriters**—(1) For common stock, probably Blyth & Co., Inc. and The First Boston Corp. (jointly). (2) For preferred stock, may be W. C. Langley & Co. (3) For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); W. C. Langley & Co.; Smith, Barney & Co.

Louisiana Power & Light Co.
Dec. 15 it was announced company may issue and sell in mid-year about $10,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Blyth & Co., Inc.; White, Weld & Co. and Shields & Co. (jointly); Salomon Bros. & Hutzler; W. C. Langley & Co., The First Boston Corp., and Glore, Forgan & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Harriman Ripley & Co., Inc.

● **Macy (R. H.) & Co.**
Nov. 12 it was announced company may do some financing in 1953 in the form of debentures or long-term bank loans. Edwin F. Chinlund, Vice-President and Treasurer, roughly estimated $15,000,000 would be required over the next year or more, for acquisition of furniture fixtures, inventory and receivables. Previous financing was done privately through Lehman Brothers.

Metropolitan Edison Co.
Dec. 15 it was reported company plans to issue and sell in May about $9,000,000 of first mortgage bonds due 1983. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); White, Weld & Co.; The First Boston Corp.; Kidder, Peabody & Co. and Drexel & Co. (jointly); Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly).

Mississippi Power & Light Co.
Dec. 15 it was reported company may issue and sell in March about $12,000,000 of first mortgage bonds due 1983. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Equitable Securities Corp. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.; The First Boston Corp. and W. C. Langley & Co. (jointly).

Missouri Power & Light Co.
Dec. 11 the SEC authorized the company to borrow $2,800,000 from The Chase National Bank of the City of New York, the loan to be later funded through a form of permanent financing, Probable bidders for bonds: Halsey, Stuart & Co. Inc.; White, Weld & Co., Kidder, Peabody & Co. and Shields & Co. (jointly).

Monongahela Power Co.
Dec. 11 it was announced company plans issuance and sale near the middle of 1953 of $10,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co. and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Glore, Forgan & Co.; Lehman Brothers; Equitable Securities Corp.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co., Inc.

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Narragansett Electric Co.
Oct. 7 it was reported company plans issuance and **sale** of about $10,000,000 first mortgage bonds, series D. **Proceeds** — To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Glore, Forgan & Co. (jointly); Salomon Bros. & Hutzler; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); Lehman Brothers and Goldman, Sachs & Co. (jointly); Union Securities Corp.; The First Boston Corp.; White, Weld & Co. **Offering**—Expected early in 1953.

• National Can Corp.
Dec. 30 stockholders, among other things, approved the issuance and sale of $1,500,000 10-year 5% convertible subordinate debentures.

National City Bank of Cleveland (1/13)
Dec. 5 it was announced company plans to offer to all stockholders of record Jan. 2, next, 125,000 additional shares of capital stock (par $16) at the rate of one new share for each six shares held; rights to expire on Feb. 2. Offering is subject to approval of stockholders on Jan. 13. **Price**—$36 per share. **Proceeds**—To increase capital and surplus. **Underwriter** — Merrill, Turben & Co., Cleveland, Ohio.

New Jersey Power & Light Co.
Dec. 15 it was announced company plans issue and sale of about $4,000,000 first mortgage bonds due 1983. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Smith, Barney & Co.; Union Securities Corp.; Carl M. Loeb, Rhoades & Co. **Offering**—Probably in May.

New Orleans Public Service Inc.
Dec. 15 it was reported company plans to sell about $10,000,000 of first mortgage bonds due 1983. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. **Probable bidders**: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co. and Stone & Webster Securities Corp (jointly); Equitable Securities Corp.; Union Securities Corp. **Bids** — Tentatively scheduled to be received around the end of the first quarter of 1953.

New York, Chicago & St. Louis RR.
Dec. 22 company announced it plans to issue and sell $10,000,000 of refunding mortgage bonds. **Proceeds**—To retire $2,250,000 of short-term debt and for working capital. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Morgan Stanley & Co.; Smith, Barney & Co.; White, Weld & Co.; Kuhn, Loeb & Co.; Union Securities Corp. **Offering**—Expected either late in January or early February.

New York, New Haven & Hartford RR. (1/7)
Nov. 12 company applied to ICC for permission to issue and sell $14,000,000 of Harlem River Division first mortgage bonds, series A, due Jan. 1, 1973. **Proceeds**—Together, with other funds, to refund $14,427,000 Harlem River & Port Chester first mortgage 4% bonds due May 1, 1954. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; The First Boston Corp.; Smith, Barney & Co.; W. C. Langley & Co.; Merrill Lynch, Pierce, Fenner & Beane and Blyth & Co. Inc., (jointly). **Bids**—To be received up to noon (EST) on Jan. 7 at company's office in New York City.

Northern Indiana Public Service Co.
Sept. 18 it was reported company may issue and sell shortly after the close of this year some additional preferred and common stock. **Underwriters**—May be Central Republic Co. (Inc.), Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane.

Oklahoma Gas & Electric Co.
Nov. 13 it was announced company plans to issue and sell additional common stock at about a one-for-ten basis (2,411,945 shares of common stock outstanding). **Proceeds**—For new construction. **Underwriters**—May be determined by competitive bidding. **Probable bidders**: Lehman Brothers; The First Boston Corp.; Smith, Barney & Co. and Harriman Ripley & Co., Inc.

Ontario (Province of)
Dec. 18 it was reported sale is expected early in 1953 of an undetermined amount of bonds (payable in U. S. funds). **Underwriters**—Harriman Ripley & Co. Inc. and Wood, Gundy & Co. Inc.

★ Pacific Northern Airlines, Inc.
Dec. 19 it was reported company plans early registration of about 400,000 shares of common stock. **Proceeds**—Together with other funds, to be used to purchase additional equipment. **Underwriters**—Emanuel, Deetjen & Co. and Hayden, Stone & Co. (with latter handling books).

Pacific Northwest Pipeline Corp.
Aug. 29 company filed a second substitute application with the FPC proposing to construct a 1,384-mile transmission line extending from the San Juan Basin in New Mexico and Colorado to market areas in the Pacific Northwest. Estimated overall capital cost of the project is $179,000,000. Financing is expected to consist of first mortgage pipe line bonds and preferred and common stocks, and is expected to be completed by April, 1953 Underwriters—White, Weld & Co. and Kidder, Peabody & Co., both of New York, and Dominion Securities Corp., Ltd., Toronto, Canada.

Pacific Telephone & Telegraph Co.
Dec. 17 Mark R. Sullivan, President, announced that company in 1953 will borrow some $125,000,000 from banks to be refinanced later in year, probably by offering of bonds and additional common stock. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co.; Lehman Brothers and Union Securities Corp. (jointly). Stock would be offered to stockholders, without underwriting. American Telephone & Telegraph Co., parent, owns 91.25% of Pacific common shares.

Pennsylvania Electric Co.
Dec. 15 it was reported company plans to issue and sell in June about $9,250,000 first mortgage bonds due 1983 and a like amount later on. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Kidder, Peabody Co.; The First Boston Corp.; Equitable Securities Corp.

Peoples Gas Light & Coke Co.
Oct. 24 it was announced that company and each of its subsidiaries will issue mortgage bonds or other debt securities. **Proceeds**—To finance construction programs. **Underwriters**—To be determined by competitive bidders. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Kuhn, Loeb & Co.

People's National Bank & Trust Co., White Plains, N. Y. (1/13)
Dec. 11 it was announced company plans to offer for subscription by stockholders 4,000 additional shares of capital stock (par $25) on a one-for-six basis. **Price**—$50 per share. **Proceeds** — To increase capital and surplus. **Meeting**—Stockholders on Jan. 13 will vote on approving offering and stock dividend of 4,000 shares.

Public Service Co. of New Hampshire
Nov. 3 it was announced company plans to issue and sell approximately $5,000,000 of bonds in May or June, 1953, and in the latter part of 1953 to issue sufficient common shares to raise about $4,000,000. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: For bonds, Halsey, Stuart & Co. Inc.; The First Boston Corp. and Coffin & Burr, Inc. (jointly); Kidder, Peabody & Co.; White, Weld & Co. For stock, Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Harriman Ripley & Co. Inc.

Rockland Light & Power Co.
Nov. 12, F. L. Lovett, President, announced company expects to raise about $24,000,000 in the next two years through sale of bonds, and preferred and common stock, viz: $5,500,000 of first mortgage bonds and $5,500,000 preferred stock in 1953 and $6,000,000 bonds, $6,000,000 preferred stock, and $1,000,000 common stock in 1954. **Proceeds**—For expansion program. **Underwriters** — For bonds and preferred stock may be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; First Boston Corp. and Salomon Bros. & Hutzler (jointly); Stone & Webster Securities Corp.; Lehman Brothers, Bear, Stearns & Co. and A. C. Allyn & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Estabrook & Co. (2) For preferred—Stone & Webster Securities Corp.; Lehman Brothers; W. C. Langley & Co.; Estabrook & Co. and Kidder, Peabody & Co. (jointly). Common stock will probably be offered for subscription by stockholders.

★ Rye National Bank, Rye, N. Y.
Dec. 29 the Bank offered its shareholders of record Dec. 23, 1952, the right to subscribe on or before Jan. 23, 1953, for 182,000 additional shares of common stock (par $2) at the rate of 7.28 new shares for each share held. **Price**—$3.20 per share. **Proceeds** — To increase capital and surplus. **Underwriters**—Auchincloss, Parker & Redpath, Washington, D. C.; and G. H. Walker & Co., New York.

★ San Diego Gas & Electric Co.
Dec. 29 it was reported that the company plans some new common stock financing in the near future. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

Southern Natural Gas Co.
Nov. 3 FPC authorized company to construct pipeline facilities estimated to cost $32,518,500. On Sept. 15 it had been announced that the company expects to sell additional bonds during the first six months of 1953 in the amount then permissible under its mortgage indenture, and to provide for other permanent financing by the sale of additional first mortgage bonds or other securities in such amounts as may be appropriate at the time. Probable bidders for bonds: Halsey, Stuart & Co Inc.; Kuhn, Loeb & Co.; The First Boston Corp., Blyth & Co. Inc. and Kidder, Peabody & Co. (jointly). Any stock financing may be via stockholders.

Southern Railway (1/29)
Dec. 5 it was reported company expects to open bids Jan. 29 on an issue of $3,600,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

Southern Ry. (1/22)
Dec. 23 it was announced company plans to issue and sell $10,000,000 of bonds to be secured by the road's St. Louis-Louisville division. **Proceeds** — For refunding. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Morgan Stanley & Co.; Kuhn, Loeb & Co. **Bids**—To be received on Jan. 22.

Southwestern Bell Telephone Co.
Nov. 28 company applied to the Missouri P. S. Commission for authority to issue and sell $186,000,000 of additional securities as the need arises (in addition to th proposed issuance to its parent, American Telephone Telegraph Co., of $85,000,000 common stock. If deben tures are issued, probable bidders may include Halsey Stuart & Co. Inc. and Morgan Stanley & Co.

Southwestern Public Service Co.
Dec. 5 it was announced that the company's financin program tentatively involves offering early in 1953 o $12,000,000 bonds and $2,000,000 preferred stock in addi tion to about $5,500,000 to be raised from the sale o additional common stock (about 293,500 shares) to com mon stockholders on a 1-for-12 basis (with an over subscription privilege). Bond and preferred stock fi nancing was previously done privately. **Proceeds**—T repay back loans and for new construction. **Underwrite** —Dillon, Read & Co. Inc., New York. **Registration**— Expected about Jan. 12, 1953.

State Bank of Albany, N. Y. (1/27)
Dec. 15, Frederick McDonald, President, announced tha company plans to offer (following approval on Jan. 2 of increase in capitalization) 101,725 additional share of capital stock (par $10) on the basis of one new shar for each three shares held. **Price**—To be determined b directors. **Proceeds** — To increase capital and surplu **Underwriter**—Salomon Bros. & Hutzler, New York.

• Sylvania Electric Products Co. (2/9)
Dec. 19 it was reported company plans issue and sal sale of about $20,000,000 debentures and approximatel 550,000 shares of common stock. **Underwriter** — Paine Webber, Jackson & Curtis, of Boston, and New York **Registration**—Tentatively scheduled for Jan. 20.

Tennessee Gas Transmission Co.
Dec. 3 it was reported company plans to issue and sel early in 1953 between $25,000,000 and $30,000,000 of firs mortgage pipe line bonds. Underwriters—May be deter mined by competitive bidding. Probable bidders: Halsey Stuart & Co. Inc.; Stone & Webster Securities Corp. an White, Weld & Co. (jointly).

Texas Electric Service Co.
Dec. 15 it was reported company plans to issue and sel $9,000,000 first mortgage bonds and $8,000,000 preferre stock. **Proceeds**—For new construction. **Underwriters**— (1) For stock, Kidder, Peabody & Co. and Merrill Lynch Pierce, Fenner & Beane (jointly). (2) For bonds, to b determined by competitive bidding. Probable bidders Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Lehman Brothers and Blyth & Co., Inc. (jointly); Salomon Bros & Hutzler; Union Securities Corp.; The First Boston Corp.; Kidder, Peabody & Co. and Merrill Lynch, Pierce Fenner & Beane (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly). **Offering**—Expected in April.

Texas Power & Light Co.
Dec. 15 it was reported company may sell about $11, 000,000 of first mortgage bonds. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Blyth & Co., Inc., Kidder Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp.; Union Securities Corp.; Hemphill, Noyes & Co. and Drexel & Co (jointly); White, Weld & Co.; Lehman Brothers. **Offering**—Tentatively expected in May.

Texas Utilities Co.
Dec. 15 it was reported that following completion o proposed financing by Dallas Power & Light Co., Texas Electric Service Co. and Texas Power & Light Co., subsidiaries (which see) the parent plans to offer additional common stock to stockholders. **Underwriters** — Union Securities Corp., New York.

Toledo Edison Co.
Oct. 3 it was reported company plans issue and sale of $7,500,000 first mortgage bonds and 600,000 shares of common stock. **Proceeds**—For construction program. **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp. and Salomon Bros. & Hutzler (jointly); Carl M. Loeb, Rhoades & Co.; Kidder, Peabody & Co.; The First Boston Corp. and Glore, Forgan & Co. (jointly); Union Securities Corp.; Smith, Barney & Co.; White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers. **Offering**—Of bonds probably early in 1953. **Stock Registered**—The 600,000 shares of common stock were registered with the SEC on Dec. 17 (see a preceding column).

Washington Water Power Co.
Dec. 3 it was reported company may issue and sell in June, 1953, $10,000,000 of first mortgage bonds and between $14,000,000 and $18,000,000 of debentures. If competitive, bidders may include: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Lehman Brothers (jointly); Blyth & Co., Inc., Smith, Barney & Co. and White, Weld & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly).

Wisconsin Public Service Corp.
Nov. 26 it was announced that company plans permanent financing prior to June 1, 1953, which may include the issuance and sale of between $7,000,000 and $8,000,000 of bonds and from $2,000,000 to $3,000,000 of preferred stock. An indeterminate number of shares of common stock may be offered late in 1953 or early in 1954. Stock financing, if negotiated, may be handled by The First Boston Corp. and Robert W. Baird & Co. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Union Securities Corp.; Kidder, Peabody & Co.; Shields & Co.; Merrill Lynch, Pierce, Fenner & Beane; Harris, Hall & Co. (Inc.); Carl M. Loeb, Rhoades & Co.; Salomon Bros. & Hutzler.

Canadian Securities

By WILLIAM J. McKAY

Since the publication of this olumn in last week's "Chronicle," he arguments regarding the ranting of a charter to a foreign-ontrolled banking institution in anada, now under consideration y the Canadian Parliament in ttawa, indicate there is outright pposition to such an institution rom the Canadian chartered anks. On Dec. 17 two Canadian ank officials appeared in Ottawa efore the Canadian Senate and uggested that incorporation of a etherlands-controlled bank will esult in a large number of applications from other foreign banks.

The suggestion came from B. C. Gardner, Chairman of the Board f the Bank of Montreal, and T. H. tkinson, General Manager of the Royal Bank of Canada. They appeared before a committee studying a proposal to charter this new bank.

Mr. Atkinson told the committee he has received intimations that many foreign banks are watching the new bank's application. If it is granted a charter, he estimated that at least five more applications will follow immediately and at least five more may follow those.

He also said it is reasonable to suppose that if enough new banks begin operating in larger centres in competition with present chartered banks, curtailment of branch service may result in smaller centres.

Mr. Gardner said the committee should consider that the charter would be going to a foreign-controlled bank which might be handling savings deposits of Canadians. He said he would not say granting a new charter would be a "dangerous" precedent but it would be at least a first step to applications from other groups.

Mr. Gardner and Mr. Atkinson both said the new bank, which proposes to deal mostly in banking connected with Far Eastern trade, can offer no new service that now is not provided by Canadian banks, just as cheaply.

The proposed bank's plans were explained by C. S. Richardson, lawyer of Montreal, and H. E. Moquette, Managing Director of Nationale Handelsbank N.V. of Amsterdam. Nationale Handelsbank would be the controlling interest in the new bank which seeks incorporation under the name of Mercantile Bank of Canada.

Mr. Moquette said the parent organization in Holland will put up immediately $1,000,000 towards the proposed capitalization of $3,000,000 of the Mercantile Bank. The head office would be in Montreal with offices in Vancouver and Toronto. The main object of operations, the attorney explained, would be the financing of Far Eastern trade, in which the parent bank already has had considerable experience.

It seems that Canada is following the line of some of our States in endeavoring to limit banking to "home production." It was noted in this column last week that the Bank of Montreal, which operated an office in Chicago for 90 years, has discontinued its operations and turned over its business to the First National Bank of Chicago. The only reason given for this action was an Illinois law, enacted in 1929, which prohibited branch banking either by home institutions or banks organized in other States or countries. The enforcement of this statute would have required the Chicago branch of the Bank of Montreal to be incorporated under the Illinois banking laws.

* * *

Another development, which would seem to throw a wet towel on joint business ventures of U. S. and Canadian concerns, is the proposed split-up of Canadian Industries, Ltd., which has been jointly controlled by Du Pont de Nemours of the U. S. and the Imperial Chemical Industries, Ltd. of Canada. The split-up, which would result in the creation of two separate companies, one controlled by E. I. du Pont de Nemours and Co., and the other by the Imperial Chemical Industries, is the outcome of a U. S. Federal District Court decision rendered last July.

At present du Pont and Imperial Chemical Industries each hold approximately 42% or 84% jointly of the 7,050,114 outstanding common shares of Canadian Industries, Ltd., while a majority of the preferred stock is owned by a fairly wide distribution of holders in Canada. A total of $4,650,000 of preferred—7% cumulative, $100 par—is outstanding.

Under the projected plan to meet the court's direction for an end of joint control, the present resources, business and undertakings of Canadian Industries, Ltd. would be divided between two new companies. Du Pont would control one and the I. C. I. the other, through holding of a ratio of common stock comparable to the present joint control of C. I. L. The balance of common stock in each new company would be allotted to present common-share minority shareholders in Canadian Industries, Ltd. on a proportionate basis.

The association of Du Pont and the Imperial Chemical Industries in joint control of Canadian Industries, Ltd. dates back to 1910, when Canadian Explosives, Ltd. was formed, reorganized and renamed Canadian Industries, Ltd. in 1927. Total assets at the end of 1951 were reported at nearly $141.2 million, and a total of $45 million was reported to be still unspent on capital expansion projects launched but not completed.

Our Reporter's Report

This has been a dull week for the rank and file in the underwriting business. But there is a contingent in the industry which has been putting in some of its hardest licks despite the apparent lack of activity marketwise.

State of Washington Public Utility District authorities are scheduled, next week, to open bids for an overall total of about $105,000,000 of new bonds being sold to raise funds to finance the purchase of the properties of the Puget Sound Power & Light Co.

Since the financing is being broken up into several segments, it is one of those operations that calls for more than the customary amount of calculation associated with new issues.

Bonds involved will mature at varying times from 1959 through 2003. An issue of $84,000,000 will be sold by five Counties; another of $10,000,000 by one County; a third of $10,000,000 by a single County and a small issue, $500,000, by another County.

Those who are interested in the business have been talking a 2.75% coupon for the 1959 maturity; 3.40% for the issue due in 1970; a 3.70% rate for the 1980 maturity and 3.85% for the 1987 maturity.

The 1988 series, it is figured, would carry a 4% rate and would be priced at a premium backing down to par for the 1996 maturity.

Look For Recovery

Those who contact institutional buyers find this element inclined to look for substantial recovery from current levels in the bond market. Such investors note the recession which has taken place, but remark also the absence of any real volume on the decline.

They are not disposed, it appears, to take too much guidance from the government market and the task which lies ahead of the incoming Treasury regime. The government has been paying "up" for its money over a period of months.

Expectation is that January and February will bring to the surface a strong reinvestment demand. On that score it is noted that potential buyers have been steadily building up their cash positions. If, as some expect, the market gets back near its old highs, it is assumed that the element of scarcity will be a strong factor.

Down to the Wire

Except for the California Toll Bridge issue, which was sold on a single bid and which took fire quickly with the sponsors able to close the books in a matter of hours, the week has been a "flat" one in the investment market.

Now that we are into the New Year investment bankers are hoping for a reawakening of activity. They look to next week to start the parade although the calendar does not show too much new business in prospect for that period.

The only solid business in sight is Sinclair Oil Corp.'s $101,758,900 of convertible subordinated debentures, due in 30 years, which are to be offered first to common stockholders. Bankers, of course, will standby to underwrite any unsubscribed portion of the issue.

Fortnight Hence

The ensuing week looks like a dull period unless something in the way of a negotiated deal comes into the picture.

In the week beginning Jan. 19 **two medium-sized public utility offerings are due up for bids. On that day Kansas City Power & Light Co. will open tenders for $12,000,000 of 30-year first mortgage bonds.**

The following day, Ohio Power Co. is slated to sell, through competitive bidding, $22,000,000 of 30-year first mortgage bonds, plus 100,000 shares of cumulative preferred stock.

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Mutual Funds

in the economic realm. Under such circumstances businessmen may be expected to proceed more vigorously with expansion plans and consumers are likely to spend more confidently. This should result in sound economic growth with greater productivity and broader markets."

Broadly diversified common stocks, largely of a favorable long time growth character, constituted 88.2% of net assets, compared with 84.1% on May 31 last and 82.5% a year earlier.

NATURAL RESOURCES Fund, Inc., reports net assets at the close of the Fund's fiscal year on Nov. 30, 1952, of $4,290,844 compared with net assets of $2,560,366 on Nov. 30, 1951, according to Frank L. Valenta, President, in a statement issued in connection with the release of the annual report today.

The number of shareholders increased from 1,558 to 2,993. The Fund's assets are invested in 87 different companies operating in more than 12 different natural resource fields.

In a letter to shareholders, Mr. Valenta said: "Your management firmly believes in the long-term growth potentialities of soundly managed natural resource companies. The factors affecting the respective natural resource fields will vary, however, from time to time as a result of shorter term economic factors. Consequently constant supervision of the individual interests is of paramount importance.

"At the present time, your management continues to maintain a substantial interest in a broad number of petroleum and natural gas companies. The petroleum industry, in its opinion, has a long-term growth appeal which few industries possess." He also pointed out that estimates for total foreign and domestic oil demand from the United States next year are 3.3% above 1952. U. S. oil demand is expected to average 7,674,000 barrels daily in 1953, or 4.9% higher than in 1952. He called attention to the more than $100,000,000 annually which is being spent for research enabling the industry to achieve an outstanding record in developing new methods for discovering oil, bringing it to market, and creating new products, particularly in the petrochemical fields.

HENRY ANSBACHER LONG, a writer on investment companies, has been admitted to practice as an attorney in New York State. He had recently received his degree after attending evening courses on law at New York University.

Mr. Long received his B.A. from Yale in 1929 and is also an alumnus of Harvard Business School. He is known to readers of the "Chronicle" for his quarterly survey of investment company portfolios which has appeared for six years. Mr. Long is also Contributing Mutual Funds Editor of "Trusts and Estates."

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Meet the CED—Committee for Economic Development. It is an organization which has a definite way of approaching great national problems. Its membership includes some of the foremost businessmen of the United States. And it is seeding heavily the thinking of the Eisenhower Administration.

Marion B. Folsom, Treasurer of the Eastman Kodak Co., is Chairman of the CED's Board of Trustees. It was he to whom Commerce Secretary Sawyer gave public acknowledgment for originating the idea for the study which got so much attention in last Monday's papers. This was the cautious optimism expressed for the future in the report, "Markets After the Defense Expansion."

Mr. Folsom will become Under Secretary of the Treasury when the new Administration is inaugurated. His superior, the prospective new Secretary of the Treasury, George M. Humphrey, Chairman of the Board of the M. A. Hanna Co., is also a trustee of CED.

W. Walter Williams, Under Secretary of Commerce, is another CED trustee. Nelson A. Rockefeller, another of these trustees, is heading up a far-reaching study of reorganization of the Federal administrative establishment. This is not, of course, a complete list of persons who currently or in the past have been identified with CED's activities, who will take prominent places in the new Administration.

As a matter of fact, Dwight Eisenhower himself was a CED trustee for a couple of years, largely in his capacity as President of Columbia University. Because he left Columbia to take over command of NATO forces, Mr. Eisenhower was largely inactive in CED affairs, and he resigned his trusteeship when he became an active candidate for the Republican nomination.

CED No Stranger To U. S. Government

CED, however, is no stranger to the Federal government. A host of this organization's members have played prominent parts in the Truman and Roosevelt Administrations, if less prominent, perhaps as a whole, than they will play in the Eisenhower Administration. Thus, Paul Hoffman, one of the founders of CED, was Economic Cooperation Administrator under Mr. Truman.

Other CED-ers who have been in and out of the government include Tom McCabe, former Chairman of the Federal Reserve Board; W. L. Clayton, who served in several capacities; John D. Biggers, who served earlier war agencies under Mr. Roosevelt, and Gordon Gray, former Army Secretary.

These new appointees will not necessarily reflect the strict line of thinking of their organization, as issued in CED "Statements on National Policy." Hence it would be an exaggeration to infer that a "CED Administration" is taking over even in part.

For one thing, most of these CED officials are also enthusiastic members of the Chamber of Commerce of the United States, the National Association of Manufacturers, or other associations whose thinking on national affairs is often at considerable variance with the thinking of the CED.

For another thing, these leading public officials, like all public officials, most live with the constant necessity for compromise. They must be prepared, as the price for smooth operation of government, to compromise with their sometimes more conservative Congressional following. They must also compromise with other members of the Administration who may think differently. Thus, Sinclair Weeks, to be Secretary of Commerce, has voiced statements on trade and tariff policy at direct variance with those of the CED, or contrary to those of the prospective Under Secretary, Mr. Williams, a prominent CED member.

Nevertheless, the thinking of the CED, and the habits which that organization has impressed upon thousands of businessmen in and outside the government, is expected to have an influence worth noting from now on in national affairs.

How CED Differs From Other Groups

The chief difference between the CED and other associations of businessmen, like the U. S. Chamber of Commerce, the NAM, or other more specialized organizations, is that it is not a trade association.

Trade associations exist primarily for the purpose of providing service for their members, whether that service be reporting on legislation and interpreting government actions, or exchanging communal knowledge on how to do their jobs better, like distributing groceries cheaper, cutting costs of production, or dealing with labor.

As service organizations, trade associations necessarily are permanently staffed with considerable forces of skilled men and women. It is these permanent staffs which practically take a large part—not necessarily always a decisive part—in formulating broad business policy toward government and other national issues. Essentially, however, service comes first and broad policy formulation second, with trade associations.

The CED, on the other hand, is not a trade association, and for that reason most of its members perforce belong to trade associations. Its outstanding reason for existence is the formulation of national policy, or at least that is the impression the organization gives to the outsider.

Works With Professors

In formulating statements on national policy, the CED takes pride in working with outstanding economists and scholars in other fields from the leading universities. It sees a maximum benefit to be obtained from pitting the practical experience of the seasoned businessman against the technical and theoretical skill of the academician, vice versa.

While consulting with the theoretical economists and students of national problems, however, CED seeks to improve constantly the quality of economic education for the millions. In fact, CED-ers rate as perhaps equal to the function of policy formulation, their objective of spreading a sounder idea of economics among professors and teachers generally. For years it has encouraged countless local forums and symposiums to interest social science teachers in this latter objective.

CED Is "Dynamic"

Probably the basic difference between the CED and other associations of businessmen, however, is the greater willingness of the CED to accept the premises and objectives of governmentalism, whilst trying to improve the operations of governmental programs in relation to the free business society.

While the CED does, if at all, not generally use the word "dynamic" to express its philosophy, it comes nearer to the late Mr. Roosevelt's concept of a "dynamic" philosophy as opposed to a "negative" or "static" philosophy of conservative opponents of big government.

On the other hand, the CED insists that whatever objectives it has in common with big government shall be carried forward "within the framework of a free society."

Seeks Full Employment

(1) One of the basic tenets of the CED is to "foster the full contribution by industry and commerce to the attainment and maintenance of high and secure standards of living for people in all walks of life through maximum employment and high productivity in the domestic economy."

Other leading positions of CED on national issues include the following:

(2) **Budget:** Favors the "stabilizing budget" with fixed tax rates. With fixed tax rates, there should automatically develop a surplus in good times and a deficit in bad times. This is distinguished from "compensating fiscal policy" of consciously seeking a surplus in boom times and a conscious deficit in times of deflation.

(3) **Expenditures:** Is vigorous in demanding cuts in Federal expenditures but less so than the U. S. C. of C. or the NAM.

(4) **Monetary policy:** CED is outspoken in demanding a flexible credit policy like that currently pursued by the Federal Reserve Board.

(5) **Wage, price, and other controls:** Opposes these also except in time of grave emergency but is more tolerant in trying to "make them work."

(6) **Internationalism:** The CED is strongly internationalist and goes farther than most business groups in supporting foreign arms and economic aid. Helped Paul Hoffman to establish the basis and systems used by the Economic Cooperation Administration. However, CED is expecting to make a new study, and reexamine shortly, its position on foreign aid.

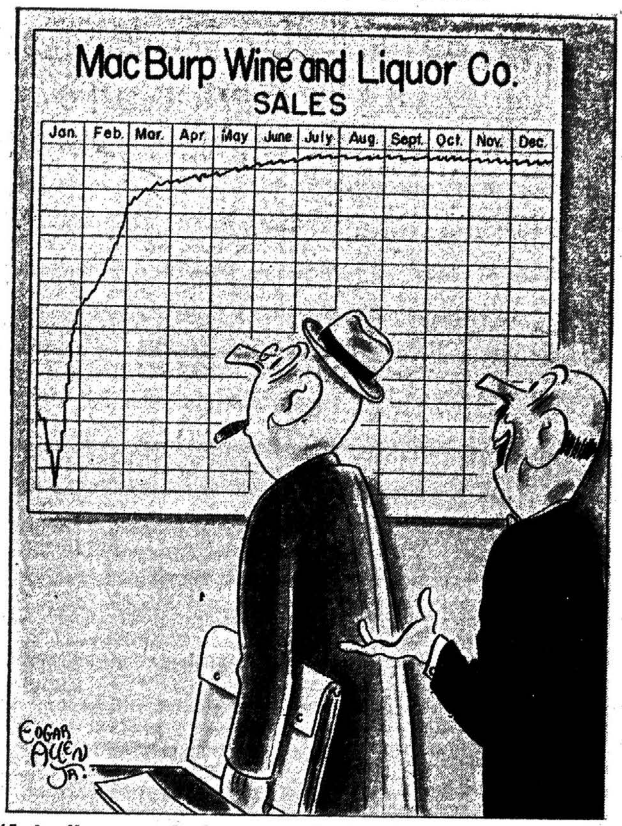
(7) **Foreign trade:** The Truman-Roosevelt line on foreign trade is apparently exactly the CED line. The Reciprocal Trade Agreements Act should be continued without the "escape clauses" or other "crippling amendments." The Customs Simplification bill should be passed. Congress should repeal the "Buy American" clause limiting purchases of arms from foreign countries.

(8) **The free economy:** The CED is reported to be increasingly concerned with threats to the free economy.

(9) **Business cycles:** The organization does not agree with the Truman Administration that government in effect can "repeal" the business cycle but does believe that the extremes of "boom and bust" can be softened.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ



"Actually we only have one bad day a year—the first day when all the New Year's Resolutions are made!"

Business Man's Bookshelf

Alcoholism — A Sickness That Can Be Beaten—Alton L. Blakeslee — Public Affairs Committee, 22 East 38th Street, New York 16, N. Y.—paper—25¢.

Competition — Today and Tomorrow—Society of Business Advisory Professions, Inc., 6 Washington Square, North, New York, N. Y.—paper—$1.50.

Copper Venture — Kenneth Bradley—Walter E. Skinner, 20 Copthall Avenue, London, E. C. 2, England — paper — 16 shillings 3 pence.

Economics in One Lesson — Henry Hazlitt — Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y. — paper — three copies for $1.00 (in any quantity).

Pensions in the United States: A Study prepared for the Joint Committee on the Economic Report by the National Planning Association — Superintendent of Documents, Washington, D. C.—paper—30¢.

Joins Lon L. Grier

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Glenn C. Petersen has joined the staff of Lon L. Grier & Co., First Wisconsion National Bank Building. He was formerly with A. C. Allyn & Co., Inc. and Paine, Webber, Jackson & Curtis.