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EDITORIAL

As We See It

The inaugural ceremonies are yet to take place. Mr. Eisenhower is still a resident at Morningside Heights. Approximately two more weeks must elapse before the new President's hand is actually laid upon the helm. But the ship is now about ready for the new commander, and the specific nature of the many problems he must face, and his party must face, in the months to come is now clearly etched in the day-to-day reports coming out of Washington. Most, if not all, of the more important executive posts have been filled, subject only to the formality of approval by the Senate. Many conferences have been held, and there is little reason to doubt that the general course of their joint endeavor has been evolved and become familiar to all of them.

Meanwhile, the new Congress has been organized. Its new leaders have been for a good while past busily engaged in working out a program for the legislative branch. Long talks have taken place between the leaders on Capitol Hill and the President-elect. Unless current reports are in error, a fairly solid understanding has been reached between the Taft-Martin-Knowland-Bridges-Milliken group (or should we say groups?) and the President-elect. At least there seems at this moment little reason to expect serious division of Republican counsel—as some opposing party members are inclined to predict and doubtless to hope.

This, of course, is all to the good, but it has mainly to do with the readiness of the new Administration to tackle its problems with vigor and with reasonable assurance of success so far as its own functioning is concerned. The problems

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Truman Delivers Farewell State of the Union Message

President reviews accomplishments of his Administration, which, he says, prevented a postwar depression and has achieved prosperity "with sound government policies." Sees barriers against civil rights fading, and praises work of Marshall Plan and other foreign aid programs. Warns Russia we have a new weapon, with unprecedented power of destruction. Hits at "corrosive process" that has begun to damage American liberties and may cause us to lose battle against fear.

On Jan. 7, President Harry S. Truman delivered to Congress his farewell message on the State of the Union. The document was in a way unique, since it made no recommendations for new legislation, but called for united support of the new President. The President pledged his own support "as a citizen of our republic."

President Truman

Portion of the message, as abstracted by the Associated Press, follows:

I have the honor to report to the Congress on the State of the Union.

This is the eighth such report that, as President, I have been privileged to present to you and to the country. On previous occasions, it has been my custom to set forth proposals for legislative action in the coming year. But that is not my purpose today. The presentation of a legislative program falls properly to my successor, not to me, and I would not infringe upon his responsibility to chart the forward course. Instead, I wish to speak of the course we have been following the last eight years and the position at which we have arrived.

In just two weeks, Gen. Eisenhower will be inaugurated as President of the United States and I will resume—most gladly—my place as a private citizen of this republic. The Presidency last changed hands eight years ago this coming April. That was a tragic time: a time

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Dollar Devaluation

By MELCHIOR PALYI

Discussing pressures for dollar devaluation, Dr. Palyi expresses his disapproval of this move, but says "if for political reasons the gold industry must be rescued, direct subsidies are preferable to an over-all devaluation." Holds devaluation in 1933 did not permanently benefit gold mines, since it resulted in unprofitable capital expansion and increased gold output. Finds political pressure for devaluation "comes in through the international door," and warns devaluation will have inflationary impacts.

I

The "air" reverberates with rumors, conjectures, and alleged or real information, about a forthcoming decapitation of the dollar. A reputable New York expert in the foreign exchange field claims to know that the U. S. Mint price for gold will be raised in 1953, not later, by 50%, not less nor more. Significantly, the latest conference of Commonwealth premiers proposed to approach us with the request to devalue. (Which is, in a way, fair revenge; it was Secretary Snyder who, in 1949, forced a reluctant Sir Stafford Cripps to cut the pound sterling.) The idea finds definite support in American political and business circles of no mean influence.

Dr. Melchior Palyi

The off-hand reaction is to dismiss the matter as "poppy-cock." Who ever heard of the strongest currency on earth, with two-thirds of the world's visible gold reserves back of it, being amputated? Why should that happen in a country that produces a huge export surplus and attracts capital year after year? In fact, the dollar is the international standard of values, under no run either at home or abroad; it serves in the form of notes, bank balances, and securities, as prime liquid reserve of civilized mankind, second to gold only.

The proposal seems to be so out of line with all history, economic sense, and public opinion (it would necessitate fresh legislation) that one hesitates to view

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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 42.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Northern Pacific—G. M. Loeb, General Partner, E. F. Hutton & Co., New York City. (Page 2)

International Railroad 4½s, 1947—Wax Winkler, Partner, Bernard, Winkler & Co., New York City. (Page 2)

G. M. LOEB
General Partner,
E. F. Hutton & Co., N. Y. City
Members, New York Stock Exchange

Northern Pacific

The securities we like best should be the securities that remain the best. For the first of this series, I selected Chrysler at $61 in December, 1949. A list of my half-dozen best securities today would include Chrysler. Chrysler has a new and young management, bred by the top-flight Chrysler founders and picked by them. They are going ahead faster than ever before in engineering leadership and in modern methods of low cost manufacture. Their labor relations are the best in their history. Chrysler is a company that has in many directions always made new highs. The stock sold this month at the highest price since the formation of the corporation. The highest earnings in the past were established in 1949 at over $15 a share, and the highest annual dividend ever paid was in 1950 at $9.75 a share. Both records will be topped in time, and should result in correspondingly higher market values.

G. M. Loeb

The second I chose was Paramount Pictures Corporation at $22 in February, 1951. This is still in my list of half-dozen best securities. Paramount today is on the verge of being recognized as a factor in television as well as a leader in movies. Its Chromatic Television Laboratories investment might very soon pay off with the leading color TV tube. An early F.C.C. decision may give the green light for Paramount to add to its highly successful television broadcasting station in Los Angeles. In Palm Springs this winter, the importance of its International Telemeter Corp. will come more to the investor's attention. Considerably higher prices should be justified for the shares.

In selecting such a security, I feel very strongly that those securities which today are among the best, are much more certain to be better tomorrow than those that have not yet entered the charmed circle. The amount of money lost buying the shares of small, obscure, young and unsuccessful corporations in the hope that they will do better in the future is staggering. The nature of our tax laws alone has for the past 20 years made it increasingly easier for the big to grow bigger, and for the leaders to stay in front.

My choice for this story is Northern Pacific currently selling at $81 a share. Here is a railroad stock of medium quality which never sold above $40 a share for the entire period 1932-1951 until suddenly its land potentialities tangibly materialized. Actually, Northern Pacific is not only rich in land with oil potentialities, but also in land with timber, minerals, and even industrial potentialities. Many estimates have been made of the oil value. They have been made on the basis of potential future earning power, and also by attempting to value reserves or estimates on an acreage basis. The resulting figures have ranged from prices below the current market for the shares to vastly above today's prices. Little attention has been paid to Northern Pacific's other values. Generally, the railway part of NP has been estimated by analysts at $40 a share. If consideration is given to consolidated earning power, this would seem a modest figure. The discovery of oil has opened up many possibilities including a changed tax outlook. The addition of Mr. Norton Simon to the Board of Directors in April of 1951 has brought an added aggressive point of view into the company's management. Mr. Simon, through the Ohio Match Company, is probably the largest stockholder in Northern Pacific. Harvard University and State Street are among the recent reported buyers. Pennroad and other trusts are also holders.

Northern Pacific is still obviously in the "expectation" stage as far as its land potentials are concerned. This is always marked by active markets and wide fluctuations. Even in the dull markets of 1952, average trading volume per day comfortably exceeded 10,000 shares. In 1951, the price range was $32 low, $70 high, a 38-point spread, equal to over 15 times the $2.50 dividend paid that year. So far in 1952, the low has been about 59 and the high 94, a spread of 35 points, or over 11 times the $3 dividend. The big moves of Northern Pacific in 1952 included an advance from 59 in February to 94 in March. Then it declined to 73 in April and advanced to 83 in June. Following this was a decline to 64 in October and an advance to the present price of 81. There is every evidence that further activity and wide swings should occur in 1953 and give the trader who makes a study of NP some excellent chances of realizing above average profits. With a favorable market background, the period of expectation might bring a further rising trend and prices possibly double the current level at some point in the trading.

In the long run, the market's second appraisal of an issue of this type, is later based on realization. Northern Pacific seems well bulwarked with potential future earning power and dividend paying ability to make these final investment levels substantial ones.

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

International Railroad 4½s, 1947

Mexico's past financial record embracing more than a generation of complete default, continues to militate, to a certain degree, against greater confidence in and enthusiasm over obligations outstanding on behalf of the southern republic. This situation is bound to change in time.

Dr. Max Winkler

Mexico of today is entirely different from the Mexico of twenty or thirty years ago when elections were decided by the bullet rather than the ballot, when revolutions were regarded as a staple industry like oil and silver or sisal, when rights of creditors were disregarded, and when foreign owned assets were expropriated on the flimsiest of pretexts.

For the past several years, Mexico has enjoyed one of the most stable of governments; her economy is flourishing, her finances are in sound condition; her debts are being met according to terms of concluded settlements; and foreign property is respected. All this is bound, sooner or later, to find reflection in the price of Mexican issues. Some have already responded; others are slow in doing so. The latter comment applies especially to some of the Mexican railroad issues, notably the International Railroad Prior Lien 4½s, 1947, assented under the so-called "B" Plan, promulgated under date of February 20, 1946. Bonds are currently selling at about 15 per $100 (actual quotation: 14¼-15¼, latest transaction 14¾). During 1953, bonds are to be retired at the rate of 4.23% of the amount outstanding on account of 1952, and at the rate of 4.21% on account of 1953, at not exceeding $244.00 and $245.00 respectively per bond, or by drawings by lot, if not obtainable at or below that figure. No interest is to be paid on bonds, the profit, if any, deriving from the enhancement of the principal.

Beginning with 1953, redemption will be effected once a year at 4.19% of the amount at not more than $246.00 per bond through purchase in the market or drawings by lot. The percentage drawn declines slightly each year, while the redemption price increases annually until the year of final redemption in 1974 when bonds which have not been retired before, will be payable at $1,000 per bond.

During the next four years, 1953-57, a total of 25.11% of the total outstanding is scheduled to be redeemed at an average price of $246.50. On the assumption that ten bonds are bought at current levels of about $150 per $1,000, a total of $1,500 will be involved. Theoretically, 25.11% or about one-quarter of bonds purchased should be redeemed by 1957, yielding about $620. This would leave about 7½ bonds costing $880.00, or less than 11½ per bond.

During the following five years, 1958-62, bonds are to be retired to the extent of 20.02%, or about one-fifth, at an average price of $257.66 per bond. Thus, during the next ten years, 1953-62, a total of 45.13% of bonds is scheduled for redemption at an average price of $252.08. In theory, therefore, the purchaser of ten bonds at a cost of $1,500.00, should have almost half of bonds redeemed, yielding about $1,135.00. This would leave the original purchaser with about 5½ bonds, costing $365.00 or about 6⅔ per bond.

Should bonds presently remain unredeemed until maturity in 1974, or about 20 years hence, the ten bonds acquired at a cost of $1,500.00 are scheduled to be paid off at $1,000 per bond, or $10,000, an enhancement of $8,500, equivalent to $425.00 per annum, or almost 28½% on the original investment. Thus, there is a possibility that a bond of the new Mexico purchased today, may within a period of twenty years, show an almost seven-fold appreciation.

LETTER TO THE EDITOR:

Should We Re-Examine Our Gold Buying Policy?

Herbert Bratter points to Canadian Government's abstention from buying foreign gold, along with its subsidies to gold producers as implying departure from International monetary regulations, and leaving U. S. to hold bag for gold output.

Editor, Commercial and Financial Chronicle:

In the light of the campaign abroad to get the United States to agree to an increase in the price of that metal, Canada's gold policy poses a question for us. The question is not whether we should raise our buying price of gold, but whether we have been wise to buy gold freely from all sellers these past years.

Herbert M. Bratter

As previously noted in the "Chronicle," South Africa's postwar campaign to get the official price of gold raised by members of the International Monetary Fund latterly has received the active and open support of the Australian Government seconded by a chorus of enthusiastic approval on the part of London financial publications. London has a large stake not only in the contribution to the sterling area's balance of payments made by gold sales to the United States, but also in gold mining shares directly. A higher price of gold would increase the sterling area's dollar income, always assuming that the United States is willing to continue buying all the gold offered from abroad.

The U. S., of course, no longer practices the old gold-coin standard. Yet, under the present gold-bullion standard of the U. S., gold plays an important monetary and balance-of-payments role. In that role gold moves inward or outward, depending on the balance of international payments, including merchandise trade, invisible transactions and capital movements. This present role of gold in the U. S. A. makes sense only if gold has recognition outside this country as well as in it, recognition as a settler of balances and stabilizer of exchange rates. This was the role for gold explicitly written into the Bretton Woods International Monetary Fund agreement. Obviously, it makes no sense for the U. S. to employ gold in the just-mentioned capacity if other countries with which we trade—notably Canada—do not give the metal similar recognition. A card game in which the chips are valid on only one side of the table is a very one-sided sort of game.

Canada at Bretton Woods was one of the staunchest supporters of the IMF. Yet Canada today is in violation of the IMF articles of agreement (Art. IV). Since September, 1950, Canada has allowed its dollar to fluctuate away from the par value by much more than the permitted margin. If, when the demand for the Canadian dollar is strong, Canada would buy foreign gold, thus enabling foreigners to replenish their balances of Canadian currency, the exchange rate would not depart from parity. But Canada does not do this. The Government of Canada for a long while has sought to keep its holdings of gold and dollars from rising and has preferred the alternative of seeing the Canadian dollar rise in terms of gold and of the U. S. dollar.

We do not know yet what the recent Commonwealth Prime Ministers Conference in London decided as to seeking from Washington a higher price of gold. From what has been published in Britain on the gold price, one need not be surprised if the question forms part of the agenda when the spokesmen of the sterling area sit down with the Eisenhower Administration in 1953.

Another thing we do not know is whether Canada's spokesman at London agreed with the South Africans and Australians that a higher price of gold should be sought from the U. S. If Canada did so agree, its position would be understandable. In the non-Soviet world Canada, apart from South Africa, is the largest producer of gold. Canada mines more gold than the U. S. A. and Latin America combined. Canada's balance of international payments would gain from a higher price of gold.

There are other reasons why Canada might favor a higher gold price. Today the Canadian Government is having to subsidize its gold mining industry. A higher price of gold would tend to transfer the burden of such subsidy to the shoulders of the United States. Canada could then abolish its domestic goldmining subsidy. Canada also has regarded gold mining as advantageous because it pioneers new territory and so leads sometimes to the discovery of other mineral resources.

But why should the U. S. agree to increase the price of gold, a step which will stimulate the flow of the metal to this country in future years, if such an important member of the Commonwealth area as Canada is unwilling to increase its gold holdings even temporarily when the demand for the Canadian dollar is heavy? Were Canada adhering to the Bretton Woods principles, its rate of exchange vis-a-vis the U. S. dollar would not have gone up above parity, but would have been held to parity by an inflow of gold from the U. S. A. Stated in another way, the U. S. would have been permitted by Canada to use some of the gold it had

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Attitudes and Altitudes for 1953

By IRA U. COBLEIGH

Author of "Expanding Your Income"

Seasonal, but non-statistical comment on the economic scene with a few off-beat guesses about future of bears and shares.

Today's text is beautifully supplied by a single phrase snatched bodily from the current "Business Week": "If bad guessing were an indictable offense, the jails would be full of economists." How true! But what with all the pier plunderers and tax dodgers cluttering up the hoosegows just now, perhaps we shouldn't incarcerate economists. Their predictions from inside Sing Sing might show no improvement anyway. Another thing, their prognostications aren't any more off base than those political pollsters, most of whom lacked either the calculation, or the courage, to predict Ike's election.

Ira U. Cobleigh

So with this thorough disclaimer of any important element of accuracy, let me warm to my task of comment and conjecture for the coming year. All this will be offered, mind you, without any help from slide rule, Dow charts, log tables, wooly bears, or ouija boards. It's right out of thin air like the Spanish moss that grows on telephone lines in Florida.

First, of course, Washington has a new climate, the most favorable to business in a score of years. Instead of vital national economic and monetary policy being importantly formulated by cloistered collegiate economists, cerise-tinted liberals, and Dealers (New, Fair and Fur) they will be de-[illegible] by distingushed leaders of enterprise such as Messrs. Wilson, Humphrey, Dodge and Burgess. The name Keyserling may shortly be associated with a small motor vehicle, rather than an importantly placed but mediocre lawyer-economist.

But if the business, banking and industrial community will be given more sympathetic treatment on the banks of the Potomac, let's not forget the parallel of the Baldwin business-slanted cabinet which, by its errors, invoked the swing to Socialism in Britain. Our new Administration must never be tagged with widespread wage reduction and unemployment, or the siren song of the welfare state may again incite the electorate toward destruction of the unique system that has made us the most productive nation on earth—enterprise capitalism.

Disquitetude on Foreign Front

In the foreign field we start the New Year with some disquitetude about investment abroad. Some years ago, Mexico expropriated foreign owned oil companies; this year Iran developed a baffling way of getting mad, and going broke, by the simple device of cancelling foreign oil deliveries and nationalizing production; and now Bolivia has got foreign investors holding a tin cup in front of the government office in La Paz. Communist guerrillas are still bedeviling tin and rubber in Malaya, and even from among nations ostensibly our friends, we received a bitter blow in the United Nations.

There, on Dec. 11, a resolution authorizing any nation to nationalize its industries without appropriate compensation was offered by the Economic and Financial Committee. And here's the payoff: 31 nations — nearly every man Jack of them into us for from a few million to a few billion—31 nations voted for this measure. Ain't that gratitude? It makes a great big golden bubble out of Point Four; and has served to remind many investors here that the only other country that plays the game of economics with the same rules we do, is Canada. Look for another big year of investment in Canada by U. S. citizens.

More Strikes in 1953

On the labor front, being less likely to achieve its goals either by legislation from the party in power, or by directed verdict from atop the White House Steinway, Organized Labor will strike more often. 1953 may well be a year of industrial strife with the Railway Labor contract, expiring in October, a key conflict. The distinguished group of economists chairmanned by Dexter Keezer of McGraw Hill, set, I believe, 64% as the maximum appropriate share of national income going to wages. That percentage will be a good one to watch since the time will come, perhaps this year, when our economy can no longer stand virtually automatic increases in the price of labor, each and every year. Then, too, the existing wage disparity between organized industrial labor, and our policemen, firemen, teachers and civil service workers must be realigned. It's not right that, for instance, 60% of High School teachers in New York City require outside jobs to sustain their incomes.

Treasury Refunding Issue Suggested

In the debt and taxes department, taxes have already been given fine treatment by the experts on the staff of this paper, so no comment by peasants is in order. I do wish, however, that some of these marvelous fiscal experts who will shortly be behind important desks in Washington, would give just a little thought to reduction of our $260 billion national debt. Millions of home owners, railway, and industrial companies all amortize their long-term debts these days. Why doesn't Uncle Sam do likewise?

How about the next refunding issue being $1 billion of 20 year *Sinking Fund* 2⅞% bonds for private investors only, with $5,000 a customer tops? Let's nibble at the Federal debt with sinking funds!

Stalin Must "Fly Blind"

About foreign affairs, Stalin will undoubtedly lose whatever hearing aids he's had planted in our government gardens in the past. As a result he may be less aggressive and effective diplomatically since he'll have to fly blind. And we may all have confidence in powerful and not pusillanimous strokes to solve the Korean conflict, under the forthright leadership of President Eisenhower. If Stalin is ill now, his 1953 reverses on the world's map should do him in. July 4th would be a nice day for the funeral. Don't send roses; just send Pinks. And for the surviving members of the Politburo, why not send pearl handled stillettos to each? They're all dying to be Premier, so why not let them take a stab at it?

It's always seemed to me that the most logical hope for World Peace is internal political explosion in Moscow. Well, let's have it this year. The Russian people, like every other, would like life, liberty and the pursuit of happiness. If they could only get rid of the gangsters at the top they might get these things. We might even send over Senator Kefauver to show up a few Georgian (Russian province) gangsters on the TVotsky (which, as you know, was invented by Catherine the Great).

A Securities Forecast

Now let's get down to my regular beat — securities. We start with another 100% disclaimer: nothing that follows represents the opinion of the "Chronicle," or is a recommendation to buy or sell anything, now or ever. Confirming opinion about any of the ensuing predictions will be unobtainable; and if you feel disposed to be guided in the least by same, allow me to come around and help lace up your straitjacket!

Sooo — the best railway share performances will be turned in by New York Central at 22; B & O at 28, and Chicago and Eastern Illinois at 22. A lot of impressive modernization here should reach the payoff window and this group of commons should advance from 50% to 75% by next Christmas.

The best growth electric utilities will be Texan. Texas Utilities and Houston Lighting get my vote.

Canada will, of course, be wonderful but for those a little beaten down by ill-timed entry into the moose pasture petroleums, which sagged so drearily between May and November of 1952, why not class your list up a little? An across-the-board, and across Canada, triple play would be Canadian Pacific, Imperial Oil and Noranda, the Tiffany of mineral explorers and extractors. A five-year hitch with these three should keep you off relief and out of boiler rooms.

$55 Gold Price Predicted

And, here we go again. The official price of gold will be raised in 1952 to $55 an ounce, in which event use your Dome, and buy Kerr Addison, just about the nicest little gold mine in the world (around $20, Canadian).

Don't sell the oils short but look more for the producing than the refining ones. Continental, Pure Oil have perhaps been neglected in 1952 and International Petroleum in the foreign group should make a better showing. And some one may come along this year with a new gimmick for extracting oil from wells with greater efficiency and productivity. That'll make news. And I almost forgot. TXL will pass Amerada in 1953.

Natural gas will still zoom, expand and percolate, with a lot better outlook at the rate-making level. Producers, especially like Western Natural Gas, Republic and Hugoton, should not languish; and the pipes will grow.

Look for some classy upgrading in splendid industrials like Rayonier (at 34), International Chemical at 39, Continental Can at 47, International Paper at 55.

In tobaccos, some improvement will be noted and the companies which do best will screen their earnings. Filters are more important than kings here!

Cinerama will have competition. Some new technique in dimensional pictures may do the job better, so look for another entry. And, of course, the best system of color TV will reward you well if you're a shareholder in the company that has it. Maybe Radio, maybe Columbia, maybe Paramount. While you're waiting, Technicolor, the leading movie color creator, should make financial hay.

The most volatile performer on the Curb may well be the new Alleghany warrants, a forever call on the common at $3.75.

About banks, pick out a little one that's going to merge with a big one. Sounds simple, but it's getting harder to do all the time.

"Mutuals" Here to Stay

And above all, don't forget the mutual funds. Now, with $3.9 billion in assets they'll come close to $5 billion in 1953 as they expand sales, not only to new individual investors, but to pensions and trusts as well. The mutual is here to stay, and it's creating more new shareholders in American enterprise than any other financial medium.

Dow-Jones at 341

Finally, about the Dow-Jones, it will hit 341 but be lower than that next December.

Any questions?

If not, I'll entertain a motion in the direction of a 5-million-share day. And as I wish you all a prosperous, purposeful, productive and prudent New Year, may I again forcibly remind you to ignore, discount and dispel from your mind the irrationalities to which you have just been exposed. Attitudes and altitudes, indeed!

Building Activity In 1952 Close to Volume in Earlier Year

In November, as in October, building contracts exceeded the volume for the corresponding month a year earlier, thus helping further, says the Alexander Hamilton Institute, to make up for previous curtailment. According to figures compiled by the F. W. Dodge Corporation, combined residential and non-residential contracts awarded in 37 eastern states reached a total of 1,064,123,000 square feet of floor space for the first 11 months of 1952, or less than 1% below the total for the corresponding period in 1951. This decrease was accounted for entirely by curtailment in the non-residential field. Residential contracts in 1952 exceeded the 1951 volume, with the increase for the first 11 months amounting to 4.4%. Present indications are that building will continue to be maintained at a relatively high rate in 1953.

Two With J. J. B. Hilliard

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, Ky.—Watson B. Dabney and William A. Northcutt, Jr. are now with J. J. B. Hilliard & Son, 419 Jefferson St., members of the New York Stock Exchange and other exchanges.

With Draper, Sears

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Joseph Dickson has become connected with Draper, Sears & Co., 53 State Street, members of the New York and Boston Stock Exchanges.

The State of Trade and Industry

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

In the period ended on Wednesday of last week over-all industrial production slackened a trifle as plants in most parts of the country shut-down for extended holidays. Output, however, continued to be moderately above the comparable level of the 1951 week and close to the highest level since the end of World War II.

With respect to employment, claims for unemployment insurance benefits continued to rise but were discernibly below the level of the 1951 period.

In the steel industry this week the steel business is booming at such a lusty pace there is a good chance it will confound the experts, states "The Iron Age," national metalworking weekly. Although most forecasters predicted a good first half for the steel industry, there is growing evidence that many of them will be surprised at the actual strength and duration of demand.

This week the market is surging and boiling with pressure from a thousand sources. Instead of showing expected signs of abating, demand is fully as strong as it has been for many months. Moreover, business optimism is snowballing. This spells continued strength in the steel market for the months ahead, states this trade weekly.

Some in the steel industry now believe momentum will carry high levels of demand and production well into the second half. Others recall that inventory correction has in the past reversed the steel market with amazing suddenness. They caution that it will be well to watch the rate of new orders and cancellations in the months ahead.

On the basis of a careful check by "The Iron Age" this week, there is no reason to sell steel demand short for at least the next six months—perhaps longer. If steel business is headed for a decline in the second half, telltale signs should be evident by the second quarter. No such signs are evident now, it adds.

In a nutshell here is how the market looks this week: (1) Products remain almost uniformly tight with exception of some wire products and some limited tonnage specialties. (2) Consumers still want to place orders for more tonnage than they have tickets, or than mills can accept. (3) Cancellations are not now a factor. (4) Unexpected pressure is coming from civilian customers; not military. (The military seem satisfied with their approximately 12% of total steel output.) (5) Good order books of nonintegrated and premium-priced producers indicate the high business level is spread over a broad base. (6) Conversion demand remains strong, long after it was expected to expire, concludes this trade authority.

In the automotive industry independent car makers were mainly responsible for the slight 2% rise in auto production last week.

The Christmas and New Year holidays cut production both in the past and preceding weeks from the strong rate reported in previous periods.

Last week there were 80,665 cars assembled in United States plants, compared with 79,237 in the previous week, according to "Ward's Automotive Reports." Last week's figure was 128% higher than the 35,308 reported for the year ago week.

General Motors Corp. divisions increased their total output by about 5,000 new cars the past week, while output at Chrysler Corp. plants skidded about the same amount. Ford's production was down a "few hundred cars" "Ward's" said.

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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.

Jan. 26, 1953 (Chicago, Ill.)
Bond Traders Club of Chicago Annual winter Dinner and installation of officers at the Furniture Club.

Jan. 27, 1953 (Minneapolis, Minn.)
Twin City Security Traders Winter Dinner.

Jan. 29, 1953 (Kansas City, Mo.)
Kansas City Security Traders Association Winter Dinner.

Feb. 9, 1953 (New York City)
American Stock Exchange annual election.

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 8, 1953 (New York City)
Security Traders Association of New York dinner at the Waldorf-Astoria.

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.

Harris, Upham to Admit Leo F. Daley

BOSTON, Mass.—Harris, Upham & Co., members of the New York Stock Exchange, on Jan. 8 will admit Leo F. Daley to partnership in the firm. Mr. Daley will make his headquarters in the Boston office, 136 Federal Street. He was formerly a partner in F. S. Moseley & Co.

Imhoff Art Director For Doremus & Co.

Howard C. Imhoff, Jr., has been appointed Art Director in the New York office of Doremus & Company, 120 Broadway, New York City, advertising and public relations agency. Mr. Imhoff has been with Doremus & Company since 1946.

First Cleveland Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Richard L. Geiger has become associated with The First Cleveland Corporation, National City East Sixth Building, members of the Midwest Stock Exchange.

Observations . . .

By A. WILFRED MAY

"MOUSEY" COMES FORTH

WASHINGTON—To the public which saw the Heller Committee investigation of the Securities and Exchange Commission as an epochal study, or at least another dramatic revelation of malpractice in high government, the committee's Final Report in lieu of a mountain, comes forth as a tiny meek mouse.

A. Wilfred May

Directed by the House of Representatives' full Committee on Interstate and Foreign Commerce to make an over-all study of the Commission, the first general review of the investment world's policeman since his birth back in 1934, the subcommittee—in lieu of a thorough appraisal of the status of regulation, on the scale of the Greene Committee's several inquiries into Great Britain's Companies Act—has accomplished little more than imparting some education to the lay committee-members, and indicating the path of future study. Merely citing and sketchily airing a few of the vital issues confronting the investment community, it has only gone below the surface in the Kaiser-Fraser, Tucker, and a few other scandal stories.

The treatment of the private and direct placement of corporate securities, assuredly one of the most timely and pressing questions now before the financial world, including the entire insurance industry, exemplifies the Committee's artful question-ducking propensities. After two days of hearings, with 269 pages of testimony, the investigators could merely report: ". . . after careful consideration of all the testimony before the subcommittee on this subject, we believe that the entire committee, or a subcommittee thereof, should promptly give further study to the overall problem. . . . We recommend that the Securities and Exchange Commission make a factual study of this problem and report such findings and conclusions to the committee for its consideration."

Alphonse and Gaston

Exhortation of, or buck-passing to, the SEC similarly constitutes "the conclusion" arrived at regarding the stabilization-manipulation question. "We are of the belief that the Commission should earnestly and expeditiously grapple with the problem of stabilization with the view either of the early promulgation of rules publicly covering these operations or of recommending to the Congress such changes in legislation as its experience and study show now to be desirable," is the investigating committee's entire finding on this complex question.

Similarly on *Preferential treatment to former SEC personnel*, about which quite sensational charges sparked the initiation of the whole investigation: ". . . To check on such activities is a time-consuming job, requiring an investigatory staff which was not at the disposal of the subcommittee. Hence, we recommend that the

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Europe's Export Difficulties

By DR. J. van GALEN

Editor, "The Netherlands Industrial and Commercial," Algemeen Handelsblad, Amsterdam

First-hand observer notes fillip to Western Germany's export trade from favorable comparative rearmament situation, resulting in German exports' remarkable comeback on world market. Asserts her continued recovery, as well as Western Europe's, depends on adequate financing of exports of investment goods to underdeveloped countries by consolidation of internal or external loans. Maintains International Bank could be helpful in replacing current unsound national efforts to promote capital goods exports.

A trip through Western Germany during October gave me an opportunity to see a number of German industrialists and bankers with whom I discussed the present industrial situation in Western Germany, particularly exports, export facilities and the financing of the overseas trade. I have known most of them for several years; since 1946 I have been visiting Germany at regular half-yearly intervals. I have, therefore, been able to follow the development of their business and their overseas business relations since the end of the war. Each time I was in Western Germany from 1948 onwards I was astonished at what had been achieved industrially.

Dr. J. van Galen

Summing up impressions of my recent trip I can say that Western Germany has made a complete come-back on the world markets and that German industry is at present in a relatively stronger export position than other large European industrial countries like Britain and France. This seems quite understandable: in prewar years Germany's export trade was handicapped by Hitler's rearmament program and Dr. Schacht's foreign exchange restrictions. Now the reverse is the case: Britain and France have, in fact, an increasing rearmament burden while Western Germany has so far made no industrial rearmament effort except when paid for by one of the NATO countries. Moreover, British and French industry work under strict foreign exchange restrictions; at the same time, Western Germany's economic and financial policy under Minister Ehrhardt is being given increasing "liberalization" and incentives for export.

The German Exports

In the accompanying tabulation the figures for German exports reveal this comeback on the world market.

German Exports
(Millions D-Marks)

—To—	1950	1951	*1952
Eur. Payments Union	6.316	10.627	5.900
Latin America	252	1,284	653
Free Dollar-zone	1.017	1.598	778
Other countries	777	1.067	722
	8.362	14.576	8.053

*1st half-year.

In the first year of the occupation of Germany, exports consisted mainly of raw materials such as coal. This is the reverse of the situation before the war, when manufactured products took up about three-quarters of total German exports. This proportion has now been restored and Germany is again exporting an increasing part of her production of heavy machinery, industrial equipment—in short, investment goods. Since the latter part of the 19th century, during which the rise of the German industries' power took place, this has been a German specialty, but at the turn of the century serious obstacles were already being met with in financing these exports to what are now called "underdeveloped" countries. It was for this reason that, in 1898, a financial trust company was founded by European bankers and industrialists—mainly German industrialists—headed by the German engineer Heinemann: the "Sofina" in Brussels.

This company, which has something in common with the International Finance Corporation as proposed in the highly interesting report presented by the International Bank on April 29, 1952 to UN's ECOSOC, financed long-term projects in overseas countries by floating stocks and shares of its own and subsidiary companies in the London, Paris, Brussels, Amsterdam and Berlin capital markets. This practice enabled European industry to provide overseas countries with capital goods, making the international capital markets pay for them. It was by this method of financing that Western Europe was able to maintain a steady growth in industrial production and to export an increasing part of it to underdeveloped overseas countries.

Basis of Continued Recovery

The recovery of Western Europe, especially of Western Germany, in the near future will depend to a large extent on the possibility of reintroducing this kind of policy. I am convinced that, in the next two years, there will be a very serious decline in German exports to overseas countries if the possibility of financing exports of investment goods is not restored. There are already signs of a decline.

I would like to recall what happened this year to German-Brazilian trade. German exports to Brazil—and other Latin-American countries—have increased tremendously, but Brazil has been unable to increase her exports accordingly, so the Brazilian debt to Western Germany in the bilateral monetary account rose to a reported figure of $180 million. It may be that specifically internal Brazilian factors contributed towards this disequilibrium but, apart from this, one can say that an underdeveloped country can normally pay for her imports of consumer goods only out of her running national production. For the import of capital goods, however, these are normally not paid for by these countries out of their national income, not even out of their savings, which are not adequate, but from external loans. To put this phenomenon in financial terms: the import of capital goods has to be financed and consolidated by loans, either internal or external.

Just after my return from Western Germany I noted that in the Federal Reserve Bulletin of October, 1952 a leading article dealing with problems of trade equilibrium mentions the need for the continued expansion of Europe's exports: "such expansion would probably entail some shift in Europe's production away from types of consumer goods hitherto easily sellable at home, to machinery and other goods in growing demand overseas." A diagram illustrates that this is already happening: output in some fields, such as textiles is declining and this is accompanied by rising production in other industries, including machinery and other metal products. Further on the article deals with new investments and other European problems, but does not mention the problem of overseas countries financing these imports. The article stresses that, if the main impetus towards a further strong increase in European production over the next two years does not come from Europe's exports, there is danger that internal pressures will provide it through fresh inflation favoring production for the domestic markets. This would have serious consequences, not only for Europe's ability to meet its international payment problems and to advance towards currency convertibility, but also for economic equilibrium in all parts of the world.

Exporter's Monetary Equilibrium Endangered

The way in which the export of capital goods to overseas countries is now financed by Western Europe also endangers the internal monetary equilibrium of the exporting country. One can say that Brazil, for example, has financed part of her ambitious five-year plan by using the "swing" of the German-Brazilian monetary agreement for long-term investments. In Germany this has caused an increase in money circulation, because the counterpart of the swing loan to Brazil is paid in D.mark to the German exporter. This may cause an inflationary pressure in Western Germany, with the same result as mentioned in the Federal Reserve Bulletin article, and may reverse the export drive into a boom on the domestic market.

Apart from this financing of the export drive by the "swing" of monetary agreements, Germany and all the other Western European industrial countries, who are now trying to fill their dollar gap by promoting their export to the dollar area, are offering to their exporters steadily increasing export facilities: retention rights (dollar bonuses as they are generally called), fiscal advantages and ever lengthening export credits.

One can say that, at this moment, practically all Western European countries are offering to their overseas customers payment over a period of up to seven years from delivery. Recently, it was reported that Italy had been willing to accept contracts for Latin America where payment would be spread over ten years. It is quite clear that the European countries who even lack sufficient capital to build up their own industrial apparatus or to modernize it are unable to grant these loans from their own savings. The governments are providing these loans mainly, not by covering them on their national capital market but by using their monetary apparatus and thus endangering their monetary equilibrium.

In Germany, a combine of private banks has established the Ausfuhrkredit A.G. (the Export Credit Company) which finances the export of capital goods and gives long-term credit. This institute has, for example, financed together with a group of banks, a trolleybus order placed with German industry by Latin America. But as it is impossible for this Ausfuhrkredit A.G. to float long-term loans on the practically non-existent German capital market, it must finance itself by promissory notes which are eventually rediscounted with the Bank der deutschen Länder — the German Reserve Bank.

Anyhow, it is impossible to finance the capital goods-export and cover the capital needs of the overseas countries by this, financially speaking, rather dubious and dangerous method. This practice will lead to a credit-inflation in the European countries and to uncontrolled quasi-capital-import in the "underdeveloped" overseas countries and to unsound competition among European export-hungry countries.

"Dollar Premium"

Recently—at the Mexico meeting of the International Monetary Fund and the International Bank for Reconstruction and Development—a complaint was made about so-called retention rights, which actually mean a dollar premium. Moreover, the U.S.A. was already competing in this field before the European export drive started by using the Export-Import Bank.

According to figures published recently, this bank granted in a single year a loan of $200 million to Brazil to assist in the financing of the Brazilian five-year plan; other loans to Latin American countries in this year totaled more than $80 million, not however—as before the war—for the free use of these countries, but for imports from the U.S.A. only. These countries are thus forced to buy the equipment they need for their development not where they can buy at the lowest price but rather in the country offering them the greatest credit facilities. This policy hampers real free competition and the restoration of a world-wide trade and encourages excessive borrowing, perhaps also wrong investment.

To sum up, the present situation with regard to the increase of European exports to overseas markets and the development of "underdeveloped" overseas countries can be considered highly unsatisfactory: the present policy of most European exporting countries is becoming increasingly a matter of severe competition in credit facilities—a competition in which they also have to face competition from the American Export-Import Bank. The latter may, perhaps, be able to pursue this policy without endangering the internal credit situation but European countries cannot, as their monetary equilibrium has not yet been restored or is still too weak. The slogan "export or die" may lead to a kind of stock-taking export, through internal facilities to exporters, or to a fresh inflationary impetus. The only solution seems to be some sort of international agreement, as provided for by the General Agreement on Tariffs and Trade, for credit facilities under leadership of the International Monetary Fund.

Apart from this, the International Bank for Reconstruction and Development could be helpful by including in the field of activity of the projected International Finance Corporation the offering of a possibility of a sound replacement of the unsound national effort to promote exports of capital goods. Thus the Bank could achieve a double aim: development of "underdeveloped" countries and, at the same time, assistance to European industrial countries in promoting their exports of machinery, for the financing of which they lack capital.

In addition to this I might draw attention to the fact that the International Bank's report of April 29, 1952 to ECOSOC proposes the establishment of Development Banks in the "underdeveloped" countries, i.e. for the investment goods *importing* countries, but does not draw attention to the other side of the picture, the need for a sound finance institute for the investment goods *exporting* countries. Both the Development Bank in the former and its complement, the Export Finance Institute in the latter, could cooperate in a perfect way under sponsorship of the International Bank.

The above-mentioned report itself gives an example of such cooperation on page 21, (2) about a European chemical company which proposes to start a plant in an underdeveloped country. This example can be extended to the export of all investment goods.

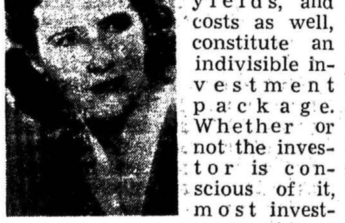
Moreover, the Bank itself has in its power to guarantee loans (Article III) as a means of assisting an international finance corporation on the lines of the Sofina. A special advantage is that the Bank, as an international and independent organization, can impose the condition that the proceeds of the guaranteed loans shall be spent freely and not only in territories of any particular member or members, thus breaking the unsound policy of granting loans, the proceeds of which are to be spent in a special country.

Investment Risk

By MRS. ELEANOR S. BAGLEY*
Research Associate of Mutual Life Insurance Company of N. Y.

From survey of recent studies of actual investing results, Mrs. Bagley finds fallacious the traditional principle that high yields are obtainable only at expense of higher losses. Cites experience to show life insurance companies have fared better in bonds than stocks, but that investors, generally engaged in long-term holding and diversification, have realized better return from equities than from other investment categories. States evidence shows shortcomings of equities as hedge against inflation. Concludes investment is complex business of balancing probable losses against returns over an investment period which is in itself an important consideration in yield calculation.

"Investment risk," defined loosely, is the probability of losing money — or relative purchasing power—in making a financial investment. In actual practice, of course, investment losses and yields, and costs as well, constitute an indivisible investment package. Whether or not the investor is conscious of it, most investment situations involve either a balancing of higher yields against potentially higher costs or losses, or such alternatives as reducing loss through more expensive supervision procedures. The discussion, therefore, may also bring in these other components of investment results. And, as a final point of definition, since probabilities of loss mean more when they are both derived from, and applied to, broad samples of investment experience, this discussion will proceed chiefly in terms of investment by institutions rather than by individuals.



Mrs. Eleanor Bagley

Reasons for Studying Investment Risk

Interest in investment risk has been many-sided. It has been studied by, or at the instigation of, such regulatory bodies as the FDIC, the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and State banking and insurance departments; underlying their interest have been such problems as the adequacy of investment reserves and asset values established by the institutions subject to their supervision. The Treasury has been interested to determine what deductions from taxable income banks should be permitted to cover anticipated investment losses. The FHA has desired to improve selection and classification of mortgage risks for insurance and valuation of mortgage insurance accounts. State legislatures have called for evidence on investment experience when faced with requests to broaden permitted areas of investment for personal trusts, savings banks and life insurance companies. Congressional committees have wanted experience data to show the level of mortgage interest rates needed to attract private funds into housing. Private rating agencies have naturally been interested.

Except as a reflection of the demands of regulation and legislation, surprisingly little call for the scientific study of investment risk has come from operating investment men. This is understandable. Those versed in the complexities of individual investment problems naturally tend to regard generalized statistical information as superficial and not subject to practical application. The demand for the bird's-eye view is more apt to come from top management; in life insurance companies added impetus has been given by individuous comparisons between the broad base of historical knowledge on which insurance operations rest and the lack of similar organized information for investments.

In recent years, however, more investment men have found experience studies useful if only to give perspective to their own thinking — to prevent decisions from being too much colored by what happened just yesterday, or to fill out personal backgrounds limited to only one type of institution, one geographical area or one era of business conditions.

The Present State of Knowledge

All the investment experience data now in hand are fragmentary. They are cast in different forms, vary in comprehensiveness, cover different periods. True synthesis of the findings is as yet impossible. We know something of broad comparative experience on mortgages, bonds, preferred and common stocks—an aid to judgment in the appropriate disposition of investment funds. For some classes of investment we can identify and measure the past effects of risk elements known at acquisition or emerging afterward—information useful in selecting and supervising investments to minimize loss and maximize yield in the light of each institution's own needs. We know very little about the timing of investment acquisition and disposal to take full advantage of market situations.

Let me note first some recent studies dealing with broad comparisons and then comment on the present state of knowledge for individual classes of investment.

Broad Comparisons

Although no major study reports experience on all forms of long-term investment, a few tentative conclusions can be pieced together.

Two recent studies of life company experience are particularly illuminating. One, by the Research Division of Mutual of New York, covers yields and losses on all investments for 14 companies from 1932-1951; the division of losses and gains between mortgages and securities is also known. The other, by the Research Staff of the Life Insurance Association of America, covers results for bonds and total stocks by industrial group for 18 companies from 1929-1951.

The 14 companies took losses and gains ranging in annual yield terms from —.27% to +.20%. Their results cast doubt on that brand of investment determinism which believes that higher yields are obtained only at the expense of higher losses. The two bore no discernible relationship; in fact, two companies which started by taking among the lowest net yields wound up with much the largest losses.[1] Of the seven companies which realized the highest yields after gains and losses, six put out their funds at the highest yield to begin with. This suggests that skillful investment management might even succeed in maximizing yield and minimizing loss at the same time.

Mortgages vs. Securities: While these two analyses differ in scope, they indicate that life insurance companies over the last 20 years have generally taken losses on mortgages and profits on securities. Unfortunately, the studies do not show whether gross mortgage yields were sufficiently higher to compensate for the net loss—and incidentally, greater expense—entailed in mortgage investment. Unfortunately, too, results for urban and farm loans are not segregated.

Bonds vs. Stocks: Net profits on bonds not only comprised the lion's share of total security profits, as might be expected from their greater importance in total assets, but—and this may surprise some—slightly exceeded stock profits in yield terms (.15% as against .12%).[2] However, as in Dwight Rose's earlier (1908-1927) study of fire insurance companies, stocks returned substantially more (4.77%) than bonds (3.29%) when income and capital gains were combined; this was true even if lower-yielding governments were omitted from the bond total.

Obviously, bond investment was not a one-way street. Life companies took large gross losses on bonds. (On one category, rail bonds, they took substantial net losses.) And the profits which more than absorbed gross losses may have been non-recurring in nature. About 60% of net profits were on governments; about half were taken in the years of sharp interest rate decline, 1945-1946. In relation to amounts liquidated, State and municipal bonds produced the largest net profits of all. Thus it is apparent that the causes underlying bond profits were the sharp decline in general interest levels, opportunities presented by the pegged term structure of rates, and the increasing market value of tax exemption. Repetition on a large scale[3] of this type of opportunity for profits seems unlikely. It seems possible, therefore, that the margin of difference between loss rates on mortgages and bonds, and the slight profit advantage of bonds over stocks, might be narrower in the future than in the past.

Experience by Class of Investment

Other studies recently completed or under way probe in more detail into investor experience with each major class of investment.

Corporate Bonds: The National Bureau of Economic Research, through its Financial Research Program, has blazed the way in identifying specific risk factors, which appear to produce better or poorer investment experience for bonds, urban mortgages, farm mortgages, and in consumer lending. As yet, only some preliminary results are available from the Bureau's monumental Corporate Bond Project under the direction of Dr. W. Braddock Hickman. This records experience on virtually all fixed coupon single maturity domestic bonds in the American market from 1900 through 1943. These fragments only whet the appetite for what is to follow. They stress above all the importance of careful selection of industries with due regard to forces of secular growth and deterioration. The large bonds in this study (issues of $5,000,000 and over) which had been extinguished by the end of 1943 were offered at an average yield of 5.31%. Net capital gains of .08% taken despite the fact that one-fifth of total offerings were extinguished following default, raised the total realized yield for the period to 5.39%. (On smaller issues, however, sufficiently large losses were taken to produce an overall annual loss of .05%.) Realized yields were highest for large industrials, followed by utilities, rails and street railways in the order named.

At the same time, as in the life insurance study, realized yields and loss or default rates did not move together in any consistent pattern. Large utilities had the lowest default rates[4] but industrials produced the highest realized yields. The annual percentage of loss taken on large bonds extinguished following default moved in almost precisely the reverse order to default rates, being highest on utilities and lowest on street railways and rails.[5]

Such puzzling relationships emphasize once again that investment is not a simple process of sorting sheep from goats, of buying "good" bonds and rejecting "bad," but a complex business of balancing probable losses against returns over an investment period which is in itself an important consideration in the yield calculation.[6]

In addition to bond behavior by industry we also have indications that defaults may have been heavier and calls lighter for bonds of smaller obligors,[7] that rating grades at offering provided some guide to future experience but legal lists proved unnecessarily restrictive, requiring investors to take lower yields without evidencing ability superior to rating grades and market ratings to guide investors away from default. As an aid in portfolio super-

Continued on page 34

*An address by Mrs. Bagley before American Finance Association, Chicago, Ill., December 27, 1952.

1 Including reserve provision for future losses.

2 The results of preferred and common stock investment are not separated, but in aggregate the first was unquestionably more important. Opportunities for realizing either profits or market losses on stocks were limited by the fact that the companies disposed of a lower volume of stocks in relation to their average portfolios than of bonds. Even so, the percentage of net profits on stock disposals was also slightly below that on bonds. (.83% as against 1.15% through the end of 1950; 1951 data are not available at this writing.)

3 Call premiums tend to put a ceiling on the amount of profits which can be taken.

4 In relation to total offerings.

5 And yet during the 'thirties railroad bonds, once in default, remained in default over a much longer period than the other categories. Their lower loss rate seems surprising in view of this fact, although it may be accounted for by the spreading of loss over a longer period. In any case these loss rates fail to include an important deduction from the investor's return because of the cost of handling default situations. Presumably, such costs would be increased by a protracted default period.

6 The complexity is re-emphasized by the experience of the 18 life companies. Despite the low esteem in which railroad bond performance has been held in recent years, the companies realized 3.75% on rail bonds (1929-51) as against 3.70% on the favored utilities and 3.31% on industrials. This was, of course, largely, though not exclusively, a reflection of the greater concentration of rail acquisitions in an era when interest levels were higher.

7 This may well be a secondary effect of line of business and age of business.

Dealer-Broker Investment Recommendations & Literature

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

Candidates for Improved Profits in 1953—Brochure—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Electric Power Industry of Japan—Analysis with particular refernce to Kansai Electric Power Co., Tokyo Electric Power, Tohoku Electric Power Co., Kyushu Electric Power Co., Chubu Electric Power Co., Chugoku Electric Power Co., Shikoku Electric Power Co., Hokuriku Electric Power Co. and Hokkaido Electric Power Co.—Nomura Securities Co., Ltd., 1,1-chome, Kabutocho, Nihonbashi, Chuo-ku, Tokyo, Japan. Also available is a tabulation of new stock issued in December, 1952, and January, 1953, on Capital Increase.

Excess Profits Tax Relief—Bulletin—Zuckerman, Smith & Co., 61 Broadway, New York 6, N. Y.

In Review—Comparison of research yardsticks—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

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

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

Railroad Outlook for 1953—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y. Also available is a report on **Buffalo, Rochester & Pittsburgh Railway Co.**

What's Ahead?—10 reports a year by Edward R. Dewey sent to those contributing $10 a year to the Foundation for the Study of Cycles, 9 East 77th Street, New York 21, N. Y. (plus a chart of stock market cycles, projected to 1990—ask for Chart C).

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Arizona Public Service Co.—Card memorandum—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y. Also available is a card memorandum on **Iowa Southern Utilities Co.**

Armco Steel—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is a review of **Allegheny Ludlum Steel.**

General American Oil Company of Texas—Card memorandum—Sanders & Newsom, Republic Bank Building, Dallas 1, Texas.

Illinois Central Railroad Company—Analysis—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill. Also available is an analysis of **Clinton Foods, Inc.**

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

Sapphire Petroleums, Ltd.—Memorandum—Leason & Co., 39 South La Salle Street, Chicago 3, Ill.

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

Western Casualty & Surety Co.—Memorandum—Lucas, Eisen & Waeckerle, 916 Walnut Street Building, Kansas City 6, Mo.

NSTA Notes

BOND TRADERS CLUB OF CHICAGO

Donald Muller, Harris, Upham & Co., President of the Chicago Bond Traders Club, of Chicago, announces that the annual midwinter dinner party will be held at the Furniture Club, 666 North Lake Shore Drive, on Monday, Jan. 26, 1953.


Leonard J. Wolf


Peter J. Conlan


Joseph G. Ballisch

The following officers have been elected for the coming year, and will be installed at the party:

President: Leonard J. Wolf, A. G. Becker & Co., Inc.
Vice-President: Peter J. Conlan, Hornblower & Weeks.
Treasurer—Joseph G. Ballisch, A. C. Allyn & Co., Inc.
Secretary: John P. Pollick, Swift, Henke & Co.

In connection with the meeting of the Chicago Club, the Executive Council of the National Security Traders Association, and the National Committeemen will hold a business meeting on Jan. 26, 1953.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York will hold its spring dinner May 8 at the Waldorf-Astoria Hotel. Full details will be announced at a later date.

TRI CITY WINTER DINNERS

The Bond Traders Club of Chicago, The Twin City Security Traders Association, and the Kansas City Security Traders Association will hold their annual winter dinners Jan. 26-27 and 29.

The Chicago dinner will be held on Monday, Jan. 26, following which special cars will leave Chicago for Minneapolis. Train reservations are in charge of Edward H. Welch, Sincere & Company, Chicago; hotel reservations, Leonard J. Wolf, A. G. Becker & Co., and dinner reservations, Elmer W. Hammell, Shillinglaw, Bolger & Company.

The Minneapolis dinner will be held Jan. 27; Alphonse J. Grun, First National Bank of Minneapolis, is in charge of hotel and dinner reservations.

The Kansas City dinner will follow on Jan. 29. Merle L. Welsh, Harris, Upham & Co., will be in charge of both hotel and dinner reservations.

The cost of round trip railroad fare and Pullman accommodations, from Chicago, but not including hotel or guest fees at Minneapolis and Kansas City will be, $65.73 (one in roomette); $62.23 each (two in bedroom).

No Need for Higher Gold Price!

January issue of "Monthly Bank Letter," publication of National City Bank of New York, contends gains of higher gold price would accrue principally to present large holders of gold and not necessarily to countries having the most need for the metal. Says real solution of dollar problem is in correction of underlying conditions in international economic relations

The current issue of the "Monthly Bank Letter" of the National City Bank of New York contains a rather lengthy discussion of the price of gold and gold convertibility of currencies. After reviewing and attacking the arguments put forth by advocates of an increased price of gold, the article concludes devaluation of the dollar will be of no permanent benefit in relieving present international exchange difficulties and disequilibriums, and no solution can be found for present situation other than a correction of maladjustments in current international economic relations. According to the "Monthly Bank Letter":

"The real solution of world currency disequilibrium, of which the dollar problem is a manifestation, lies not in some simple magic like up-valuing gold, but in tackling realistically the harder task of putting the underlying conditions to right. This means such things as: suppression of inflation, the greatest of all wreckers of currencies; offering, as the quotations above prescribe, the right goods in the right markets with the right degree of persistent sales pressure; willingness on the part of creditor nations to accept payments in goods and services; and encouragement of a favorable climate for international investment.

"The basic weakness of the case for a higher gold price is that it accomplishes none of these things. Instead, it applies the poultice of inflation over the whole situation, thereby discouraging efforts to find the true remedies. Can anyone doubt that the outcome would be further procrastination and delay in making the difficult readjustments essential for restoring order and stability in international economic relations?"

As a further argument against raising the price of gold, the "Bank Letter" adds:

"As to the psychological effects of a further markup of gold and devaluation of the dollar, there is no telling how far they might range. Such action could be the torch to set off a new inflationary conflagration. It would excite the speculator and shock and dismay the business man, the saver, and millions of 'little people' already struggling to meet their monthly bills. The average person is not likely to be impressed by sophisticated arguments that inflation could be controlled despite further debasement of the dollar. One can envision an immediate falling off in sales of U. S. savings bonds, and increasing redemptions; in fact, many investors might want nothing more to do with U. S. Government obligations or other fixed income investments. The action could drive people instead into a new 'flight of capital' and a hectic search for 'hedges against inflation'—with consequent forcing up of prices of commodities, equity securities, and real estate—all tending to hasten arrival of the very thing sought to be hedged against. The government, if unable to finance its needs, including huge refunding operations, would have to rely more heavily upon the banking system with resultant inflation of bank credit and money supply.

"Further devaluation would come as a heavy blow to the many people whose incomes are relatively fixed and who have suffered grievously from the inflation of the past 12 years. These include teachers, ministers, pensioners, people living on the proceeds of life insurance policies and annuities, recipients of Federal and state social security benefits, as well as many others. The very existence of many of the privately supported institutions, such as colleges, hospitals, churches, foundations, etc., is threatened by the dilution in purchasing power of the dollar that already has taken place."

Department Store Sales in 1952 Close to 1951 Record

The value of department store sales in the United States in November failed to extend the upturn in October. In fact, says the Alexander Hamilton Institute, sales in November showed less than the usual seasonal increase, with the result that the seasonally adjusted sales index, as compiled by the Federal Reserve Board on the basis of 1947-49 as 100, declined to 112 from 115 in October.

Sales in November were also moderately lower than in the same month of the previous year, and the cumulative total since the beginning of 1952 remained below the corresponding total for 1951. The decrease, however, amounted to only 1% and it is possible that returns for December will show that this reduction was wiped out, and that sales in 1952 as a whole equaled the record high 1951 figure. During the first three weeks of December, sales were nearly 4% larger than in the same month of the preceding year.

Merrill, Turben Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Charles E. Coltrin has become affiliated with Merrill, Turben & Co., Union Commerce Building, members of the Midwest Stock Exchange.

Prescott Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Dale M. Fowler is now affiliated with Prescott & Co., National City Bank Building, members of the New York and Midwest Stock Exchanges.

Bache & Co. Add

KANSAS CITY, Mo.—Bache & Co., 1000 Baltimore Avenue, members of the New York Stock Exchange, announce that Thomas Boylan has joined their Kansas City office as registered representative.

The Vital Problem of Currency Convertibility

By B. H. BECKHART*
Professor of Banking, Graduate School of Business, Columbia University

Emphasising the need for workable convertibility of sterling, for the economic integration of the free world, Dr. Beckhart maintains crux of problem lies in courageous curbing of inflation. Asserts U. S. must reduce tariff barriers and enable our allies to increase their dollar earnings. Declares if Britain is unwilling to return to convertibility, then the U. S., perhaps with the International Monetary Fund, should assist any nation willing and ready to take the step.

I

Meaning of Convertibility

At first glance the problem of convertibility may seem far removed from that of inflation, the topic responsible for this meeting of the American Assembly. Despite their seeming remoteness there is close connection. The convertibility of a currency such as the British pound, cannot be reestablished unless inflation is checked. And the prevention of further inflation is basic to the maintenance of convertibility.

Dr. B. H. Beckhart

Degrees of Convertibility

As used in current discussions, the term convertibility has many meanings. The reason is that there are degrees of convertibility, which are themselves determined by the presence or absence of foreign exchange controls. A currency has universal convertibility if it is free of all foreign exchange controls and if anyone possessing the currency may transfer it freely to any part of the world. The American and Canadian dollars and the Swiss franc all have universal convertibility. All may be transferred anywhere without license, on current or capital account.[1]

Test of Universal Convertibility

The test of universal convertibility is the ability of the holder to transfer, spend and invest the currency freely as he wishes. The currency may or may not be redeemable in gold, may or may not bear a fixed relationship to gold. The test of universal convertibility therefore is not fixed rates of exchange but rather the absence of foreign exchange controls. Thus the British pound from 1919 to 1925 was a convertible currency even though rates of exchange, in terms of the gold dollar, fluctuated widely.

Problem of Convertibility

Since the American dollar is universally convertible, any currency which is freely converted into dollars has the same characteristic. Few currencies, however, can be converted into dollars, except as authorized by foreign exchange authorities.

The problem at issue can best be illustrated in the case of the British pound. We select the pound as an example and stress the need for sterling convertibility by reason of the great importance of the pound in international trade. It is estimated that even today, one-half of the world's trade is financed in sterling. The sterling area itself, with its 600 million inhabitants, accounts for one-fourth of the commerce of nations.[2] The pound, to be sure, is not as important as it was prior to World War I when the entire world comprised the sterling area. But at that time it was not hemmed in and handicaped, as it is today, by exchange restrictions. The Britisher cannot now, as he could in that earlier period, transfer his sterling into other currencies without limit or stint. Moreover a foreigner holding a balance with a London bank may find that the use of his account is strictly limited. The transfers of sterling that can take place at the present time without the need for individual approval are set forth in the accompanying diagram prepared by The Midland Bank. It will be noted that the Britisher himself can transfer sterling freely only within the sterling area.

In broad outline the problem of the convertibility of the pound or, indeed, of any of the Continental currencies is to permit those who hold the currency to buy dollars. If no restrictions were interposed, the currency would possess universal convertibility and universal convertibility should be the ultimate goal of monetary reform. I doubt whether in the case of the pound it can be attained in the immediate future (except with substantial financial assistance from the United States) and I fear that we shall have to content ourselves with something less than full convertibility.

Workable Convertibility

In setting our sights somewhat short of the ideal, we should try to establish the type of convertibility that is workable and can be maintained. In the case of sterling these requirements could be met if convertibility were restricted to new nonresident sterling and to current account transactions.[3] I fully recognize that this type of convertibility is a limited one. Capital transactions and sterling balances accumulated by nonresidents prior to the date of conversion would still be subject to exchange controls. Limited though it be, I believe that this type of convertibility is workable and constitutes an important first step on the long and arduous road back to full convertibility.

I also recognize the difficulties involved in administering this type of convertibility. It is not easy to differentiate between current and capital transactions. Leaks will develop in the dikes of control regulations. Even now it is claimed that, by reason of the leaks that occur, all sterling can be converted in the grey markets of the world at a price. The price may, of course, represent a substantial discount under the official rate.

Even though the type of convertibility I propose is far from ideal, it constitutes an improvement over the present situation. Sterling earned in current account transactions would be transferred freely over the world. The distinction shown on the Midland Bank's chart of American account countries, transferable account countries, unclassified countries, scheduled territories and bilateral countries would disappear.

Importance of Workable Convertibility

Even though the projected arrangement discriminates against old sterling debts[4] and capital transactions, workable convertibility is essential for several reasons: *First,* unless sterling convertibility, even of this limited character, is achieved, the sterling area will cease to exist. At the present time the various parts of the sterling area are forced to discriminate against imports from the dollar area. They are not free to transfer their current sterling earnings to those markets where they often can buy to greatest advantage. *Second,* sterling convertibility, even of this limited type, would be followed in short order by the convertibility of certain other Western European currencies, including those of Italy, West Germany, Belgium and The Netherlands. Sterling occupies the key position in the return to convertibility. *Third,* sterling convertibility is a prerequisite to the integration of the economies of the free world. Convertibility will stimulate trade, will cause resources to be used to best advantage and will work in the direction of eliminating trade restrictions. *Fourth,* sterling convertibility, coupled with the convertibility of other European currencies, will promote international investment and the economic development of the backward areas.

II

Postwar Efforts to Eliminate Exchange Controls

Since the end of the war, two attempts have been made to establish currency convertibility and one to promote the transferability of European currencies. The International Monetary Fund was created and the British loan was granted for purposes of currency convertibility and the European Payments Union was organized for the purpose of fostering multilateral payments in Western Europe. These different postwar efforts at currency reform have resulted in an accumulation of experience which will prove exceedingly helpful to all who are interested in and dealing with the problem of convertibility.

The International Monetary Fund

Those who founded the International Monetary Fund anticipated that currency convertibility on current account could probably be attained within five years of its establishment. Such was to be the length of the transition period during which exchange controls of a general character might be retained, giving time for a return to normal commercial relationships. The period of transition came to an end in 1952 and the International Monetary Fund is forced to report the melancholy fact that:

"Seven years after the end of the war . . . international payments are still far from having attained a state of balance and that exchange difficulties and exchange restrictions are again, over large parts of the trading world, the order of the day."[5]

In contrast with the present melancholy situation, the world in the seven years following the First World War had made considerable progress in stabilizing exchange rates and in making the leading currencies of the world convertible in terms of gold or dollars.

When comparing these two periods, one immediately inquires why we have made so little progress since the end of World War II. Why is it that seven years after V-J Day we are still grappling with problems of exchange control and still striving to achieve exchange convertibility?

Many reasons are customarily cited to explain the differences in the two periods. These include the greater devastation in World War II; the shifting patterns of world trade, including the decline in East-West trade and the lesser dependence of the United States upon the rubber and silk of the Far East; the cold war, involving a substantial increase in armament expenditures; and the continuance of inflation. As an offset to these factors, one must cite the loans and grants extended by the United States to the rest of the world aggregating since V-J Day more than $35 billion.

Of the reasons cited, perhaps the principal one accounting at the present time for the absence of convertibility and the persistence of exchange controls is inflation. Continued inflation leads to recurrent crises in the balance of payments and makes necessary the continued imposition of foreign exchange controls. A currency weakened by inflation has to be bolstered by such controls. Foreign exchange controls are

Continued on page 28

*Remarks by Prof. Beckhart before The American Assembly, Arden House, Harriman, N. Y., Dec. 6, 1952.

1 Insofar as the United States, Canada and Switzerland are concerned.

2 Cf. *The Sterling Area.* An American Analysis. London: Economic Cooperation Administration, 1951.

3 The Articles of Agreement of the International Monetary Fund define current account transactions as payments which are not for the purpose of transferring capital, including:
(a) All payments due in connection with foreign trade, other current business, including services and normal short-term banking and credit facilities;
(b) Payments due as interest on loans and as net income from other investments;
(c) Payments of moderate amount for amortization of loans or for depreciation of direct investments;
(d) Moderate remittances for family living expenses.

4 It was during World War II that short-term sterling liabilities rose to high levels. The reason was that wartime expenditures became inextricably mixed with ordinary trading debts, whereas doubtless they should have been kept separate and gone into a special account.

5 *Annual Report*, 1952, p. 31.

The Current Outlook for Banking

By BAYARD F. POPE*

Chairman of the Board, The Marine Midland Corporation

Banking leader, asserting bank asset values are fundamentally sound, notes need for more adequate bank earnings. Expects no substantial overall tax reduction until budget is balanced. Anticipates money market will more closely follow supply-and-demand factors. Concludes any post-armament readjustment will be tempered by business preparation and behavior.

I am sure we can be happy in the fact that the banking structure of the country is in sound condition, and confident overall with respect to the fundamental soundness of bank asset values. Most of us in banking have been concerned over the inadequacy of bank earning power, and I believe it is extremely important that bank earnings be more adequate if the banking system is to continue to meet the growing banking needs of the country.

Bayard F. Pope

Anything that one says anywhere as to the implications for the future, based on present conditions and likely Government policies, is obviously subject to major modification if we should have war on a bigger scale.

When we speak of the incoming Administration, we must recognize that it takes office after six years of a postwar boom created in part by the pent-up demands deferred during the war, in part by the postwar business expansion and more recently by the demand for defense goods and services in connection with Korea and encouraged by numerous artificial stimuli and inflationary practices. This is in great contrast to the rock bottom level in 1933, when the then new party came into office in Washington. The dollar has shrunk to 50% of its value of 15 years ago. Production is high, public and private debts are relatively high; taxes are high. More recently we have seen a leveling off of certain of these forces, and the danger of continued inflation has substantially diminished. It is apparent that any prospects of change in government policy come at a very sensitive and difficult period in world conditions and in economic conditions here.

Whatever I may say of present indications that will be influenced by new Administration policies springs from views that have been publicly expressed in word, or deed by the President-elect or his top associates.

From these, one is entitled to expect definite trends with respect to matters which, to be sure, affect all the people, but which we bankers must particularly regard. For instance, a major effort to balance the national budget consistent with reasonable and necessary needs and commitments seems assured. Therefore, one would expect a definite trend toward economies in those expenses of Government resultant from unneeded activities and personnel; one would expect a more objective approach to the tax question and an attempt to reduce taxes as soon as possible, and to the extent that it is practical. I am of the opinion, however, that there will be no substantial tax reduction overall until the budget is in balance. One would expect continued direct financial help to the free countries in Europe and elsewhere, but with the objective of decreasing the direct dollar amount of that help, converting more to the kind of help that will make such countries more healthy, self-reliant and possibly liberalizing trade conditions between us all for the benefit of that objective. It seems evident that such foreign assistance will give greater weight to questions of our own fiscal soundness, and the soundness of the usage of our aid. One would expect a trend toward a diminution of Government controls over wages, prices, products, and other elements that have restricted the natural play of those elements in a free enterprise system but only and to the extent possible without jeopardizing the reasonable stability of our economy.

Greater Flexiblity in Money and Credit

One would expect money and credit policies to be more flexible and the supply-demand factors in the money market to have greater sway. The artificial low rate borrowers' paradise of 1 to 1½% or less which has been so prevalent for so long may have dimmed your memories of the days when 3% to 3½% money looked mighty cheap. In this direction it would appear that the cost of Government financing would occupy a more reasonable place among the many factors that have to be weighed in determining fiscal, monetary and credit policies. It is likely that as market and economic conditions warrant, Treasury policy would be aimed toward having a larger share of the Government debt in the hands of investors other than banks and that the gradual refunding of a portion of the heavy short-term debt of the Treasury with longer-term debt could be expected.

It is perfectly clear that any prospective change of policies from the old Administration to the new will have little immediate effect on the country economy and its various elements. At the moment, the effect is largely psychological, looking forward to the change in the Government attitude respecting its relations with the people and the business of the country. No millennium is around the corner. It should be remembered that if conditions are ripe for it no Administration can wholly prevent the adjustment period which some day may be ahead of us. War, and our defense against world-wide Communism, today consumes a substantial part of our productive effort, and if we look forward to the day, as I do, when our national safety can permit a considerable reduction in that unhappy expenditure, we are faced with the possibility of a period of some readjustment. I am confident that business preparation and behavior will in themselves temper it greatly if it should come. I am equally confident that the full force of the Federal Government would be used to help prevent or alleviate it.

In the last decade there have been great social, economic, political and financial changes that buttress the economy against a duplication of what we experienced in the thirties. There have been 31,000,000 births in this country in the last decade and a similar increase is indicated for the next 10 years with its dynamic, long-term implications. Our schools, hospitals, our highways, our courts, our transportation facilities, are many of them outgrown. There is vital economic significance in all these factors to cushion any period of adjustment which may lie ahead of us when and if we change from defense to peacetime consumption.

*Excerpt from talk by Mr. Pope before, New York Society of Security Analysts, Schwartz' Restaurant, New York City, January 5, 1953.

Loewi Co. Elects Wm. Liebman V.-P.

MILWAUKEE, Wis.—J. Victor Loewi, President of Loewi & Co., 225 East Mason Street, announced the election of William L. Liebman as Vice-President and Sales Manager of the firm. Mr. Liebman joined the sales force of Loewi & Co. in 1946, after serving four years in the Procurement Division of the Army.

William L. Liebman

H. A. Vilas, Jr. With Cyrus J. Lawrence

Cyrus J. Lawrence & Sons, 115 Broadway, New York City, members of the New York and American Stock Exchanges, announce that Homer A. Vilas, Jr., has joined the firm's investment research department.

Outlook for Bond Market in 1953

Halsey, Stuart & Co., in year-end bond survey, forecasts a firm tone in the nation's bond market in months ahead, with corporate issues shrinking in volume and commanding higher prices. Sees municipal obligations in abundant supply and at attractive prices.

According to the "Year End Bond Survey" of Halsey, Stuart & Co., a firm underlying tone should characterize the nation's bond market in the months ahead, bolstered by a continuation of present savings trends and an increasing volume of funds seeking investment. Corporate bond issues, the survey indicates, probably will shrink in volume and command higher prices, while municipal obligations apparently will be abundant and attractively priced.

Halsey, Stuart pointed out that government financing and U. S. Treasury operations will still be potent forces in the money market affecting interest rates and bond prices, and that international affairs, in turn, will have a hand in determining Federal fiscal policies.

The survey notes that for the first time since 1942, money rates in 1952 were permitted in some measure to reflect the basic law of supply and demand. "Federal Reserve policy was directed toward maintaining orderly conditions in the money market, but not to the maintenance of a fixed rate pattern. Government security prices were permitted to fluctuate and open market operations were largely related to Treasury financing."

Corporate bond prices started off strong in the year's early months as business requirements for funds declined from the peak of December, 1951, the survey said. Beginning in May, however, the price trend was downward until October, after which prices strengthened somewhat toward the end of the year. The weakening of bond prices was started in late spring by a substantial volume of new offerings going to market, the prospect of inflationary developments with the termination of Regulation W, seasonal demands for bank credit, and the prospect of large scale Treasury, corporate, state and municipal financing to come. Still another contribution to lower prices was made by the terms of the Treasury's offering in June, of 2⅜s due 1958, with purchase limits which resulted in speculative interest rather than permanent placement. Large open-market purchase of these bonds by banks reduced excess reserves in the banking system and tightened the money market.

Average corporate bond prices followed those of governments throughout the year, the survey pointed out. "As measured by one average, long-term governments in January were selling at 96.39, in May at 99.27, in September at 95.56, early in November at 97.52, and at year-end at 96.05. Corporate price averages in January were at 98.50, in July at 98.98, in October at 97.72, and near year-end at 98.85, the latter probably reflecting the prospect of fewer offerings.

"Municipal prices advanced from an average yield of 2.26% in January, to the year's peak of 2.12% early in April. After that, prices reflected the sizable volume of offerings and potential offerings. While a low point of 2.46% was reached in October, average yields by the end of the year had improved moderately to 2.44%.

Corporate bond financing in 1952 established a new high of about $5.7 billion, exceeding the previous record of $5.6 billion set in 1948, the survey said. Corporate spending for plant and equipment also set a new record of about $27 billion, bringing the total spent for new industrial facilities to $135 billion since World War II. "Barring a spread of war, some decrease in the rate of expansion appears in the offing," said Halsey, Stuart, adding, "even a slowing down in the rate of increase will affect some markets."

Utility financing totaled approximately $2.3 billion, in line with volume over the last four years. Halsey, Stuart cited the probability of a decrease if peace comes and industrial demand for service drops off.

Publicly offered railroad equipment obligations totaled about $270 million, a little less than 1951's $290 million. Long-term bond financing offered publicly was about $200 million, all in refunding issues. Continued railway improvement programs could bring 1953 equipment financing to equal that of 1952, the survey said, with additional refunding and new money issues a possibility.

In the tax-exempt field, state and municipal financing set a new record of nearly $4¼ billion and confirmed an increasing trend to the use of revenue bonds for financing public improvements. At the end of 1952, state and municipal financing under consideration totaled $6.5 billion. In addition, issues aggregating about $1¼ billion were approved by voters in the November elections.

Summarizing the bond market outlook, the survey states:

"At the beginning of the new year the political outlook at home is hopeful, but we still have with us an upset world. International developments can be expected to continue to be significant factors affecting our economy and the expenditures of the federal government. Government financing and Treasury operations will still be potent forces in the money market affecting interest rates and bond prices.

"Although the level of industrial activity and production is high and the outlook currently good, some decrease in the demand for funds for industrial expansion and housing construction is likely to develop during the ensuing year. This could result in some shrinkage in the volume of new corporate bonds issued.

"Municipal obligations apparently will be in abundant supply and they should be attractively priced. Even without consideration of their tax exemption, many general obligation municipals are selling close to the prices of high grade taxable corporates, and many revenue obligations are competing in price with corporate bonds.

"High taxes are inevitable for an indefinite period. The tax-free status of state and municipal obligations, their stability and their yields should make them highly attractive to investors.

"A continuation of present savings trends and an increasing volume of funds seeking investment can be anticipated. A firm underlying tone, therefore, should characterize the bond market in the months ahead."

With H. P. Wood Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—James D. Watt has been added to the staff of H. P. Wood & Company, 75 Federal Street.

Coburn Middlebrook Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John F. Hynes has been added to the staff of Coburn & Middlebrook, Inc., 75 State Street.

From Washington Ahead of the News

By CARLISLE BARGERON

Towards the era of good feeling, happiness and prosperity which has been billowing out of the Commodore Hotel, political Washington, unemotional and scarcely susceptible to slogans, has been looking these many weeks with a fixed eye. Political Washington, one of the most important areas in the whole world, is not against good feeling, happiness and prosperity as such and on occasions will join in the hurrahs as it expects to do on January 20, next. But political Washington under the surface is quite practical and about the emanations from New York's Commodore Hotel it has been wondering, not unfriendly, or pessimistically, or anything of that kind, but with a cold eye to practical business.

Carlisle Bargeron

First, it has been wondering about the widely written picture of General Eisenhower as a man who wants things put to him on one page of memorandum; who doesn't want subordinates to bring problems to him but to handle them themselves; as a man who doesn't intend to let the job kill him and intends to keep this job to eight hours a day. Although it hasn't yet been said of him, he would undoubtedly want Saturday afternoons and Sundays off and by way of keeping the week to 40 hours, he would want Thursday afternoons off as well.

Political Washington isn't sure of this picture of the President-elect which has been described from the Commodore of him, but its recollection of him as a Lieutenant Colonel and before he went off to World War II, prepares them to accept it. Political Washington has heard from the Commodore that the new President wants to get the Presidency down to such a high state of efficiency that there will be delegated men to make speeches and public appearances for him and even to sign many of the papers which the President has had to sign in the past.

An overwhelming majority of American newspapers supported the General regardless of their previous political persuasions, and these papers are determined, of the moment, to see him make good. But you hear murmurings among the Washington correspondents that he intends to cut off the give and take of the periodical press conferences, or maybe delegate a subordinate to take on that job, and along with these murmurings go the expressed apprehensions about a great institution which the correspondents have built up.

I must say that if he were to do this there would be much to be said on his behalf. The number of newspapermen, real and so-called, but all making their living at the trade, who insist upon attending the Presidential press conferences has become so big that Truman had to switch these conferences to larger quarters and they have become more like town meetings than frank talks with the press. Attended by Communist and other subversive reporters, and with the inane questions asked, together with alien and ideological argumentativeness, they have become more like United Nations propaganda brawls. It is understandable that until such time as the Washington newspaper corps can bring some orderlines sand sense to these meetings that Eisenhower would not want to engage in them, particularly inasmuch as he does not seem to have the ability of give and take of Truman or Roosevelt. But he had better cut them out altogether and take the ire of the publishers than to delegate the job to somebody else.

Political Washington, in the unusual delegation of responsibility which we are told is to come, wants to know particularly who that man is who will prepare the one page of a report on a given situation for the President. He will be a man of tremendous importance; he will be the man who holds a lot of power in his hands, and it is not likely that such a man will last long in the intrigues of political Washington.

The tongues wagging in political Washington these past weeks have it that that man will be Sherman Adams or rather that Sherman Adams expects to be that man. And these same tongues have it that if Sherman Adams does attempt to be that man, he will suffer a greater fall than any man of his physical stature since the humpty dumpty of Napoleon, whose earlier accomplishments have not been lost upon the cocky little New Hampshire Governor.

As to where the ultimate power is likely to fall, a lot of pundits have placed it in the hands of a Republican and Southern Democratic coalition dominated by Senator Taft. On this, retiring Speaker Sam Rayburn has uttered a very sage remark. Predicting the end of this coalition, he says the Democrats have a history of uniting, instead of coalitioning, when they are out of power. This is a fact. But this still means that Taft with their support will have a tremendous negative power. In other words, I doubt the Administration can count much, notwithstanding the wish of the Eastern editors, upon the Southern Democrats to help it carry out its policies. But these Southern Democrats can be counted upon aplenty to join with any Republicans who want to check these policies, such as—for just a tiny example—the revision of the McCarran-Walter immigration bill. Such revision would be in line with Governor Dewey's idea of giving the whole country a mixture of "liberalism" and conservatism that would dip into the racial minority vote as he has done in New York State and which he is represented as wanting to sell to Eisenhower.

Eisenhower and Business

By ROGER W. BABSON

Mr. Babson, commenting on hostile attitude toward business by "educated" men and others, defends business management in general. Says one of basic problems of Eisenhower Administration is to make recent "marriage of Business and Social Sciences work," and calls for less materialism and "more religious fervor."

There was one social phenomenon during the days of the recent political campaigning that made an impact upon millions of people. It was that the attitude of many of our intelligentsia was extremely hostile toward business and Republicanism. This was more openly and frankly unfriendly than in any of the other campaign struggles of the past 50 years — in fact, since Bryan's day in the 1890's. It has been a parlor pastime of many "educated" men and women to castigate business and to decry its social service. Many believe that business does not give a rap about people as individuals, and that business has contributed little or nothing to human welfare in our social order. Readers can trust me that such criticism is unjust. I can point to all kinds of research institutions that business has founded and endowed. These operate solely for the purpose of developing better conditions, products and usefulness. But, business, like any other human institution, is not perfect. In the roaring twenties it unfortunately produced opportunists who did exploit the many at the expense of the few.

Roger W. Babson

There is, therefore, a shred of truth in the generalization that business has been hostile to the individual and sometimes irresponsible. On the other hand, there has been a far greater advance in business management than in the political management which has tried to regulate it. People who have been looking for more than material satisfaction from our culture have felt left out. They just didn't belong. They had no status. People who lack status in any society struggle for something that will give them just that. This is the basic reason for most of the labor troubles of today.

What Business Has Learned

Change was abruptly forced on business in the thirties. Perhaps the most important change in the attitude of business management is the realization that *there is more to living than just making a living.* The marriage of Business to the Physical Sciences, which brought America to the pinnacle of technological achievement, must now be matched by a similarly happy marriage of Business to the Social Sciences. The trouble is that business was wed to the Social Sciences rather reluctantly in the thirties. It was a shotgun wedding, not a union of love!

One of the basic problems of the Eisenhower Administration is to make this marriage work; for if it doesn't work, the Republicans will lose the election in 1956. Neither business nor the Republican Party won the recent election. It was a personal victory for a great man, a revolt against corruption in high places, with a hope he could stop the Korean slaughter and prevent World War III.

Problems to Be Solved

Our industrial civilization has created an entirely new set of living conditions and family problems: Cramped city housing, growing urbanization, automobiles, radios and TV's, broken families, congested roads, millions of accidents, economic fears of layoffs, unstable business profits, personal conflicts, tensions, and destructive attitudes. *Perhaps the most destructive of all influences of our industrial civilization is present day materialism and lack of religious fervor.* For this, the social scientists, advertising writers and businessmen must share responsibility.

The scientific approach, which stresses seeking ALL available evidence, is needed in business. The philosophy which has carried us so far *technologically* must now emphasize the dignity of the individual and the *"meaningfulness" of life.* The Republican Party has a great challenge to develop the kind of philosophy and course of action that will carry us to better human relations. I believe General Eisenhower is the man who can do this—if we all get behind him.

Albert J. Quist With Glore, Forgan & Co.

Glore, Forgan & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, announce that as of Jan. 1, 1953, Albert J. Quist has become associated with the firm in its sales department. Mr. Quist was formerly associated with Schoellkopf, Hutton & Pomeroy, Inc. and Wood, Struthers & Co.

Joins Firm; Name Now Weber-Mitchell

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Thomas J. Mitchell has become associated with V. C. Weber & Co., 411 North Seventh Street, and the firm name has been changed to Weber, Mitchell & Co. Mr. Mitchell was formerly with Dempsey-Tegeler & Co. for many years.

Gold Producing Equities

By HAROLD J. KING, PH. D.

Dr. King, in calling attention to important role price of gold may play in arriving at sounder monetary policies, furnishes interesting and pertinent data relating to principal gold producing corporations in United States.

What part is gold to play in the sounder monetary policies indicated by the Eisenhower appointments? Before long, the new Administration must take its position on this all-important issue. And whatever its decision, the immediate impact will be felt around the globe.

Harold J. King

Hence, while the advocates of various forms of the gold standard argue about the "proper" price of gold, how it should be determined, what should be done with the Fort Knox "kitty," convertibility, the sanctity of contracts, and a myriad of related questions, it is in order to look for a moment at gold production. Fortunately, part of the picture is readily available.

Who are the gold producers? How are they financed? Are they showing profits? How will they fare in the new era?

Some 60 United States, Canadian, and Philippine corporations are engaged in the production of the precious metal. Leading the parade is the American Smelting and Refining Co., with a reported production for 1951 of 1,196,096 ounces. However, as the company "and subsidiaries are primarily engaged in the custom smelting and refining of . . . metals," it is not clear in the report what proportion of the refinery output has been mined within the American Smelting "family." Controlled by the company, though, are gold producing mines in such far flung places as Mexico, Peru, Australia, Arabia, and Canada.

Second on the list is the American Metal Co., with 562,400 ounces produced in 1951. In the main, this company acquires ores, concentrates, and bullion from its mining subsidiaries, and sells the refined product. It controls gold sources in Mexico and elsewhere.

Third, is the leading domestic producer, the Homestake Mining Co. (1951 bullion receipts, $15,486,682 — 442,477 ounces at $35). Unlike American Smelting, and American Metal, Homestake concentrates on gold to the exclusion of other metals, and in the United States. The Black Hills region of South Dakota is its main scene of operations.

The top 10 American producers are listed in Table I, along with pertinent details concerning capitalization, earnings, dividends, and yields. The very limited role played by preferred stock financing in this industry is portrayed in the table. Only three of the top 10 showed such issues outstanding. Only one of the top 10 reported funded debt. As of May 31, 1952, American Metal Co. had $15,000,000 worth of 3½% notes among its liabilities. Without exception, the top 10 reported profits every year from 1947 to 1951 inclusive.

The prominent role played by Canadian corporations in this industry is readily apparent in both Tables I and II by the number of times "Ltd.," appears.

The total 1951 production for all the producing companies listed by Moody's was approximately 6.9 million ounces. Of course, this figure is not free from duplications. Gold mined by one company, and refined by another outside the corporate structure of the first, would enter twice into the total. But the total figure does reflect some light on the small-scale operations, which generally characterize the industry. The 3.8 million ounces reported by the top 10 represent 55% of the total. The companies listed in Table II account for another 15%, leaving 30% as the contribution of the remaining 47 producers.

Should the United States raise the price of gold, or in any way move to a more orthodox form of the gold standard, its action would most likely have a favorable effect on the earnings statements of most of these companies. The extent of which this might be offset by increases in labor and materials costs is, of course, anybody's guess. But it seems highly improbable that any such action would affect the industry adversely.

TABLE II

***The Second Ten**

COMPANY—	1951 Gold Product'n (1000 oz.)
Lakeshore Mines, Ltd.	135
Lamaque Gold Mines, Ltd.	120
Howe Sound Co.	115
Giant Yellowknife Gold Mines, Ltd.	111
Malarctic Gold Fields, Ltd.	108
Yuba Consolidated Gold Fields	101
Quemont Mining Corp., Ltd.	98
Natomas Company	†94
Anaconda Copper Mining Co.	85
Wright-Hargreaves Mines, Ltd.	79

*It is possible that the Golden Cycle Corp. should appear in this list. Although the company is engaged primarily in gold mining, no breakdown of the 1951 sales figure ($4,571,253) is furnished.

†1950 production (1951 not shown).

TABLE I

Top Ten American Gold Producers

COMPANY AND CAPITALIZATION (Shares Outstanding)	1951 Gold Product'n (1,000 oz.)	—Com. Shr.— Earns. 1952	Divs. 1951	Recent Price (com.)	Approx. Yield
American Smelting and Refining Co.— *500,000 7% cum. pfd. & 5,260,000 com.	1,196	§$3.86	$3.50	43⅞	8.0%
American Metal Co.— †84,000 4½% cum. pfd. & 2,700,000 com.	562	§2.02	z1.50	24⅜	6.2
Homestake Mining Co.— 2,009,000 common	443	¶0.40	2.15	39½	5.4
Noranda Mines, Ltd.— 2,240,000 common	352	x1.50	4.00	76	5.3
Kerr Addison Gold Mines, Ltd.— 4,730,000 common	331	x0.21	0.80	20	4.0
McIntyre Porcupine Mines, Ltd.— 798,000 common	205	¶1.46	3.015	70⅝	4.3
U. S. Smelting, Refining and Mining Co.— ‡468,000 7% cum. pfd. & 529,000 common	180	§6.88	2.75	66½	4.1
Pato Consolidated Gold Dredging, Ltd.— 3,200,000 common	175	n.a.	0.25	3.20	7.8
Dome Mines, Ltd.— 1,947,000 common	166	§y0.46	0.75	21⅜	3.5
Hudson Bay Mining and Smelting Co., Ltd.— 2,758,000 common	146	§4.24	5.00	57⅝	8.7

*Not callable (par $100). †Call price 105; company also has indebtedness consisting of $15,000,000 3½% notes. ‡Not callable (par $50). §First nine months. ¶First half. xFirst quarter. yBefore depreciation and depletion. zAlso stock. n.a. Not available.

Financing by Chemical Industry

C. P. Neidig, of White, Weld & Co., furnishes data on financing the record $1.5 billion capital outlay of the Chemical industry in 1952. Also forecasts nature and amount of financing expected during current year.

In a report prepared for the American Chemical Society and published in the Jan. 5 issue of the Society's weekly "Chemical and Engineering News," C. P. Neidig, of the Philadelphia office of White, Weld & Co., members of the New York Stock Exchange, gives some very interesting data on financing of the chemical industry during the past year and the prospects of financing expansion during the new year. According to the report:

Peter Neidig

"Within the past several years the chemical industry has been involved in a tremendous expansion program—and 1952 was certainly no exception. In fact, preliminary figures released by the Securities and Exchange Commission indicate that capital expenditures for chemical and allied products were expected to exceed $1.5 billion in 1952, highest in history, and over $300 million greater than in 1951. It now seems that 1952 will be a peak year, reflecting the completion of many of the new plants begun shortly after the Korean War. Most chemical companies anticipate that capital expenditures in 1953 will be somewhat less than 1952 although there are some exceptions."

Continuing, Mr. Neidig stated: "It is not surprising that external sources of capital were needed for much of this new expansion. Although the chemical industry traditionally uses internal funds to finance its new plants, the present high tax rates have sharply reduced the capital available from retained earnings. Furthermore, the present high costs of construction have rendered depreciation reserves inadequate for replacement of existing plants. During 1952 earnings of most of the chemical companies were reduced, partly as a result of the sales decline, coupled with lower profit margins, brought about to some extent by price controls at the same time that costs of labor, transportation, and raw materials were rising. For a variety of reasons, therefore, retained earnings and depreciation reserves have proved inadequate, and outside financing was used by many chemical companies."

Large capital expenditures for new facilities probably will taper off during the next two years, Mr. Neidig believes. A great majority of the new installations begun as a result of the need for increased productive capacity to supply the "guns and butter" economy will be completed by the end of 1954, he also points out.

"In most cases it is felt that the chemical companies have arranged for sufficient financing to complete these projects, which makes it unlikely that there will pe substantial outside financing in 1953," Mr. Neidig says.

The development of profitable new products would require additional production facilities, but external financing would not be necessary unless these products were of major consequence, according to Mr. Neidig. Retained earnings coupled with depreciation reserves, which have been increased in many cases by certificates of necessity, probably will be sufficient for this limited expansion.

"It is possible within several years' time that depreciation plus emergency amortization will have grown large enough to virtually sustain a continued heavy expansion program," Mr. Neidig asserts.

Outside sources of capital played an important role in the tremendous growth of the chemical industry during recent years, Mr. Neidig declares. More than $626 million (see table below) was raised in this way by chemical companies in 1952. Of this total, about $495 million or 79%, was raised by debt financing; $10.4 million, or 1.7%, through sale of preferred stock, and $121.3 million, or 19.3%, through sale of common stock.

The industry's big six—du Pont, Union Carbide, Monsanto, Dow, American Cyanamid and Allied Chemical and Dye—spent about $600 million during 1952 for new facilities, nearly 40% of the total for the industry, Mr. Neidig says. Of the six, only du Pont was able to finance its expansion without outside capital. Du Pont anticipates that its capital expenditures during 1952 will total $125 million, he adds.

"It is not surprising that external sources of capital were needed for much of the industry's new expansion," Mr. Neidig continues. "Although the chemical industry traditionally uses internal funds to finance its new plants, the present high tax rates have sharply reduced the capital available from retained earnings. Furthermore, the present high costs of construction have rendered depreciation reserves inadequate for replacement of existing plants.

"During 1952, earnings of most of the chemical companies were reduced, partly as a result of the sales decline, coupled with lower profit margins, brought about to some extent by price controls at the same time that costs of labor, transportation and raw materials were rising. For a variety of reasons, therefore, retained earnings and depreciation reserves have proved inadequate, and outside financing has been used by many chemical companies.

"Actually the choice as to whether the financing is to be through debt, preferred or common stock is determined to a major extent by the present capital structure of the company. While there are no rigid limits, even the most aggressive management realizes that the capitalization must be kept in balance. The questions of the magnitude of the expansion, the amount of the outside financing needed, the timing of the external financing, and the like are, of course, quite involved and depend on a number of factors, not the least of which is the status of the 'money market' at any particular time. During 1952 the money market was generally favorable, although it was somewhat tighter than in some previous years."

CHEMICAL INDUSTRY FINANCING IN 1952

	Debt*	Preferred Stock	Common Stock	Total
Allied Chemical & Dye	50,000,000	—	—	50,000,000
American Cyanamid	75,000,000	—	—	75,000,000
American Metallic Chemicals	—	—	1,350,000	1,350,000
American Potash & Chemical	—	3,000,000	—	3,000,000
Ansul Chemical	1,000,000	—	—	1,000,000
Chase Chemical	—	—	291,000	291,000
Columbia-Southern Chemical Corp.†	15,000,000	—	—	15,000,000
Davison Chemical	10,000,000	6,400,000	‡5,800,000	22,200,000
Dewey & Almy	5,500,000	—	—	5,500,000
Dow Chemical	150,000,000	—	‡34,100,000	184,100,000
Foote Mineral	1,973,000	—	—	1,973,000
Guardian Chemical	—	—	300,000	300,000
Gulf Sulphur	—	—	625,000	625,000
Hooker Electrochemical	20,000,000	—	—	20,000,000
International Minerals	20,000,000	—	—	20,000,000
Koppers	—	—	11,250,000	11,250,000
Leslie Salt	6,500,000	—	—	6,500,000
Eli Lilly	10,000,000	—	—	10,000,000
Lone Star Sulphur	—	—	360,000	360,000
Metal Hydrides	—	—	800,000	800,000
Metals & Chemicals	—	—	600,000	600,000
Mexican Gulf Sulphur	1,875,000	—	—	1,875,000
Mississippi Chemical	—	—	10,000,000	10,000,000
Monsanto Chemical	66,000,000	—	39,200,000	105,200,000
National Alfalfa Dehydrating & Milling	—	—	610,000	610,000
National Chlorophyll & Chemical	—	—	698,000	698,000
Newport Industries	6,000,000	—	—	6,000,000
Pan American Sulphur	3,664,000	—	‡3,000,000	6,664,000
Pennsalt	—	—	7,534,000	7,534,000
Pittsburgh Coke & Chemical	5,000,000	—	—	5,000,000
Reichhold Chemicals	5,000,000	—	—	5,000,000
Rohm & Haas	8,600,000	—	—	8,600,000
Sharp and Dohme	5,000,000	—	—	5,000,000
Shaw Oil & Chemical	—	—	300,000	300,000
Smith Douglas	6,000,000	—	1,800,000	7,800,000
Southern Oxygen	1,400,000	—	—	1,400,000
Standard Sulphur Co.	—	—	1,250,000	1,250,000
Sterling Drug	3,500,000	—	—	3,500,000
Tennessee Products & Chemical	5,000,000	—	—	5,000,000
Texas City Chemicals	6,000,000	—	1,210,000	7,210,000
Thurston Chemical	—	1,000,000	—	1,000,000
Trubeck Laboratories	500,000	—	—	500,000
Virginia-Carolina Chemical	5,000,000	—	—	5,000,000
Virginia Smelting	1,250,000	—	—	1,250,000
Wilson Organic Chemicals	—	—	300,000	300,000
Total	494,762,000	10,400,000	121,278,000	626,540,000

*Includes total amounts arranged for whether or not actually issued during the year. †Subsidiary of Pittsburgh Plate Glass. ‡Approximate.

Nordberg, Jost With Dean Witter Co.

CHICAGO, Ill.—Dean Witter & Co., announce that H. Gerald Nordberg is now associated with them as manager of their Chicago office, 141 West Jackson Boulevard. Frank A. Jost, Jr., is comanager in charge of the commodity department.

Mr. Nordberg is well known in the financial district, having been with Blair, Rollins & Co. as a Vice-President and before that holding the same position with E. H. Rollins & Sons.

Dean Witter & Co., with headquarters in San Francisco, is one of the nation's leading investment firms with 27 offices in 27 cities and membership in all of the leading security exchanges.

H. F. Wood V.-P. of A. G. Becker Co.

CHICAGO, Ill.—A. G. Becker & Co., Incorporated, 120 South La Salle Street, announce that Harold F. Wood has been elected a vice-president of the corporation. Mr. Wood has been with the firm for many years.

What Must Be Done to Save Securities Exchanges

By EDWARD T. McCORMICK*

President, American Stock Exchange, New York

Asserting "it's about time for Wall Street to get up and speak for itself," Mr. McCormick lists as serious problems confronting the securities exchanges: (1) too little volume; too high costs, and (2) needed adjustment to changing market pattern. Suggests as remedial steps: (1) merchandising to meet needs of investors; (2) a new schedule of commissions; (3) imposition of charges for special services to investors and securities issuers; (4) reduction of margins to 50%; (5) reduced period for capital gains tax, and (6) no double tax on dividends.

The name New York Curb Exchange is no longer descriptive of our securities market. Of all the names we considered, "American Stock Exchange" most aptly evidenced the breadth of our operations and our national and international financial importance. We are in no sense a local market. The 1,700 offices of our member-firms spread throughout the length and breadth of the United States and into Canada. Instantaneous reports of transactions on the Floor of the Exchange are flashed on the tape to 820 tickers in 133 cities throughout this country and across our northern border. The securities traded on our Floor have a combined value of approximately $18 billion, and represent every conceivable type of industry, including railroads, utilities, aviation, chemicals, radio, television and a host of others. Of these issues more than 300 have a proud unbroken record of dividends for the last ten years or more and a few in excess of 100 years.

E. T. McCormick

In my opinion, the name, "American Stock Exchange," best describes our functions and what we have come to represent.

What Wall Street Stands For

It's about time for Wall Street to get up and speak for itself and what it stands for. It's time that the common critical cliches about the Street are run to the ground, and their false nature exposed. Without the securities industry which the Street represents, the magnificent growth of this country during the last century or more could not possibly have occurred. Our industry has provided the veins for the channeling of equity funds, the lifeblood of our industry, from investors to the factories and mills. Without it the country could not exist in its present state any more than a man could live without his heart and arteries.

We are justly proud of our record of achievement. Our industry is made up of hardworking, honest men engaged in a highly competitive enterprise, whose chief purpose is to see to it that a fluid market for securities is constantly maintained and that the American public is afforded the opportunity at any time to buy and sell their ownership rights in industry at the best price possible. We are just as interested as our customers are in seeing that the transactions effected are fair and above board, that prices are determined by the free action of supply and demand, and are not tailor-made. We know from long experience that the existence of our business depends upon customers who have confidence in us and in the fairness of our markets.

We want the people to take a look at us, to examine and to question. We want the people to know and understand our business and ourselves. The functions we perform are complicated but their complexity should not breed suspicion. We want the public to know that, living in a glass house as we do, regulated both by the government and ourselves, we have nothing to hide, no skeletons in our closets, and, as a cornerstone of our free-enterprise system, are concerned primarily with its successful preservation and the nation's continued prosperity.

Some Problems of Securities Exchanges

The securities exchanges are confronted with serious problems at the present time, most of which can be summed up in the familiar phrases "Too little volume—too high costs." I think, however, that a considerable part of our difficulties is of our own making. We have failed to recognize the changing patterns of our market. A change from a professional to an investment market with the consequent need for concentrating on merchandising. The development of investment companies, and the siphoning of great pools of funds and securities into these companies, insurance companies, banks and pension plans has resulted in the freezing of funds and securities, the lessening of liquidity and the development of greater selectivity in the market. Unless this problem is licked I am one who thinks that our stock markets can go the way of our exchange bond markets. Positive action alone will save us. Some things we can do ourselves—others will require the cooperation of the government. Let me suggest a few of these positive steps.

(1) We must start to merchandise—we must accommodate ourselves to the needs of investors and the business producers in our industry, namely the customers' men. As a start in this direction, we have already broken the bonds of almost a century and extended our trading hours to 3:30 p.m., to accommodate the needs of investors in the west. If further changes in this connection are needed, they must be made.

(2) We need a complete overhaul of our commission schedule. Retail commissions should be raised to make possible an intelligent selling job. In round trip transactions, where a man goes in and out of securities largely on his own motion, only a single commission should be charged. And on wholesale distributions, which are now taking place to a great degree on the "off the board" market, transactions should be effected upon a reduced commission.

(3) The many special services effected for both investors and issuers should be subject to special charges.

(4) The margin requirements should be reduced to 50%.

(5) The capital gains period should be reduced to some shorter period, such as three months, and the maximum tax on such gains should be reduced below its present level of 26%. Adoption of such a proposal would be beneficial not only to the Treasury, but to investors, the securities business and our corporate enterprises generally. It would provide not only more fluid and sounder markets, but increased taxes to the Treasury by reason of the multiplication of capital gains transactions.

(6) The ill-conceived and unfortunately-perpetuated double tax on dividends should be eliminated or modified. There are few people who realize the very significant fact that this double tax falls heaviest on the small investor. For example: with a 30% normal corporate tax, 22% corporate surtax and no excess profits tax, a person receiving $5,000 in dividends and being in the 11% personal income tax bracket, finds that his share of the earnings of his corporation is actually taxed at a combined rate of 57.5%.

If abolition of this tax is not possible, or politically practical, the Congress might, as a temporary expedient, follow the example of our Canadian neighbor, and allow investors a tax credit in some appropriate percentage of the dividends received on common stocks. Such a tax credit would provide an important stimulus to equity investment.

While problems and difficulties do exist for our industry, there are none of them which are in any sense insoluble. I am optimistic as to the future of our business and business in general. I can foresee no serious depression in the near future. While there will likely be some shake-outs, I am convinced that four years hence will find us enjoying a more solid prosperity than we have at the present time.

*Abstract from remarks made by Mr. McCormick at a luncheon tendered in his honor by the Washington, D. C. "Times - Herald." Washington, D. C., December 30, 1952.

Joseph Ludin V.-P. of Dillon, Read & Co.

Joseph Ludin

Dillon, Read & Co. Inc., 46 William Street, New York City, announce that Joseph Ludin has been elected a vice-president of the firm. Mr. Ludin, who is associated with the syndicate division, has been with the firm since February, 1921.

Harry Faath V.-P. Of Tripp & Co., Inc.

Harry W. Faath has been elected a vice-president of Tripp & Co. Inc., 40 Wall Street, New York City, dealers in state, municipal and public revenue bonds. Mr. Faath was previously with Aubrey G. Lanston & Co., Inc., and G. C. Haas & Co.

H. A. Riecke Elects

PHILADELPHIA, Pa. — Henry A. Riecke has been elected chairman and John E. Parker President and General Manager of the investment securities firm of H. A. Riecke & Co., Inc., 1528 Walnut Street.

Other officers elected were: Darrah E. Ribble, Vice-President and Assistant Secretary; U. G. Warren, Secretary and Richard J. Handly, Treasurer and Office Manager.

Yes, and More!

"For the past half century, the world has been caught up in a political tidal wave that already has drowned out the lamps of liberty in two-score countries and has dimmed them in every other nation on the face of the globe, including our own United States.

Hon. J. W. Martin, Jr.

"We call this political malady Marxism, a doctrine which has spawned those twin evils, socialism and communism. By either name it has only one goal: To deliver the people once more into the hands of the State; to deliver the power of decision once more to the few instead of the many.

* * *

"Here in the United States the drift toward socialism has been steady. Our English-speaking cousins in Great Britain, Australia and New Zealand actually established Socialist Governments, only to reject them in the past three years. No nation has escaped; no nation has been untouched.

* * *

"In the Marxian State, there is no authority equal to the Executive. It is the authority. It makes the decisions.

"The Legislative Branch becomes a mere body servant, if indeed it exists at all. The courts are mere instruments for meting out punishment to those who fail to observe the edicts of the Executive." — Joseph W. Martin, Jr., Speaker of the House of Representatives.

And the Speaker might have added that the Marxist would largely take over and direct the private lives of the people.

High Level of Activity Predicted for 1953

Industrial Conference Board's forum expects lower prices at wholesale and consumer levels, and a two-to-three percent rise in wages, thus squeezing profit margins. Economists anticipate rise in Government purchases.

Sustained high-level activity for 1953 is seen by a majority of distinguished economists participating in the latest "Evening with the Economists" held under the auspices of the National Industrial Conference Board. The Economic Forum viewing 1953 prospects was under the chairmanship of W. W. Cumberland, Partner and Economist, Ladenburg, Thalmann and Company. Guests included:

W. W. Cumberland

R. S. Alexander, Professor of Marketing, Graduate School of Business Administration, Columbia University; **Richard P. Doherty,** National Association of Radio and Television Broadcasters; **Grover W. Ensley,** Staff Director, Joint Committee on the Economic Report; **Nathan M. Koffsky,** Bureau of Agricultural Economics, U. S. Department of Agriculture; **Walter E. Hoadley, Jr.,** Economist, Armstrong Cork Company; **Helen Slade,** Managing Editor, "The Analysts Journal," and **Woodlief Thomas,** Economic Adviser, Board of Governors of the Federal Reserve System.

Forum members participating included: **Jules Backman,** New York University; **Solomon Fabricant,** National Bureau of Economic Research, Inc.; **Martin R. Gainsbrugh,** National Industrial Conference Board; **Edwin B. George,** Dun & Bradstreet; **Clyde L. Rogers,** National Industrial Conference Board; **O. Glenn Saxon,** Yale University, and **Rufus S. Tucker,** General Motors Corporation.

The following are highlights of the remarks made by participants:

MR. FABRICANT

On Business Cycles

". . . Contracts for residential building reached their low in December, 1951, and have risen since. Contracts for commercial, industrial building reached their low in January of this year; they, too, have been rising since. Hours per week of manufacturing industries reached their low in April of this year and have been rising, and that is an indication of pressure to take on new employees. Inventory investment, a very important indicator of business, apparently reached its low a month or two ago.

Dr. S. Fabricant

"Of the various series which tend to lead upturns in business, only two of any significance are still ambiguous. Basic commodity prices have not yet reached their low, but there are some signs that they have stopped falling. Industrial stock prices, too, are rather ambiguous. They have hardly reached the peak corresponding to the peaks reached by other series since 1949. They have been, roughly, on a plateau, with some hesitation since the fall of 1951.

"Is this all suggestive of a possible rise from now on and the end of that mild recession that I referred to a moment ago? Well, that's what it looks like. If government expenditures also continue to move up, the probability of general advance in 1953 is that much stronger. If government expenditures, however, should reach their peak soon, of which there seem to be some signs, the outlook for 1953 is less clear. The question then is: Will the civilian sector—expenditures in the civilian sector—offset the depressing effect originating in the government sector? It's hard to say. Certainly, the economic outlook for the first half of 1953 seems favorable. I think that whatever happens, within reason, 1953 will be a good year."

MR. SAXON

On the Foreign Outlook

"The need for capital in industry abroad, not only in Europe but particularly in Africa and other places where raw materials are available if capital is available to produce them, is adequate to absorb the entire savings in this country. The primary problem rests on whether or not we are going back to private investments rather than continued state investments.

Dr. O. Glenn Saxon

"All over the continents of Europe and Africa—and particularly the latter, and I suppose it is true of South America as well—there are large quantities of ores and other raw materials that are greatly in demand here. They are available at much lower cost of production than in the areas that are now producing them. They could put commodity prices down very substantially if the markets were free and also if transportation facilities were available. You have bottlenecks on transportation in Africa and South America which don't exist in Europe.

"However, my guess is that, whether we want it or not, the pressure of price is going to result in larger production of basic raw materials, ores and other things in which we are scarce. This will force prices down over the next year or two and, over the longer term, very substantially. That means we will have an opportunity, if we do not increase our money supply, of very substantially increasing the purchasing power of the consumer and wholesale dollar.

"So far as prices are concerned for the coming year, my own view is that we will get a moderate recession in the wholesale commodity index and that the consumer price level has already reached its peak. It is now at the highest point, as you all know, in our history. I can't conceive of its going other than downward unless we are going to consider monetization of the debt. I doubt if that is going to be continued much longer under the new administration.

"To put it approximately, I can conceive of a 10% decline in the basic wholesale commodity index in 1953, and a 5% to 10% decline in the consumer index."

MR. GEORGE

On Defense Spending

". . . It seems to me that the military program is reaching that gawky age of development and growth where it is a little difficult to foretell exactly what it is going to do next. . . . We can no longer count on the sure and rather steeply rising rate of government expenditures that has dominated the economic outlook over the last few years. . . . The rate of hard goods output is still pushing up a bit. As to soft goods, I wouldn't be surprised if the military services, would live off their accumulated stocks for a little while, and then settle down pretty steadily to a maintenance basis.

Edwin B. George

"Military construction will continue to rise, for perhaps a year or two; a good part of this will be abroad.

". . . The net of all this—my guess—is that security expenditures will rise to an annual rate of between $55 billion and $57 billion by the second quarter of 1953. They should hold within that range for the succeeding six months or so. . . . I believe that the first half of 1953 over-all is going to be one of considerable strain on resources or, in colloquial terms, high prosperity. Not only will the military spending rise but industrial investment will hold up very well and consumption also will rise."

MR. BACKMAN

Outlines Critical Elements In the Outlook

"I start off with the thought that today we have an economy with a split personality, an economy which up until the spring of 1952 was a declining economy for the so-called civilian sector, and an expanding economy for the war sector; an economy which, since the spring of 1952, has been an expanding economy for both, with the result that the over-all picture gives us the highest level from which we ever started.

Dr. Jules Backman

". . . As I see it, there are five factors on the favorable side that will tend to sustain business activity over the next six months. Most of these factors will lose their force after that period. When I say 'six months,' you will understand it could be four months or seven months.

"Favorable factors are: the final increase in armament spending—a continuation of high-level incomes—the end of consumer credit and housing credit controls—the tremendously large backlog of orders which, in September, were equal to $75 billion, equal to 6½ months' sales of the durable goods industries in that month and which will be supplemented by at least $30 billion worth of unallocated Federal appropriations. Also the conservative buying policies typical of business and of consumers.

". . . On the negative side I find a very impressive group of factors which I think will become more important as we go into the second, third and fourth quarters of 1953, rather than being important for the next few months: the decrease in basic commodity prices—the steel industry will not operate at capacity as long as many people think—the lower level of corporate profits—plant and equipment spending is at its peak—exports have been declining—inventories are still high in manufacturing—we are leading into a situation where the debt problem is going to be very, very serious—retail sales have been higher in the minds of retailers than they have been in terms of their statistics.

". . . The net is that sometime in 1953 we will see the start of a recession which will be of a magnitude of about 10% and it will go on through 1954. . . . Prices, I think will drop a little less because we have had part of the price drop already. I also believe that price control will end."

MR. DOHERTY

Sees End of Wage Stabilization Board

". . . I believe that we will continue to get union pressure for additional wage increases. These increases will be achieved to the tune of about five cents an hour on the average over the next few months. As I recall, about 7% of the union contract renewals during the past six months were negotiated without any wage changes. I think that this percentage of 'no wage change' renewals will constantly increase as we move into 1953.

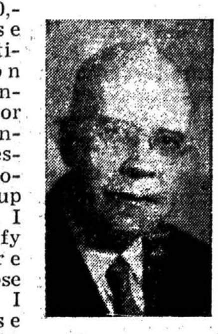
Richard P. Doherty

"Wage stabilization, barring a military emergency of a new character, is in its last inning. It certainly won't, in my opinion, extend beyond April, and I think will disintegrate substantially before that time."

MR. TUCKER

On the Automotive Outlook

". . . The estimates of passenger car sales for 1953 vary widely. Those who have a pessimistic outlook on general business conditions go as low as 4,000,000. Those who are optimistic on business conditions, or who are congenital salesmen by disposition, go up to 5,000,000. I cannot specify any figure between those two, but I think those are the limits.



Rufus S. Tucker

"In the case of trucks, sales in 1951 numbered a little over 1,400,000. In 1952 the total will probably be 1,250,000. There again for 1953 I can't make any closer estimate that somewhere between 1,000,000 and 1,500,000.

". . . Before the war it was customary for the dealer to allow more than he ever expected to get from selling the old car. That was a method of indirectly cutting the price of the new car. I think, so far as next year is concerned, we will find that practice returning. The dealer will overallow on the old car, which is in effect reducing the price of the new one, but the published figures in the wholesale index won't show it."

MISS SLADE

On the Securities Outlook

". . . Unless a wave of economies, plus drastic cuts in foreign aid hit us, government spending will continue sustaining both export and defense production. Shares having not only defense manufacturing but also side products such as some electronics, and motor companies will continue to do well throughout 1953. Abatement of production in some instances towards the end of the year will

Helen Slade

be offset by profits of the first nine months.

". . . Unless we are forced into a war, reduced taxes are destined to do much toward the building of profits and dividends.

". . . The present market is not over-exploited and basic improvements in the inventory situation of most corporations will add to the upward movement of stocks.

". . . But no matter how well industry is progressing, the degree of confidence in business ought to be reexamined in both the spring and the autumn of 1953, when the crux of the situation will lie in prospects of the automobile and housing industries.

". . . Some of the industries making up the market seem to be in a highly satisfactory condition. Continued preparedness effort, lower taxes, and a feeling of confidence, plus sound economic conditions, ought to make for investment gains. Many issues are of the type that can be bought to hold—such as the metals, the electronics, the office equipments — and all dips during the year can be used to great advantage to invest for gains, thus making 1953 a year for bargains for the imaginative investor.

"Prices will probably be sustained throughout the year. The individual segments, I think, show great promise of bringing good results.

"And the fact that insurance companies are buying utility bonds and pension funds continue to buy large blocks of securities for the long term must be considered in every investment program."

MR. HOADLEY

Sees 1,000,000 New Private Dwellings in 1953

". . . The building industry in 1952 almost certainly will set a new all-time record in both dollar sales and unit volume of materials put in place. . . . Expenditures may be off very slightly on the private side. Nevertheless, overall it will be the largest building year on record. . . . Over-all construction will be a 'neutral' factor in the total economy next year. Neither a marked expansion nor contraction in building is to be expected.

W. E. Hoadley, Jr.

". . . Material shortages, such as structural steel, should not restrict construction after the second quarter. The end to major materials bottlenecks may possibly come earlier. A few very specific items, such as cement, may present a problem in some sections of the country throughout the year. By and large, however, material shortages will not seriously interfere with the construction industry in 1953.

". . . It is pretty clear that we still have before us a tremendous amount of public construction, not only for defense but also for many long-deferred projects such as highways, schools, and public institutions.

". . . Housing starts, I think, will be in the neighborhood of 1,000,000. The range of most forecasts one hears now is between 850,000 and 1,000,000 units next year. My own feeling is closer to 1,000,000 than 850,000 units."

MR. KOFFSKY

Sees Slight Decline in Farm Prices and Income

". . . For 1953 I would assume that, barring unusual weather conditions, we would have another year of large agricultural production. I think that the price outlook is for more of the same; in other words, a further easing off in agricultural prices. . . . For prices now as compared with a year ago, most of the decline has come in cattle prices. We have had a tremendous build-up in cattle inventories. Cattle marketings have increased. Up until the last month or two they were about 10% greater than a year ago. In the last month or so the situation has been aggravated by the drought conditions. Marketings have been heavier and the demand for feeder cattle has weakened. Prices of cattle this fall are about a fifth lower than a year ago.

Nathan M. Koffsky

". . . For 1953 cattle also seems to be the major weaking element in the farm price picture. Cattle marketings will increase probably by 10% to 15% over 1952. Consequently, some further decline in cattle prices seems likely, although probably not as great as that which occurred during the past year.

". . . I would say there will be no particular change in the retail food price index in 1953. . . . We have had a steady increase in transportation costs and in other processing costs. Something like that will probably happen in 1953.

". . . Over the next year, farmers' gross income might remain fairly stable, perhaps down a little, but the production expenses are almost sure to rise. Farmers' net income, therefore, is probably going to be down a little, perhaps by about 5%. . . . I would judge there that there ought not to be a significant change in the farm market for industrial goods next year. The drop in income is relatively mild. They have built up liquid assets which ought to carry them through."

MR. THOMAS

Feels '53 Will Bring a Larger Federal Deficit

". . . 1953 should have a much larger Federal deficit than we had in 1952. . . . Past estimates would indicate that the deficit for the calendar year of 1953 on a cash basis, not on a budget basis, might be in the neighborhood of $10 billion, compared with $2 billion in the calendar year 1952.

Woodlief Thomas

". . . The total demand for credit will be of about the same magnitude in 1953 as in 1952, maybe slightly larger.

". . . It seems possible that the amount of funds that would come from non-bank sources would be somewhat larger next year than they have been in the past year as personal and business savings, together with liquid funds available for temporary lending, may be expected to increase. As a result, the demands upon the banking system might be even slightly smaller than this year or, in any event, not much larger. In fact, in the first half of calendar 1953 we could get a net decline in the total volume of bank credit outstanding.

". . . In case bank credit expansion should continue next year, even though at a reduced rate, additional reserve funds would be needed. To have banks borrow that additional amount would mean restraint upon banks and would tend to cause a further rise in interest rates."

MR. ENSLEY

Expects Business to Be Good Throughout the Year

". . . I would predict that on the basis of some estimates of private investment the general economic outlook for the first half of the fiscal year is good, and that it will continue good through all of calendar 1953 and into 1954. . . . For one thing we have a tremendous increase in population ahead of us—an increase of 25 million over the next decade as compared with only 19 million over the last decade. This will offer a significant new demand for capital investment and consumer goods production."

Grover W. Ensley

MR. ALEXANDER

Predicts a Bright Retail Picture for the First Half of 1953

". . . I would put the percentage increase in retail sales from now until say, the middle of next year, at somewhere around 5% to 10%.

". . . If sales increase—and that seems to be in the cards—we can expect department store managers and retail stores generally to increase their inventories to service the increased sales. They are likely to become less inventory conscious and think less about inventories and more about getting goods to satisfy their customers. That happens with great regularity, and we can count on it almost as sure as death and taxes."

MR. GAINSBRUGH

In Summary

". . . On net balance, after reviewing what has been said under the various headings of gross national product tonight, I believe that what we said about gross national product for 1952 at our Forum meeting in 1951 can again be repeated. We then anticipated a rise in 1952 of some 2% or 3% in gross national product, and that was subsequently borne out. The same increase in real gross national product might equally well describe our discussion here tonight, with this exception. This time, however, we have far more questions marks about the position at the end of calendar 1953 than we had about the probable level of activity at the end of calendar 1952.

M. R. Gainsbrugh

". . . We have had over the past year and a half or two years a series of rolling readjustments, many of them in pivotal sectors of the soft goods industries. As we move into 1953, much of the correction has already taken place in those areas. It follows, too, that if Mr. Fabricant's recession label was right for '51-'52, we are now in the expansion or revival phase of a business cycle.

". . . Our vision as a group for 1953 is for (a) a trend toward lower prices in 1953, including not only wholesale commodity prices, but also lower consumer price index, but with (b) a rise in the wage pattern in 1953 of 2% or probably 3%. The implication, therefore, would seem to be for even narrower profit margins in 1953 than the thin margins already prevailing throughout 1952.

". . . On balance, government purchases of goods and services for 1953 should be some $5 billion to $10 billion higher than the average for 1952."

A New Look at the Securities Business

By HON. HARRY A. McDONALD*

Administrator, Reconstruction Finance Corporation

Former SEC Chairman exhorts securities business to go out and fight for changes in the Securities Act of 1933 and the Securities Exchange Act of 1934. Asserts cumbersome prospectuses in hands of the unsophisticated is just plain waste basket fodder, and suggests more realistic approach to registration of issues of campanies that already have securities on recognized securities exchanges. Asks accelerated treatment of debt securities.

On this most memorable occasion, celebrating as we are an event which shall be long remembered, we should hesitate to take a glance at the securities business itself. The industry just happens to be now embarking upon its 20th year under Federal regulation. Nothing needs be said here about conditions which existed in the industry prior to the enactment of the 1933 statute. Those days are gone. The business has rejuvenated itself. The business has regained the confidence of the public. The business virtually has, in a measure, pulled itself up by its own bootstraps and marched on, aided and assisted by legislation which has proved extremely beneficial. This fact is admitted by all who are honestly engaged in the distribution of securities. As an individual who was formerly a part of the industry itself, and subsequently found himself in a regulatory role, I feel that I should compliment those engaged in the business for the great degree of cooperation they have given to the Federal regulatory body and the manner in which they have accepted this supervision.

Harry A. McDonald

But that is not the thought I wish to leave with you. During all of my tenureship at the Commission, I was convinced then, and I am convinced now more definitely than ever before, that the industry should strive constantly to establish higher ethical standards, higher investment standards, higher entrance qualifications, and, if you please, ethics directed right to the heart of competitive practices. I favor statutory amendments. Those of you in the industry, of course, are familiar with the various attempts that have been made to have both the 1933 and the 1934 Acts re-examined in the light of the 20 years experience—I fought for that as Commissioner and as Chairman. I advocated such re-appraisal. I now suggest, with all the emphasis at my command, that the securities industry request the incoming Congress to re-examine certain impractical interpretations — cer- unworkable sections — and many other things about the securities Acts which could be made more practical and bring about simplification. All of which could and would strengthen the over-all objective, rather than in any way diminish or take from the protection to which the American investor is entitled. I say to you in all candor that the securities industry, which has for a primary purpose and objective, the distribution of American corporation securities, should at this time insist upon such amendments to the statutes, which will accomplish the result to which I have just referred.

*From an address by Mr. McDonald at the Unveiling and Dedication of the American Stock Exchange, New York City, January 5, 1953.

No Turning-Back of Clock

May I make my position clear—I would not favor changes which would in any way turn back the clock and permit practices unbecoming to honest firms or to anything which would in any way take from the American public their right to have all the facts behind any security completely revealed in such a manner as could be easily understood and made available. I do, however, again emphasize, and I shall not recede from the point, that the cumbersome prospectus in the hands of the unsophisticated is just plain waste basket fodder. Something more useful, more simplified, less expensive and more available should supplant. This was my position when I was on the Commission and this is my position now.

Further, I favor, and I say this after complete exposure to the facts, a more realistic approach to the registration of issues of firms that are listed on a recognized that are listed on a recognized registered exchange. I favor also a much more realistic and faster method of registering debt securities. Much has been said during the past few years by people in the industry that the securities business must have such relief—but you have not gone about it effectively to secure such relief. I urge you now to proceed in that direction.

There are those who contend that the securities business is on the wane—that it shows evidence of drying up. They also contend that young men are not coming into the securities business—that college and university students are being advised not to point in that direction—and that the securities business will eventually be done by large entities. It is also contended that pension funds, investment trusts, estates and other large reservoirs of capital will do all the buying. I cannot accept this as factual.

The American corporation must be financed, and the only method of further financing is through the use of debt and equity securities. There is a constant increase in the number of outstanding shares of corporations.

Bright Future for Securities Industry

Dr. Nicholas Murray Butler once referred to the limited liability corporation as "The greatest single discovery of modern times." That statement was made before the discovery of atomic energy, but no one will question the leading part played by the modern corporation in the development of this country and the attainment of the bountiful standard of living which is ours.

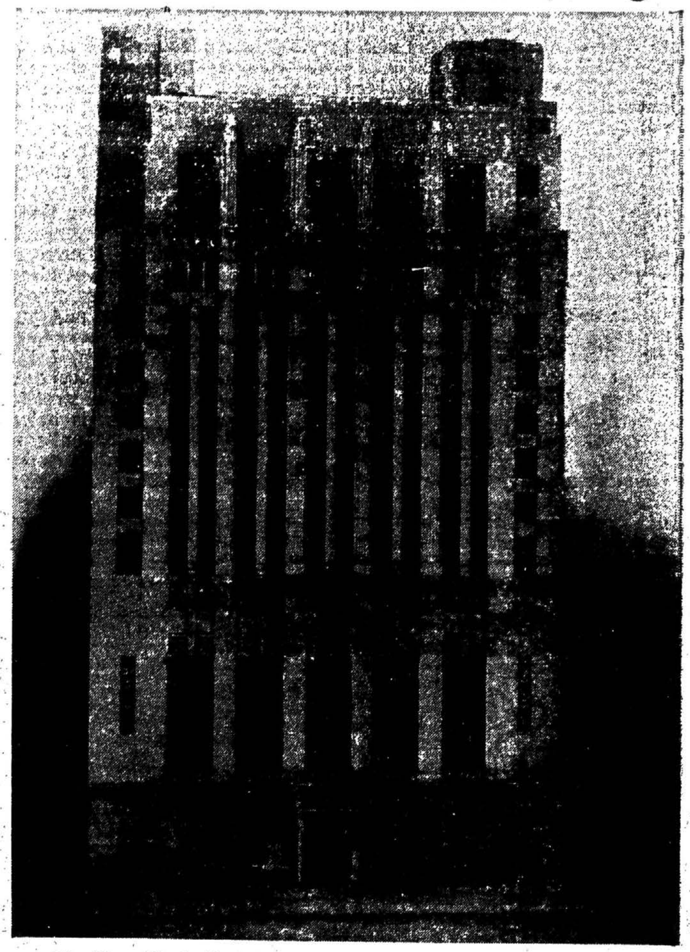
As long as American corporations shall issue securities and those securities are purchased by individuals, or by the public, if you please, it shall be necessary that there be a market place—an auction market place — where these securities can be appraised in the light of sustaining facts, and a ready market always assured. The listing of corporations' shares, in my opinion, is a duty of management. I repeat — the listing of shares of corporations, after corporations reach a certain size and degree of distribution to the public, is a duty of management. If we are convinced, as I know you are, that the American economy is in its infancy, there being no substitute for the method of limiting the liability of an investor by the issuance of shares, or participation in the equity of the corporation's stock, then I say to you that the business of distributing and dealing in securities must grow. So long as this growth shall continue, then the activities of exchanges will grow. Credit is all important in the scheme of our economy, and credit is assisted tremendously by liquidity — liquidity is assisted tremendously by listing. Here today, where we stand—in perhaps the most modern trading room of all exchanges in this country—I predict that in a few years, these facilities will be expanded. You can't stop America, and may I be bold and predict that you can't stop the American!

So we come to the very logical conclusion that listed securities on registered exchanges make for acceptable collateral and reflect the production of and the service rendered by the Exchange.

Business Is Confident

I could, if time permitted, go into a great many more phases of exchange activity, particularly this exchange. I could talk to you about the advent — about the pioneering work which it did in the early days when most of its activities were conducted in the open (I mean the open air!)—I could talk to you about the pioneering which this Exchange has done in the foreign fields. I could also talk to you about the activity of this Exchange with respect to stockholder relations and the part they played in the early days of the drafting of securities legislation—the manner in which those entrusted with the guidance of this Exchange have always been in favor of complete and full disclosure. But time doesn't permit. I came here today to speak to you on the subject, "Why Do We Hail the American Stock Exchange?" What I have just said to you, I hope does to some extent answer that question. This great country is entering into a new era. History is being written every day. History is being written perhaps as fast or faster than at any other time in our long existence. Confidence is at an all-time high—markets are likewise at a record high—at least the highest since the Roaring 20's. Business is hopeful and all signs indicate that we may anticipate confidently. And so today, may we hail the New York Curb's successor, the American Stock Exchange, as another bright institutional change in these optimistic days which we are now experiencing. May I bespeak for your resourceful and capable President, the officers and staff, your membership, and the Exchange itself, my best wishes for good sailing, good and orderly markets, and good business.

"Curb" Becomes "American Stock Exchange"



The New York Curb Exchange has become the American Stock Exchange. This move was accomplished in ceremonies following the close of the market on Monday, Jan. 5.

A speakers' platform was especially provided for the occasion at the southeast corner of the Exchange's trading floor. John J. Mann, Chairman of the Board of Governors, introduced Miss Marie T. Crittenden, who sang the national anthem; after which the Rev. John Heuss, Rector of Trinity Church, delivered an invocation.

A major address was delivered by Harry A. McDonald, former Chairman of the Securities and Exchange Commission and now Administration of the Reconstruction Finance Corporation, in which he exhorted the investment industry to fight aggressively for needed changes in the Securities Acts. Mr. McDonald was introduced by Edward T. McCormick, President of the Exchange, and a former colleague of Mr. McDonald on the Securities and Exchange Commission. (Mr. McDonald's address is reproduced in full on this page.)

Wood, Walker Admits Atterbury & Murray

Wood, Walker & Co., 63 Wall Street, New York City, members of the New York Stock Exchange announce that John R. Atterbury and David A. Murray have been admitted to the firm as general partners.

Admission of the two new partners was previously reported in the "Chronicle" of Dec. 18.

Semple Jacobs Adds

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Sigmund E. Freund is with Semple-Jacobs & Co., Inc., 408 Olive Street.

John F. Detmer Joins H. M. Byllesby Co.

John F. Detmer

(Special to The Financial Chronicle)

CHICAGO, Ill.—John F. Detmer has become associated with H. M. Byllesby and Company, Incorporated, 135 South La Salle Street, members of the Midwest Stock Exchange. Mr. Detmer was formerly an officer of Detmer & Co.

Townsend, Dabney Adds

(Special to The Financial Chronicle)

BOSTON, Mass.—Mary B. Overgaard has joined the staff of Townsend, Dabney & Tyson, 30 State Street, members of the New York and Boston Stock Exchanges.

Renyx, Field Adds

(Special to The Financial Chronicle)

BOSTON, Mass.—John C. Graham is with Renyx, Field & Co.

Scudder, Stevens Admit Simmers and Harding

BOSTON, Mass.—Scudder, Stevens & Clark, 10 Post Office Square, investment counsel, announce that effective Jan. 1, 1953, Donald F. Harding and Richard W. Simmers have been admitted to the firm as general partners resident in Boston.

Calvert Crary Joins Wood, Walker & Co.

Calvert H. Crary has become associated with Wood, Walker & Co., 63 Wall Street, New York City, members of the New York Stock Exchange. Mr. Crary was formerly a partner in Tuller, Crary & Ferris.

B. Ellsworth Radcliffe Joins Barret, Fitch

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—B. Ellsworth Radcliffe has become associated with Barret, Fitch, North & Co., 1006 Baltimore Avenue, members of the Midwest Stock Exchange. Mr. Radcliffe has recently been associated with B. C. Christopher & Co. In the past he headed his own investment firm and was an officer of John J. Seerley & Co., Inc., of Chicago.

With Waddell & Reed

(Special to The Financial Chronicle)

BOSTON, Mass. — Robert W. Furnans is with Waddell & Reed.

American Stock Exch. Renominates Mann

John J. Mann, Chairman of the board of governors of the American Stock Exchange, has been renominated to the Chairmanship of the market's board for the ensuing year, Edward T. McCormick, President of the exchange announced. Mr. Mann, now completing his second consecutive term as Chairman, has been a member of the exchange since 1933. He has been a member of the governing board since 1948.

John J. Mann

The slate, presented to exchange members for offices to be filled at the annual election on Feb. 9, names for three-year terms as Class "A" members of the governing board Charles W. Halden, H. L. Buchanan & Co.; David S. Jackson; Charles J. Kersaw, Reynolds & Co.; Frank C. Masterson, F. C. Masterson & Co.; and Edward C. Werle, Johnson & Wood. Halden, Jackson and Werle are current board members. Kershaw and Masterson have served in the past.

Nominated to three-year terms as Class "B" members of the board were Edward C. Bench, Clark, Dodge & Co.; Michael W. McCarthy, Merrill Lynch, Pierce, Fenner & Beane; Louis Reich, Reich & Co., and Stanley E. Symons, Sutro & Co., San Francisco. Bench and McCarthy are current board members. Reich and Symons have not served in the past.

E. R. McCormick has been nominated to serve a three-year term as trustee of the gratuity fund.

Thomas Alter is Chairman of the nominating committee which also includes Gerald Sexton, Sexton & Smith; Frank Abruzzo; Samuel Weiner, J. A. Ludlow & Co.; Henry Parrish, II, Carl M. Loeb, Rhoades & Co., and John J. McDonald, Peter P. McDermott & Co.

Blyth Group Sells Filtrol Common Stock

Blyth & Co., Inc., manager of an underwriting group which has offered 653,500 shares of Filtrol Corporation common stock at $18.75 per share, announces that the public offering has been completed and the issue oversubscribed. All of the shares offered were purchased by the underwriting group from certain stockholders and Filtrol Corporation will receive no part of the proceeds from the sale.

Filtrol Corp., incorporated in Delaware, is engaged in the production of clay cracking catalysts for petroleum refining and of clay absorbents and decolorizing agents. The company sells the major portion of its products directly to petroleum refiners in the United States and Canada. A new plant for the production of ammonium sulphate, alumina and magnesia is being constructed by Filtrol on a site adjacent to its plant at Vernon, Calif. The plant is expected to be completed early in 1954 and is expected to cost $5,000,000.

Net sales of Filtrol Corporation for the 10 months ended Oct. 31, 1952 amounted to $13,335,119 and net income after taxes amounted to $1,458,828.

$12.5 Million Issue of Nova Scotia Debentures Offered to Investors

Public offering of $12,500,000 Province of Nova Scotia (Canada) 3½% debentures due Jan. 15, 1972 was made on Jan. 6 by a group headed jointly by Smith, Barney & Co. and Wood, Gundy & Co., Inc. The debentures are priced at 98%, plus accrued interest, to yield 3.645%.

Net proceeds from the sale will be used to provide, or to repay Treasury bills issued to provide, funds for various Provincial purposes including $3,196,039 for refunding debentures which were retired at maturity on Nov. 15, 1952; expenditures by various departments of the Provincial Government, principally the Department of Highways and Public Works; and for certain repayable advances, including advances to the Nova Scotia Power Commission.

The debentures carry a special annual sinking fund of 3% and constitute direct and unconditional obligations of the Province of Nova Scotia. Principal and interest are payable at the option of the holder in either United States or Canadian dollars.

Beginning Jan. 15, 1958 the debentures are redeemable as a whole, or in part by lot, at prices ranging from 101½% to 100%, depending upon the date of redemption.

Other members of the offering group are The First Boston Corporation; Harriman Ripley & Co. Incorporated; The Dominion Securities Corporation; A. E. Ames & Co. Incorporated; and McLeod, Young, Weir, Incorporated.

Baum, Hollander Partners In Simon, Strauss, Himme

Following the dissolution of Baum, Hollander & Co., on Dec. 31, 1952, the New York Stock Exchange firm of Simon, Strauss & Himme, Savoy Plaza Hotel, New York City, announce that Abbott L. Baum and Alvin L. Hollander have joined the firm as general partners.

Kidder, Peabody & Co. To Admit Partners

Kidder, Peabody & Co., members of the New York Stock Exchange, on Jan. 15 will admit Louis D. Miltimore, Alfred E. Borneman, E. Merrill Darling, Lloyd B. Waring, and Richard N. Young to partnership in the firm. Mr. Miltimore and Mr. Borneman will make their headquarters in the New York office, 17 Wall Street. Mr. Young will be located in the Philadelphia office, 123 South Broad Street, and Mr. Darling and Mr. Waring will make their headquarters in Boston, at the firm's 75 Federal Street office.

1953 in U. S. and Britain

By PAUL EINZIG

Dr. Einzig, assuming no fundamental change in U. S. economic policy, says it seems safe to rule out possibility of slump in 1953. Foresees no drastic cut in arms expenditure in U. S. or Britain that would provoke a major depression or a slump in commodity prices. Looks for no change in official American buying price of gold.

LONDON, Eng.—At the end of 1952 it is more than usually difficult to prophesy the trend in world economy during the next 12 months. This is because, in addition to the usual unknown factors which tend to obscure the outlook, there is now the unknown factor of the policy of the new United States Administration which will assume office on Jan. 20. Owing to the overwhelming importance of the United States in world economy, that factor is of first-rate importance well beyond the confines of the United States. What everybody would like to know is whether the new Administration will maintain its predecessor's attitude and will continue to regard the avoidance of a major trade depression as the chief aim of the official American economic policy, or whether the Republican regime will live up to its reputation of favoring a "hard money" policy.

Dr. Paul Einzig

On the assumption that there will be no fundamental change in the economic policy of the United States, it seems reasonably safe to rule out the possibility of a slump in 1953. For one thing rearmament continues to absorb much of the productive capacity of the Western countries. It is true the British Government, like other European Governments, has decided to cut down its rearmament program, but this does not mean that there will be large-scale unemployment in Britain owing to the non-utilization of some productive capacity. All the British Government is trying to do is to avoid a further accentuation of the overload on that capacity. Since it has proved to be politically impossible to curtail civilian consumption sufficiently to make room for an increase of rearmament, it has become physically impossible to proceed with rearmament on the intended scale. The same is true concerning France, Holland, Belgium and other countries.

Looking further ahead, the cuts in the rearmament program are likely to remove the danger of a slump in the more distant future. Hitherto the view was taken that, while up to 1954 rearmament would proceed at an ever-increasing pace, after that year it would suddenly come to a halt. The possibility of a sudden cessation of arms orders filled many people with gloomy forebodings. They envisaged a grave crisis resulting from the sudden change. It now seems, however, that there will be no sudden change, because the pace of rearmament will be more moderate up to 1954 and it will continue on a substantial scale after that year. That being so the danger of a slump in 1955 has become materially reduced.

As for 1953 there is certainly no question of sufficiently drastic cuts in arms expenditure to provoke a major depression. The difference between the attitude of Western Europe towards rearmament simply means that while hitherto it had first priority over the limited resources of the countries concerned, henceforth exports requirements and essential civilian requirements will come first and rearmament will be limited to the resources that are available after meeting the "priority" claims. From the point of view of the full occupation of resources this change in the priorities will make no difference, apart from any possible suspension of activities in certain branches of industries during the transitionary period of the changeover. The change in the nature of rearmament requirements may also cause pockets of temporary local unemployment. On the whole, however, the continued need for rearmament and the recognition of that need will ensure in 1953 the full utilization of industrial resources.

For the same reason there is no need to anticipate a slump in commodity prices. Admittedly stockpiling has been more or less completed. On the other hand current requirements are likely to continue on a high level. It is possible that after the violent fluctuations of recent years commodity prices may settle down to a period of comparative stability. Admittedly there are indications of over-production in certain commodities such as oil and rubber, but generally speaking the commodity markets are likely to be better balanced than they have been for some time.

Should the new United States Administration embark on a policy of active deflation the possibility of a trade setback could not be ruled out; nor will it remain within the borders of the United States. It is inconceivable that such a policy would be adopted deliberatedly with the intention of provoking a setback. What is much more likely is that, anxious as the Republican Administration will be to reverse the prevailing inflationary trend, it might overstep the borderline and initiate a deflationary spiral. The same danger exists of course also in Britain and other countries but their policies would not of course affect the world trend to an extent comparable with the effect of the American policy.

Another unknown factor is the extent of the implementation of the decisions taken at the Commonwealth Economic Conference. It remains to be seen whether a sufficient degree of cooperation will be forthcoming on the part of the United States and other countries to enable the Sterling Area to restore convertibility. On the whole the chances appear to be against it. On balance it appears probable that the year 1953 will not witness any marked relaxation of exchange controls and trade barriers, though some of the excessive import cuts made during 1951-52 may possibly be restored.

It is safe to assume that the official American buying price of gold will not be changed in 1953 and that there will be no major currency devaluations or revaluations. Nor is it likely that the elasticity of the sterling exchange would be restored. That idea was rejected by the Commonwealth Economic Conference and so was the idea of an Atlantic Payments Union. The chances are that the Sterling Area's gold and dollar reserve will continue to increase during the year though not to a sufficient extent to make a fundamental difference to the position of sterling, unless it should be possible to increase the reserve by means of a large loan operation.

The decline of the premium on gold which was such a striking feature in 1952 is not likely to proceed much further in 1953; indeed the year may well close with a gold premium above its present level. The trend may become reversed as a result of the realization that assumptions that the war danger has subsided had been after all too optimistic.

The level of interest rates is not likely to rise much higher, if at all, unless the United States authorities should embark on a policy of "dear" money. In that case the European Governments would have to follow the lead even though they must have realized by now that hopes attached to the all-curing effect of "dear" money have been exaggerated.

With employment running at a high level the trend of wages is likely to continue upward, though perhaps not in the same scale as during the last two years. Possibly the rise in the cost of living may be also relatively moderate. Much depends on the success of the efforts made in Britain and other countries to moderate the creation of purchasing power through excessive public expenditure.

The sanguine hopes attached to plans for the development of backward countries are not likely to materialize to any considerable extent during 1953. In certain special instances the need for raw materials may be sufficiently imperative to attract American, British or other capital and enterprise, but generally speaking investors are likely to be reluctant to commit themselves in backward countries owing to the growth of the nationalistic trends or the Communist menace that threatened foreign capital in such countries.

On the whole the natural trend for 1953 will be towards consolidation in an unspectacular way. This trend might easily be unsettled, however, as a result of some premature and inadequately prepared attempt at restoring the convertibility of sterling. Should the British Government be ill-advised enough to decide upon such an attempt, it would be necessary to envisage a major crisis similar to that of 1947, 1949 and 1951. The fact that there has been a balance of payments crisis every other year since 1947 would in itself tend to increase the chances of the crisis in 1953 if the government should embark on an imprudent course, because of the widespread assumption that history repeats itself. The popular expectation of another sterling scare constitutes a danger which could only be allayed by means of prudence and conservatism, and the avoidance of any rash adventures.

Gordon Graves Offers Commonwealth Oil Stk.

Public offering of 150,000 shares of Commonwealth Oil Co. common stock was made on Jan. 6 by Gordon Graves & Co. at $2.90 per share.

Proceeds will help finance the company's further exploration and development activities which are concentrated on leaseholds in north Florida and southwestern Alabama, south Florida and in the Republic of Haiti. The company is primarily engaged in investigating potential oil areas and, where results are favorable, in endeavoring to effect development contracts with major oil companies. At the present time it holds development contracts with Gulf Oil and Sinclair Oil in north and south Florida. Not including Haiti, the company has leasehold interests in 930,789 acres.

LETTER TO THE EDITOR:

Einzig Replies to Criticism Voiced By Shull Regarding U.S. Gold Price

British financial expert maintains there is no possibility of restoring gold standard internationally if United States holds to isolated policy of maintaining present gold price of $35 per ounce. Foresees an "isolated U. S. gold standard" as draining gold reserves, and says standard would not be secure unless Britain and other leading nations shared burden of world demand for gold.

Editor, Commercial and Financial Chronicle:

In your issue of Dec. 4, Mr. Frederick Shull takes me to task for stating, in my article on "Gold Dollar Price and Sterling Convertibility," that Britain is likely to make the return to convertibility conditional on an increase of the official American buying price of gold. He declares his determined opposition to such an increase, a sentiment which, as I readily recognized in my article, is fully shared by the overwhelming majority of American opinion.

It is easily understandable that the average American citizen should be firmly opposed to any tampering with the dollar. Such an expedient is hardly ever resorted to in normal and prosperous conditions. It is a desperate remedy applied only under the stress of some major emergency such as was the crisis of 1933. American public opinion may rightly feel that they can get along very well with the dollar at $35 per ounce of gold, and it is understandably difficult for them to see the argument in favor of a drastic change in this respect.

What I find more difficult to understand is that Mr. Shull, in his capacity of one of the heads of the Gold Standard League, should oppose a solution without which there is no possibility of restoring the gold standard as an international monetary system as distinct from an isolated system of American gold standard. It might be easy for the United States to restore the gold standard with a stroke of the pen. It would be found, however, extremely difficult in the long run to maintain the gold standard in one isolated country even if that country possessed the immense resources and economic strength of the United States.

Restoration of the gold standard in the United States would mean a considerable reduction of the American gold reserve, the large part of which would disappear in the hands of the American public in the form of coins. What would remain would be, admittedly, a relatively impressive figure. It would have to bear, however unaided, the full burden of the entire world demand for gold. That burden might well prove to be excessive, in view of the large dollar balances accumulated by foreign countries, and the unsettled state of the economic and political horizon.

The gold standard in the United States would never be really secure unless Britain and a number of other important countries shared the burden of world demand for gold by making their currencies convertible into gold. According to Mr. Shull, all that would be needed is for each nation to fix the gold value of its currency, and live happily forever after. He seems to have overlooked one factor in the situation, which is the perennial dollar gap. How could Britain be expected to maintain the convertibility of the pound so long as the balance of payments of the Sterling Area in relation to the Dollar Area remains adverse? Nor is this all. Most foreign holders of sterling balances (amounting to some $10 billion) would hasten to convert into dollars, because owing to the adverse balance of payments of the Sterling Area there would not be sufficient confidence in Britain's ability to maintain the convertibility of sterling for any length of time.

An increase in the dollar price of gold would solve this problem, because the increase of the dollar proceeds of Sterling Area gold exports to the United States would meet the dollar gap. In the absence of such an increase the only way in which equilibrium could be achieved would be either through continued large American financial aid at the expense of the American taxpayer or a drastic reduction of imports from the United States at the expense of the American producer. I am sure Mr. Shull does not favor either of these two solutions. Nor do I favor them, so that there is at any rate one point in which we agree. What I should like to know is by what other way he expected Britain to balance her dollar accounts in order to be able to maintain the gold standard once restored.

Mr. Shull's advice to "let the other nations do what they will with their own currencies" is unfortunately not followed by the United States Administration nor by American political and expert opinion. Ever since 1945 Britain has been pressed by the United States to restore convertibility of sterling. Yet it would be utterly hopeless to attempt convertibility once more, after the failure of earlier experiments in that direction, unless its maintenance could be ensured by means of a higher dollar price of gold. Surely it is against the interests of the United States that Britain should find herself in a grave economic and political crisis as a result of the failure of another premature attempt at convertibility.

The United States are of course fully entitled to refuse to raise the dollar price of gold. But if they did so it would be fair not to insist on a restoration of the convertibility of sterling. Britain should be allowed to continue to defend sterling and the gold reserve with the aid of discriminatory exchange restrictions which could only be removed with any degree of security if the deficit of the Sterling Area balance of payments were met through raising the dollar price of gold. Since this appears to be impossible Britain should be allowed to work out her salvation in her own way.

PAUL EINZIG

120 Cliffords Inn,
London E. C. 4.
Dec. 20, 1952.

E. Davis Kolb Opens

FT. SMITH, Ark. — E. Davis Kolb has formed E. Davis Kolb Investments with offices in the First National Bank Building to engage in the securities business.

Rende Pioneer Corp.

Rende Pioneer Corporation in engaging in a securities business from offices at 101 Cedar Street, New York City. Sidney Goldhamer is a principal in the firm.

William Biggs Opens

MUSKOGEE, Okla.—William R. Biggs is engaging in the securities business from offices at 515 West Broadway Street.

Continued from first page

As We See It

surrounding the question as to what it ought to want collectively to do about a myriad of domestic and foreign situations remain. In short, the new Administration and the new Congress working with it must now formulate and give effect to specific programs where they have in the past been able to keep more largely to generalizations.

Expenditures—Taxes

One of the rather basic questions which now must be faced squarely and constructively is the expenditure-tax problem, and it is here that the business community as well as the great rank and file of individual citizens have much at stake. It has been easy, it is always easy, to talk of tax reduction; it is rarely as easy to reduce taxes as most would like to do. It is seldom wise—at least in circumstances such as those now obtaining—to reduce taxes without first doing something about expenditures. Deficit operations have become entirely too much of a habit with us during the past two decades, and such effort as has been made to remedy or change the situation has been concentrated entirely too much upon increasing revenues rather than reducing outlays.

Generally speaking, the thoughtful observer of late has found a good deal of encouragement in the apparent realization on the part of the party now in power that any sound fiscal reform must begin with a reduction in outlays. Word has come out from various quarters in recent weeks that the first task of the new régime has to be that of cutting expenditures, for otherwise a reduction in taxes would merely aggravate the adverse conditions resulting from an already too large deficit.

At any rate it would be a good thing if all those upon whom now rests responsibility for the program of the party now taking over the government would renew their realization of the importance of this order of procedure and resolve to dedicate themselves first of all and most important of all to laying a sound basis for reduced tax collections. Only then can the thoughtful citizen feel easy in his mind about the fiscal policies of the new Administration. The temptation to take the easy road, and merely yield to mass demands for tax relief is always too great. It must not be yielded to, however great the temptation.

This necessity of the case renders the task of the incoming Administration the more difficult, of course. And the troublesomeness of the task is not lightened by the fact that some of the campaign arguments and certain of the campaign promises seemed to commit the party to a continuation, probably without important reduction, and quite possibly with some increase, of some of the current outlays which clearly ought to receive different treatment. It is also true that a steadily growing proportion of the public has been taught in recent years to expect more or less as a right an increasing degree of largesse from the national government. Here, of course, is a political problem of first rate importance which can not be wholly divorced from the task of giving effect to economic and other programs obviously in the public interest.

Tax Structure Bad, Anyhow

But needed tax reform is not confined to a reduction in tax collections. Let no one doubt that it is quite possible and in the public interest to pare Federal outlays. It may well prove sound to lighten the totality of the tax burden when such expenditures have been pared. Conditions then obtaining should then be permitted to control any decisions as to the relative wisdom of debt reduction as against tax relief. But apart from all this the existing tax structure is inequitable at many points, and of a nature to burden business out of proportion to the amount of money raised for public purposes. The tax structure of today needs to be studied with the utmost care to determine not only how total tax collections may be reduced but how the unnecessary and often quite fortuitous burdens inherent in a faulty tax structure may be removed.

Of course, any serious effort to effect major reductions in outlays will inevitably bring many other issues into focus. Farm subsidies, ship subsidies, foreign aid, the nature of the defense effort and the waste now so common and so inexcusable in it, and many vast and unnecessary activities of government touching many different aspects of national life are some of the questions inextricably intertwined with reduction in expenditures. There is reason to hope that the Eisenhower forces, with enthusiastic backing from Capitol Hill, are already at work laying plans for full security at much less cost. We can not help but believe that vast possibilities lie in this direction. The whole foreign aid program is in sore need of reconsideration and reconstruction. We hope it is on the way. Farm subsidies and social security are areas where there seems to be much less ground for hope. But all this must be the first concern of the Eisenhower Administration.

Vincent Newman V.-P. Of Allan Blair & Co.

CHICAGO, Ill.—Allan Blair & Company, 135 South La Salle Street, have announced that Vincent Newman has joined the firm as vice-president and director after 17 years association with Barcus, Kindred & Co. where he has been a partner since 1947. Mr. Newman is a graduate of the University of Chicago and a member of the Municipal Bond Club.

Robert B. Whitney

Robert Bacon Whitney, Assistant Vice-President of J. P. Morgan & Co. Incorporated, was struck by a car and killed December 24th while walking his dog.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The creation of three new major departments of the **Chase National Bank of New York,** has been announced by Percy J. Ebbott, President of the bank. The United States Department, which will include all nine of the regional districts outside New York City into which Chase's commercial and banking relationships throughout the country are divided, will be headed by George Champion, Senior Vice-President. Mr. Champion, heretofore in charge of the district encompassing 14 southern states, will be succeeded in that district by Marus E. Conrad, Vice-President.

The new Special Industries Department includes the public utilities, railroad, petroleum, aviation and real estate divisions, and will be headed by Edward L. Love, Senior Vice-President. The new Metropolitan Department, which will supervise all of the bank's business in the metropolitan area, will be headed by David Rockefeller, Senior Vice-President. It includes the bank's 27 New York City branches, the branch administration department, the business development staff, and related activities.

The Chase National Bank has also announced that the Paris branch of its affiliate, **The Chase Bank,** becomes a new branch of the Chase National Bank of the City of New York, at the same location, 41 Rue Cambon, Paris. The same official staff, under William H. Reese, Vice-President, will continue in charge of the branch except that Henry Brun, Assistant Manager, has been named Manager, and Andre Courtier has been promoted to Assistant Manager.

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

	Dec. 31, '52	Sept. 30, '52
	$	$
Total resources	5,742,760,745	5,375,666,120
Deposits	5,247,000,032	4,897,132,010
Cash and due from banks	1,553,000,688	1,343,682,826
U. S. Govt. security holdgs.	1,053,413,575	1,119,655,727
Loans and bills discounted	2,511,937,852	2,200,120,840
Undiv'd profits	45,106,662	67,896,355

* * *

The board of directors of the **Federal Reserve Bank of New York** has selected Henry C. Alexander, President of **J. P. Morgan & Co. Inc., of New York,** to serve during the year 1953, as the member of the Federal Advisory Council from the New York Federal Reserve District, it was announced on Jan. 2, by Allan Sproul, President of the Reserve Bank.

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The National City Bank of New York opened on Jan. 5, a representative office at Neue Mainzer Strasse 52, Frankfurt am Main, Germany, for the purpose of establishing and maintaining contacts with banks, industrial concerns and governmental bodies in Central Europe. This Frankfurt office will also help keep National City's world-wide banking organization informed on political, economic, and banking developments in Western Germany. Harold Swenson, who joined National City in 1921, will be in charge of this Frankfurt office.

THE NATIONAL CITY BANK OF N. Y

	Dec. 31, '52	Sept. 30, '52
	$	$
Total resources	6,117,115,200	5,888,906,767
Deposits	5,613,861,572	5,402,085,923
Cash and due from banks	1,707,070,284	1,588,817,014
U. S. Govt. security holdgs.	1,427,076,743	1,495,131,149
Loans and bills discounted	2,269,931,847	2,036,722,765
Undiv'd profits	72,222,858	71,303,300

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At a regular meeting of the Board of Directors of **City Bank Farmers Trust Company** on Jan. 6, Howard S. Butterweck and Howard B. MacAdams were appointed Vice-Presidents. James W. Carmelich, formerly an Assistant Secretary, was appointed an Assistant Vice-President and Robert T. Luginbuhl was appointed an Assistant Secretary.

CITY BANK FARMERS TRUST COMPANY, NEW YORK

	Dec. 31, '52	Sept. 30, '52
	$	$
Total resources	139,845,914	189,577,354
Deposits	103,962,991	154,249,793
Cash and due from banks	37,745,310	82,679,670
U. S. Govt. security holdings	70,969,332	75,961,384
Loans & bills discounted	4,280,099	3,379,555
Undivided profits	11,481,638	11,267,715

* * *

The appointment of Sydney L. Hammer as a Vice-President of **Manufacturers Trust Company of New York,** was announced on Jan. 7, by Horace C. Flanigan, President. Mr. Hammer will succeed the late Joseph Rubanow as Officer in Charge of the West 43rd Street office of the Trust Company. He is a graduate of St. John's University Law School and is a member of the New York State Bar. In 1927 he joined the Manufacturers Trust and was appointed an Assistant Vice-President in 1945. During World War II, Mr. Hammer served in the U. S. Army. He is a member of the New York Credit & Financial Management Association, the American Legion, etc.

President Flanigan, of Manufacturers Trust, has also 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 Corp.

MANUFACTURERS TRUST COMPANY, NEW YORK

	Dec. 31, '52	Sept. 30, '52
	$	$
Total resources	2,948,974,541	2,682,604,705
Deposits	2,726,495,821	2,465,654,679
Cash and due from banks	992,561,940	742,139,252
U. S. Govt. security holdgs.	805,482,860	836,373,260
Loans & disc'ts	874,944,866	840,491,896
Undiv'd profits	20,637,734	18,469,203

* * *

STERLING NATIONAL BANK & TRUST COMPANY OF NEW YORK

	Dec. 31,'52	Sept. 30,'52
	$	$
Total resources	147,146,299	136,434,876
Deposits	137,494,774	127,029,863
Cash and due from banks	37,098,641	32,515,206
U. S. Govt. security holdings	53,499,035	45,160,354
Loans & bills discounted	51,654,427	52,423,834
Undivided profits	1,284,180	1,250,176

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BANK OF THE MANHATTAN COMPANY, NEW YORK

	Dec. 31, '52	Sept. 30, '52
	$	$
Total resources	1,388,082,816	1,291,078,289
Deposits	1,269,321,889	1,175,167,954
Cash and due from banks	425,981,175	363,925,128
U. S. Govt. security holdgs.	312,596,273	317,895,900
Loans & disc'ts	582,866,863	538,322,566
Undiv'ed profits	19,479,656	18,725,970

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CORN EXCHANGE BANK TRUST COMPANY OF NEW YORK

	Dec. 31, '52	Sept. 30, '52
	$	$
Total resources	824,695,455	792,024,165
Deposits	770,916,316	738,457,214
Cash and due from banks	249,847,055	256,608,150
U. S. Govt. security holdings	342,671,838	343,068,583
Loans & discounts	185,242,072	142,591,710
Undivided profits	5,064,142	4,883,101

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THE NEW YORK TRUST COMPANY NEW YORK, N. Y.

	Dec. 31, '52	Sept. 30, '52
	$	$
Total resources	807,265,275	770,368,469
Deposits	718,135,076	684,768,690
Cash and due from banks	216,152,898	217,754,852
U. S. Govt. security holdings	224,196,836	191,749,6[illegible]
Loans & discounts	336,645,730	325,049,247
Undivided profits	12,247,700	12,271,377

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J. P. MORGAN & CO., INCORPORATED, NEW YORK

	Dec. 31, '52	Sept. 30, '52
	$	$
Total resources	753,807,957	770,140,855
Deposits	671,241,393	686,444,200
Cash and due from banks	169,447,278	175,229,261
U. S. Govt. security holdings	197,176,353	220,180,227
Loans & discounts	297,856,497	[illegible]
Undivided profits	11,220,322	11,148,455

THE PUBLIC NATIONAL BANK AND TRUST COMPANY OF NEW YORK

	Dec. 31, '52	Sept. 30, '52
	$	$
Total resources	557,273,345	525,065,094
Deposits	504,606,781	472,376,559
Cash and due from banks	147,400,021	128,865,104
U. S. Govt. security holdings	116,659,295	81,392,060
Loans & bills discounted	250,174,159	266,936,514
Undivided profits	11,084,036	10,918,031

* * *

THE MARINE MIDLAND TRUST CO., NEW YORK

	Dec. 31, '52	Sept. 30, '52
	$	$
Total resources	520,608,037	456,379,512
Deposits	483,243,936	419,210,564
Cash and due from banks	199,772,240	139,597,930
U. S. Govt. security holdings	132,525,338	124,744,487
Loans & bills discounted	173,400,985	176,625,799
Undivided profits	5,165,873	5,088,502

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BROWN BROTHERS, HARRIMAN & CO., NEW YORK

	Dec. 31, '52	Sept. 30, '52
	$	$
Total resources	227,458,555	229,668,648
Deposits	197,203,329	198,985,069
Cash and due from banks	57,423,756	55,321,077
U. S. Govt. security holdings	52,388,564	58,062,245
Loans & bills discounted	53,354,657	48,966,386
Capital & surplus	14,245,284	14,225,284

* * *

GRACE NATIONAL BANK OF NEW YORK

	Dec. 31, '52	Sept. 30, '52
	$	$
Total resources	132,509,162	129,305,037
Deposits	114,409,955	109,130,639
Cash and due from banks	32,900,978	35,868,681
U. S. Govt. security holdings	46,119,181	43,960,027
Loans & discounts	43,714,845	38,981,864
Undivided profits	1,162,569	1,121,346

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J. HENRY SCHRODER BANKING CORP., NEW YORK

	Dec. 31, '52	Sept. 30, '52
Total resources	$103,717,508	$95,931,224
Deposits	74,361,757	66,731,581
Cash and due from banks	10,740,329	10,556,821
U. S. Govt. security holdings	47,098,038	42,138,612
Loans & bills discounted	19,547,594	17,413,385
Surplus and undivided profits	4,150,487	4,121,145

* * *

SCHRODER TRUST COMPANY, NEW YORK

	Dec. 31, '52	Sept. 30, '52
Total resources	$50,286,221	$44,812,157
Deposits	44,243,226	38,927,420
Cash and due from banks	11,124,621	10,737,761
U. S. Govt. security holdings	27,370,487	23,248,768
Loans & bills discounted	11,011,401	9,940,148
Surplus and undivided profits	3,130,623	3,118,346

* * *

CLINTON TRUST COMPANY, NEW YORK

	Dec. 31, '52	Sept. 30, '52
Total resources	$31,495,722	$31,154,527
Deposits	29,107,703	28,771,191
Cash and due from banks	8,623,813	7,877,512
U. S. Govt. security holdings	10,828,647	12,047,303
Loans & discounts	9,491,906	8,663,459
Surplus and undivided profits	1,074,436	1,059,848

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GUARANTY TRUST COMPANY OF N. Y.

	Dec. 31, '52	Sept. 30, '52
	$	$
Total resources	3,149,028,289	3,000,477,777
Deposits	2,625,365,237	2,559,483,277
Cash and due from banks	697,658,050	740,644,434
U. S. Govt. security holdgs.	699,309,037	736,130,883
Loans & disc'ts	1,566,424,556	1,339,198,025
Undiv'd profits	85,900,895	84,044,353

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BANKERS TRUST COMPANY, NEW YORK

	Dec. 31, '52	June 30, '52
	$	$
Total resources	2,136,752,793	2,113,724,243
Deposits	1,906,997,670	1,896,681,852
Cash and due from banks	498,444,415	600,169,723
U. S. Govt. security holdgs	503,216,398	460,795,291
Loans & disc'ts	1,011,648,486	938,497,323
Undiv'ed profits	43,550,706	41,921,242

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CHEMICAL BANK & TRUST COMPANY, NEW YORK

	Dec. 31, '52	Sept. 30, '52
	$	$
Total resources	2,018,195,356	1,827,938,082
Deposits	1,851,391,745	1,659,517,736
Cash and due from banks	530,997,956	470,481,397
U. S. Govt. security holdgs.	485,678,691	418,854,299
Loans & disc'ts	823,454,919	732,885,414
Undiv'ed profits	14,750,959	23,482,174

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George C. Johnson, President of **The Dime Savings Bank of Brooklyn, N. Y.,** announced that Austin C. Cheshire, Vice-President and Secretary of the "The Dime," would retire Dec. 31, after 36 years of service. Mr. Cheshire started his banking career at "The Dime" in 1916, and after serving in various capacities was on Oct. 24, 1941, appointed Secretary of the bank, on Feb. 20, 1942, he was elected to membership on the Board of Trustees and on June 21, 1946, he was appointed Vice-President and Secretary. To mark his retirement his associates presented him with a wrist watch and silver tray, suitably engraved, and a set of matched luggage. The Dime Club, employee group of the bank, also presented him with an engraved silver plate. Although retiring as an active officer of "The Dime," Mr. Cheshire will continue to serve as a member of the Board of Trustees.

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THE HANOVER BANK, NEW YORK

	Dec. 31, '52	Sept. 30, '52
	$	$
Total resources	1,848,495,915	1,674,178,154
Deposits	1,676,834,062	1,506,239,909
Cash and due from banks	561,341,672	458,622,812
U. S. Govt. security holdgs.	511,476,757	506,554,794
Loans and bills discounted	690,746,173	610,089,468
Surpl. & undivided profits	118,114,304	116,034,179

* * *

IRVING TRUST COMPANY, NEW YORK

	Dec. 31, '52	Sept. 30, '52
	$	$
Total resources	1,414,353,793	1,384,749,453
Deposits	1,263,910,338	1,225,811,276
Cash and due from banks	339,133,328	390,700,418
U. S. Govt. security holdgs.	352,584,818	304,552,616
Loans & disc'ts	631,886,324	586,642,991
Undiv'ed profits	16,392,783	16,209,901

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KINGS COUNTY TRUST COMPANY, BROOKLYN, N. Y.

	Dec. 31, '52	June 30,'52
Total resources	$56,147,886	$57,755,101
Deposits	46,585,775	48,110,516
Cash and due from banks	11,487,933	16,147,165
U. S. Govt. security holdings	19,262,006	17,899,186
Loans & discounts	4,910,164	4,217,600
Undivided profits	834,260	720,239

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Proposals to change the name of the **Garden City Bank & Trust Company** of **Garden City, Long Island, N. Y.,** to **Long Island Trust Company** and to acquire the **Bank of Great Neck,** at **Great Neck, N. Y.,** by merger will be submitted to Garden City Bank stockholders at a special meeting on Jan. 20, Edward A. Nash, President, announced on Jan. 7. The enlarged institution would have deposits of approximately $26,500,000 and capital funds and reserves of approximately $2,289,000. The Bank of Great Neck is to become an office of Long Island Trust Co. in that community under a program of expansion outside of Garden City which has been planned for some time, Mr. Nash stated. It is expected that the officers and employees of the merged bank will remain as personnel of the Great Neck office. The proposed merger terms provide for the exchange of 9 shares of Garden City Bank $10 par value capital stock for each $100 par value share of Great Neck Bank stock, the 13,500 shares required being provided by increasing the capital stock of the Garden City Bank & Trust Company from $750,000 to $885,000. William G. Genner, President of the Bank of Great Neck, will become a director of Long Island Trust Company.

* * *

Arthur T. Roth, President of **The Franklin National Bank of Franklin Square, Long Island, N. Y.,** has announced the resignation of William J. Boyle, Vice-President in charge of the western division of the Instalment Loan Department, effective Dec. 31. Mr Boyle has also resigned as President of the Charge Plan Corporation. Mr. Roth said that the Charge Plan Corporation, developed under the auspices and direction of the Franklin National Bank, would continue under the management of Edward J. Donohue, its new President.

* * *

Plans for the merger of the **Genesee River National Bank of Mt. Morris, at Mt. Morris, N. Y.,** with the **Security Trust Co. of Rochester, N. Y.,** under the title of the latter were completed on Nov. 24, at which time the Genesee River National became a branch of the Rochester institution. As indicated in our Nov. 27 issue (page 2038), the latter increased its capital earlier in the month from $2,600,000 to $2,860,000.

* * *

The election of L. Merle Campbell, Pennsylvania Secretary of Banking and Vice-President of the **Oil City National Bank, of Oil City, Pa.,** as a member of the Pension Committee of the Penco Pension Trust Plan is announced by **The Pennsylvania Company for Banking and Trusts of Philadelphia.** He will serve for three years, beginning Jan. 1. Mr. Campbell will succeed William H Fowler, Executive Vice-President of the Lafayette Trust Company, Easton, Pa., whose term expired Dec. 31. The other members of the committee are Melville M. Parker, Executive Vice-President of the **First National Bank, Lebanon,** and J. Russell English, President of the **Guarantee Trust & Safe Deposit Company, Shamokin.** Members of the Pension Committee are elected by representatives of the financial institutions participating in the plan. The Penco Pension Trust Plan was organized by The Pennsylvania Company in 1946, in order to offer financial institutions in the State a means of providing retirement benefits for their employees on the most economical basis possible. At the present time it is stated there are more than 50 such institutions, located in all parts of Pennsylvania, which are participating in the plan.

* * *

THE PHILADELPHIA NATIONAL BANK, PHILADELPHIA, PA.

	Dec. 31,'52	Sept. 30,'52
	$	$
Total resources	890,208,874	873,903,094
Deposits	810,612,193	795,279,477
Cash and due from banks	268,060,893	270,197,565
U. S. Govt. security holdings	198,622,366	210,770,457
Loans & discounts	318,836,031	293,611,147
Undivided profits	14,124,101	13,537,340

* * *

FIDELITY-PHILADELPHIA NATIONAL BANK, PHILADELPHIA, PA.

	Dec. 31,'52	Sept. 30,'52
	$	$
Total resources	268,406,063	248,231,616
Deposits	237,583,700	217,284,878
Cash and due from banks	72,746,572	58,130,751
U. S. Govt. security holdings	58,183,303	49,831,591
Loans	107,592,344	108,713,961
Undivided profits	4,443,662	4,695,243

* * *

SOCIETY FOR SAVINGS IN THE CITY OF CLEVELAND, OHIO

	Dec. 31,'52	Sept. 30,'52
	$	$
Total resources	257,972,274	253,928,831
Deposits	237,040,082	232,252,143
Cash and due from banks	17,981,706	17,036,466
U. S. Govt. security holdings	69,812,534	75,543,272
Loans & discounts	137,264,501	127,036,513
Surplus	15,000,000	15,000,000

* * *

THE FIFTH THIRD UNION TRUST COMPANY, CINCINNATI, OHIO

	Dec. 31,'52	June 30,'52
	$	$
Total resources	302,422,426	295,699,859
Deposits	277,854,978	272,109,122
Cash and due from banks	81,852,171	85,764,353
U. S. Govt. security holdings	107,103,657	106,261,656
Loans & discounts	95,141,581	85,016,093
Undivided profits	3,066,720	2,678,714

* * *

The Board of Directors of **The Northern Trust Company of Chicago, Ill.,** announces the retirement, under the bank's pension plan, on Dec. 31, of four of the bank's officers, viz., Laurence B. Robbins, Charles M. Nelson, and James A. Russell, Vice-Presidents, and William P. Whelan, Assistant Cashier. Mr. Robbins, Vice-President in the Banking Department, joined The Northern Trust Company in 1921, as an Assistant Cashier. He was elected Second Vice-President in 1923, and has been a Vice-President since 1926. Mr. Nelson, Vice-President in the Banking Department, joined the trust company in 1906. In 1922 he was elected Assistant Cashier; in 1924 Cashier; Second Vice-President in 1927, and in 1931, a Vice-President. Mr. Russell, Vice-President and Comptroller, has been on the staff since 1909. He was elected Assistant Secretary in 1920, Comptroller in 1924, Second Vice-President and Comptroller in 1926 and Vice-President and Comptroller in 1930. Mr. Whelan, entered the bank in 1918, and after assuming various positions of increasing responsibility, he became an Assistant Cashier in January, 1929.

* * *

At the meeting of the Directors of the **Elmhurst National Bank of Elmhurst, Ill.,** on Dec. 11, the following officers were promoted: James Mather, formerly Assistant Cashier and Trust Officer was elected Vice-President and continues as Trust Officer; Ewald E. Lang, formerly Assistant Cashier has been elected Cashier; Daniel C. Haskins, formerly Assistant Cashier was elected Assistant Vice-President; Everett F. Seegers, Acting Auditor has been elected Auditor. All of the foregoing have had considerable years of service with the bank in all of its departments.

* * *

The Directors of **First National Bank in St. Louis, Mo.,** have elected Herbert F. Boettler, Vice-President, to the newly created position of Vice-President and Chairman of Loan Committee, it was announced on Dec. 31 by William A. McDonnell, President of the bank. Mr. Boettler, has been an officer of the bank since 1919. During World War II, he was in charge of Regulation "V" lending activities. In addition to his new duties as head of the bank's Loan Committee, he will remain in charge of First National's Foreign and Industrial Service departments. In June, 1952, Mr. Boettler was elected Vice-President and director of The Bankers Association for Foreign Trade. He is a member of the Banking Committee, Inter-American Commercial Arbitration Commission; Treasurer, St. Louis National Foreign Trade Committee, etc. Mr. Boettler has been a frequent contributor of articles and reviews on economic and financial subjects to various publications.

Dynamic Forces for New Business Upsurge Lacking

By AUGUST HUBER

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

Pointing out basic upward trends have already attained heights from which necessary readjustments could develop, Mr. Huber foresees increased competition with pressure on profit margins. Finds revived confidence in both business and investment circles, however, affording atmosphere conducive to selective upward movement in stock prices.

Stimulated by a resurgence of the confidence factor, stock prices on the average ended 1952 at the highest level of the three and one-half year bull market. General industrial activity appears to be in the upper reaches of a cyclical peak area. Hence, 1953 starts on its way with the task of sustaining or extending basic trends which have already attained heights from which later necessary readjustments could develop.

August Huber

From present indications, general industrial activity should be well maintained with the defense program yet to reach its peak, heavy construction being fairly well sustained and full employment and a large money supply contributing to buying power. *However, dynamic forces for a new business upsurge appear to be lacking.* I would look for increased competition to develop as substantially expanded productive facilities become more fully available. More competitive merchandising conditions and closer pricing could exert some pressure on profit margins.

Increased productive capacity, high inventories, and the well satisfied *deferred* demand for civilian goods suggest less likelihood of renewed inflationary tendencies in the coming year. Private indebtedness has grown to record proportions — corporate, mortgages, and consumer credit. While this is not out of line with the size of the general economy, further new debt may not be taken on in sufficient volume to provide the degree of stimulation it had in the past.

More orthodox government financing and monetary policies under the new Administration are salutary longer term factors. This would not eliminate the possibility of interim repercussions resulting from debt and interest rate readjustments. With about $80 billion already appropriated and unspent by the present Administration, possible tax reductions for 1953 may not be as substantial as the market is anticipating since a balanced budget is also a basic aim.

The important intangible factor — "confidence" — now encouragingly revived in both business and investment circles, can unquestionably be a prime determinant of security prices in view of the basic changes which are anticipated in both government action and philosophy under the new Administration. This is already beng reflected in a healthier and more wholesome investment and speculative environment. The improved psychological factor could tend to mitigate nearer term market declines and afford an atmosphere conducive to some selective extension of the upward movement.

Viewed broadly, however, the price level attained by the general market, along with the uncertainties which remain to be resolved on fundamental economic and foreign policies, still combine to warrant the exercise of increasing caution, rather than relaxing it, as the market extends the advance.

Allen & Co. Arranges Private Financing

The private placement through Allen & Co. of securities of The Colorado Fuel & Iron Corp. and of its wholly-owned subsidiary, John A. Roebling's Sons Corp., a Delaware corporation (formerly the Colorado Steel Corp.), was announced on Jan. 5. The securities are $15,000,000 John A. Roebling's Sons Corp. first mortgage 15-year sinking fund 4½% bonds due Dec. 1, 1967 (guaranteed as to principal and interest by the parent company) and 200,000 shares of The Colorado Fuel & Iron Corp. 5½% cumulative preferred stock, series B ($50 par value).

The financing is incident to the acquisition on Dec. 31, 1952, by the subsidiary, of the manufacturing business, plants and inventories of John A. Roebling's Sons Co., manufacturers of wire rope. The principal plant is located at Trenton, N. J.

Two With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Jane H. Adkison and Warren O. McIntyre have been added to the staff of Waddell & Reed, Inc., 1012 Baltimore Avenue.

"Markets After Defense Expansion"

Secretary of Commerce Sawyer says results of survey indicates that 1953 is likely to be another good business year, and productive resources are adequate to forestall sizable price rise unless inventory boom should develop or our international relations deteriorate. Finds 1954 prospects uncertain.

Secretary of Commerce Charles Sawyer on December 29 made public the report "Markets After Defense Expansion." In an accompanying statement, the Secretary said:

Charles Sawyer

"As Secretary of Commerce I am glad to be able to make public the report 'Markets After the Defense Expansion,' which is the result of about six months' work on the part of many people in and out of the Department of Commerce. It is designed to assist business in maintaining high productivity and employment once present defense goals are met.

"This document is the most authentic and detailed appraisal of business prospects for the next few years which has been presented to the American businessman. Its object is to be helpful. It is intended to be a practical document covering possibilities in the years immediately ahead rather than a visionary look over a long range from which businessmen could draw little practical guidance. It attempts only to present the facts with ample words of caution as to the fallibility of human judgment and the shortcomings of powers of prophecy.

"Aside from its inherent strength in presenting the facts, it is my hope that it may have a certain psychological value. In a speech before the National Association of Manufacturers on Dec. 3, 1948, I stated that American businessmen are just as emotional as any other group. Like every other group they are easily susceptible to fear. Nothing generates fear like uncertainty. Even bad news is better than uncertainty. By whatever measure we can reduce uncertainty in the mind of the businessman we can contribute to a steadiness in the business world which in itself is perhaps the important—at least one of the most important—factors in our future prosperity.

"In 1949, at a time when businessmen were becoming worried (and some prophets were supporting their worry) that the temporary adjustment then underway would develop into a business collapse, I undertook by a prolonged survey to ascertain the facts of our business situation. The facts supported my contention that the situation was sound.

"The facts presented by this report would indicate that the situation is still sound. The report shows that even with the decline in defense expenditures indicated for 1955, our economy should be able to take care of itself with planning and initiative from business.

"Among the highlights in the report:

"(1) Two surveys which show that capital investment plans of American industry for the next three years are much higher than most of us had anticipated. A 2,000-firm survey showed 1953 investment programs at $26.3 billion, only slightly below 1952's $26.9 billion. A second survey of 84 large firms covering one-third of American business investments showed that even for 1954 and 1955 these leading companies are budgeting capital investment at 85 and 80% respectively of the 1952 volume.

"(2) On the basis of several major assumptions — available labor force and productivity, the level of defense expenditures, the continuation of present tax rates and no more than minor business fluctuations—the report suggests a potential gross national product in 1955 of $365 billion in terms of 1951 prices. This would be an increase of 8% over 1952. Should this gross national product be realized, disposable personal income in 1955 would be $240 billion, an increase of 7% over 1951.

"(3) Defense spending seems likely to rise to a rate of $55 to $60 billion in 1953 and 1954. If present military goals are maintained, a reduction in defense spending would be seen in 1955 to between $50 and $55 billion.

"The idea for this report occurred during a meeting of the Department of Commerce's Business Advisory Council at Hot Springs in May. At that time Mr. Marion B. Folsom, Chairman of the Board of Trustees of the Committee for Economic Development, mentioned the helpful effect which the report 'Markets After the War' had when it was put out jointly by the Department of Commerce and CED in 1943. After checking with many other leaders in and out of government as to the advisability of such a report, I directed in July that the Department of Commerce economists begin at once and have it available by Jan. 1, 1953.

"While we wish to give credit outside the Department, we are not undertaking to unload from ourselves whatever responsibility is involved in presenting this report to the American businessman. The assumptions and projections are the sole responsibility of the Department of Commerce, and not of cooperating agencies and groups," Secretary Sawyer said.

The report itself included the following summary of the business outlook:

"The prospective rise in defense expenditures, the continued strength of fixed investment demand, and the current satisfactory inventory position of business point toward the strong probability, though, of course, no certainty, of another year of good business in 1953.

"Productive resources appear adequate to forestall sizable general price rises unless an inventory boom should develop or international relations seriously deteriorate. However, moderate price advances in areas which have previously lagged, such as rents, are to be expected.

"The prospect for 1954 is more uncertain. In part, this is simply because the period is more remote and the basic assumptions still less firmly founded.

"The sum of government purchases and of investment in nonfarm plant and equipment, which amounts to more than $100 billion, on the basis of present programs will be at least as high as in 1953. This large and dynamic portion of the market thus provides an important element of strength in the outlook for 1954. . . .

"A downturn in 1954 is a real possibility, but the case for it seems not greatly stronger than that which can usually be made this far in advance of any date.

"The projected decline in defense spending in 1955 would provide a serious test of the strength of the economy. Particularly is this so since the reduction would be almost entirely in government purchases from the durable goods and construction industries, which may also be experiencing slackening demand in the private investment field unless that adjustment is completed earlier. Thus 1955 appears to be a year in which it would be of major importance sizably to expand private markets to maintain a high level of business activity.

"The principal offsetting forces to falling security expenditures that can now be foreseen are the stimulus to private spending provided by a lowering of Federal tax rates concurrently with the drop in defense outlays, and a rise in civilian government purchases, chiefly by state and local governments. These are aside from steps which may be taken expressly for the purpose of preventing business recession. . . .

"Since, in contrast to the World War II period, no terminal date can be set when the needs for military power can be reduced, the projection of a falling rate of expenditures after 1954 depends upon the presumption that the military establishment will have been brought to an acceptable position and can be so maintained at a cost lower than that required to achieve it."

Elsewhere the report states that the total United States market, as reflected in the production of all goods and services, has grown at an average rate of 3% per year in the past half-century. Most of this expansion can be traced to technological and managerial progress, and advances in the education and skills of the working population. As a result, the output per man-hour has advanced, on the average, about 2% per year for the economy as a whole. A continued high rate of capital formation could well result in a somewhat higher annual rate of over-all productivity gain in the next several years.

During the postwar period the expansion of our stock of capital has been particularly striking. Gross fixed assets of business firms have grown by 35% to 40% since the end of the war, after removing the effect of price level changes. A net addition to our national capital of 9 million houses and 20 million passenger cars has been achieved. Consumers have greatly expanded their holdings of household equipment.

On the basis of a continued high income, the catching-up still to be done, and the continuing availability of financing on comparatively favorable terms, 1953 is likely to be another year of high residential activity.

The amount spent on new residential construction (nonfarm), both in 1951 and 1952, was $11 billion. Growth in the number of households is important in demand for residential housing. The annual net increase in nonfarm households during the postwar period averaged 1.4 million, but was down to .9 million in 1952. Recent projections by the Bureau of Census indicate that the increase from now to 1955 will average around three-quarters of a million. Currently, the vacancy rate is still below 5% — often thought to be the point beyond which vacancies begin to have a depressing influence on new residential buildings. Once the backlog factors are fully dissipated, new residential construction may be expected to decline toward the lower net household formation figure unless a large replacement market is developed.

Institutional building has not kept pace with population growth in recent years. The prosperity of the postwar years has been accompanied by an exceptionally large population growth, reflecting primarily a substantial increase in the birth rate. In Sept., 1952, the total population of the United States (including the armed forces overseas) was 157.5 million, an extraordinary increase of 18 million since 1945. As a result, not only are more private institutional buildings required, but state and local government must provide additional schools, hospitals, recreational centers, and other public facilities.

A substantial volume of construction is needed to bring hospital facilities up to standard, to make up the indicated deficiency of religious construction relative to the population growth, and to catch up on the lag in construction of educational, social, and recreational facilities. In addition, large programs for highways of all types are needed in order to restore the road system and to take care of the rising number of cars and trucks in use. The near-term prospects are for increases in all of these projects, although the extent of the rise is limited by the ability of private and state and local sources to finance the needs.

The report states that current inventories of civilian goods appear to be about right and fairly well balanced. In the course of the next few years, the movement of inventories may reverse direction more than once as divergent forces have their impact on the inventory movements. Such swings cannot be anticipated far in advance.

Consumer expenditures were in record volume in the postwar period. In 1951 and 1952, the spending rate—92% of disposable income—may have been somewhat lower than normal since it reflected to some extent such special factors as the aftermath of the post-Korean spurt in spending and restrictions on the use of metals.

In the period ahead, the report continues there may be some rise in the spending-income ratio which would imply a small stimulus to sales. A more important influence, however, will be the amount of aggregate income available for spending, which will be governed chiefly by the level of business activity and tax rates.

The report presents a detailed analysis in table form of the markets for a variety of commodities which should be of major interest to producers and distributors. It shows the calculated 1955 potential expenditures for consumers' durables such as furniture, jewelry, etc., and non-durables such as food, clothing, and services such as utilities and medical care.

A significant aspect of economic growth, according to the report, has been the contribution which new enterprises and broadened uses of new products make to the expansion of markets and employment. In recent years, American business has concentrated to an unusual degree on developing and marketing many new types of products. Many items still in the early stages of growth will contribute importantly to total business activity in the near-term and require additions to facilities. Opportunities will be provided for new entries into the business population. Furthermore, consumers stand to benefit considerably from the marketing of new products.

The report analyzes an illustrative group of over 50 rapidly growing industries or products. These represented a total market of $40 billion in 1951— a three-fold expansion since 1940. Each of these had an average annual rate of growth of at least 7½%, ranging from 7½% for washing machines to over 100% for antibiotics. Relatively new products made up one-third of the total in the group.

The report states that "once the draft levied upon our resources by defense requirements ceases to increase, continued expansion of the economy must be based upon the activation of civilian demand to match the expanded capacity of industry—a capacity which can grow further to lift the living standards of the people. The problem of attaining a steady annual growth in production with relatively stable prices is ahead.

"All of us can effectively use more goods and more services. In this direction lies the growth of the market—in the expansion of purchasing power, in new products and new uses for old products, in merchandising more goods so that they are brought within the means of the average budget."

Copies of "Markets After the Defense Expansion" are available at 55 cents per copy from U. S. Department of Commerce field offices and the Superintendent of Documents.

Cerf to Offer West Flagler Amusement Stk.

Floyd D. Cerf Jr. Co., Inc., of Chicago, Ill., and Miami, Fla., soon plans to offer to the public an issue of 170,000 shares of common stock (par 50 cents) of West Flagler Amusement Co., Inc. at $10 per share.

The West Flagler company owns and operates a greyhound racing track under the name "West Flagler Kennel Club" in Miami, Fla.

The 170,000 shares of common stock are issued and outstanding and are being sold by selling stockholders. Including these shares, the company has issued and outstanding 366,800 shares of common stock. The securities, upon sale and distribution, are expected to be traded in the over-the-counter market.

Don. Douglas Forms Firm

SEATTLE, Wash. — Donald C. Douglas has formed Donald C. Douglas & Co. with offices in the Fourth & Pike Building to engage in the securities business. He was formerly with Blyth & Co., Inc. and prior thereto was with Harold E. Wood & Co., St. Paul.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market appears to be returning to a more normal course of action, after the year-end adjustment period. There has been an increase in the demand for all Treasury obligations, with the shorter end of the list seemingly the leader in this development. There has also been some buying of the middle and longer-term maturities which moved quotations up before they reacted. However, this has not yet been significant enough to be considered more than minor activity of traders, the filling in of maturities, and some tail-end switching. To be sure, there could be further increases in purchases of Government securities because of the New Year investment demand, and this could have a marked influence upon quotations, because the offering side is still reported to be thin at current levels.

It seems as though a temporary recovery in price of Government securities would not be unexpected in many quarters of the money market. However, no important change in trend is looked for until some of the uncertainties facing the market have been resolved.

Better Market Tone Prevalent

With year-end adjustments out of the way, the money markets are taking a look at the New Year with rather mixed feelings, because there are still many things which have to be contended with in 1953. Relief from the pressure of window dressing has resulted in a better tone throughout most sections of the list, especially among the shorter-term obligations. This is the usual development, because with the last minute selling taken care of, a not too sizable demand can have a marked influence upon the available supply of securities.

In other words, a negative temporary type of betterment in Government obligations, due to an absence of selling, would not be unexpected. How long such an improvement might last is purely a matter of conjecture, but not a few followers of the money markets do not believe it will be too important and not much more than a rebound from the distorted conditions that usually prevail each year-end.

Loan Trend to Determine Policy

As far as the general money market picture is concerned, it seems as though the same forces that were responsible for the course of events in 1952 are going to be with us for at least a part of the new year. As far as can be discerned, the key to the situation is still going to be the trend of loans. It should be the same important factor that it was last year, unless there is a reversal of the trends, which is not looked for immediately. Consumers loans as well as business loans have been showing substantial increases and, so long as this goes on, there is not likely to be any relief in the pressure that the monetary authorities have been putting on the money markets.

The fact that consumers loans have been in such a strong uptrend is beyond doubt another point of concern as far as the money markets are concerned. What will be done to temper this trend is something that many market followers are asking themselves. Will there have to be a change in the rediscount rate, or will there be a return again to more direct courses of action? This is one of the elements of concern as to the future action of the money markets.

Beyond question, the powers that be do not want to be doing anything that would tend to throw the system out of balance, but if the boom in loans is again going to result in the forces of inflation becoming too important, there will most likely be action by the monetary authorities. Accordingly, the trend of loans is going to be watched very closely, because it will have influence upon the future course of the money markets.

Speculation on Long Refunding Issue

The refunding and debt management policies are also factors that are going to have a marked effect upon the 1953 course of the money market. The most prominent one at the moment seems to be the feeling that in the coming year, there will be an offering of long-term Governments which could have an effect upon the intermediate and longer-term marketable Treasuries. At first, it was a long-term 3% obligation that was being talked about, then a 3⅛% issue came into the discussions. To be sure, up to this point, there is nothing more tangible about a higher coupon long-term Government issue than the talk about it, but all of this talk has had an effect upon the prices of Treasury obligations. Now one hears considerable talk about even a 3¼% long-term Government bond being offered, during 1953, and if this should come to pass there would have to be further adjustments in the Treasury list, particularly among the intermediate and more distant marketable issues.

Although the market for long Government securities might seem to have quite a few imponderables ahead of it, there have been a few rather sizable switches into the highest income obligations by some institutions. These funds, according to reports, were obtained through the sale of corporate bonds, which the sellers believe to be much more vulnerable than the long Treasuries.

Continued from page 3

Should We Re-Examine Our Gold Buying Policy?

acquired from abroad to satisfy the American demand for Canadian funds for trade and capital purposes.

Under the gold-coin standard gold movements used to take place on private initiative. After the inauguration of the New Deal's gold program in 1933 gold exports became the government's prerogative. But not even the Treasury can sell gold to a foreign country if that country is unwilling to buy it. That is the situation today with regard to Canada. The U. S. Treasury is unable to keep the Canadian-American exchange rate at parity because it cannot sell gold to Canada at the official price of $35 an ounce.

What explanation do the Canadian authorities offer for not being willing to add gold and dollars to their official reserves at the official price of $35 an ounce? Finance Minister Douglas Abbott gave his explanation in a public address at Vancouver on Oct. 20, 1952. The following is excerpted from a report on Mr. Abbott's speech prepared by the American Embassy in Ottawa and published in "Foreign Commerce Weekly" of Nov. 10, 1952 (italics supplied):

"The Minister, in Vancouver on Oct. 20, discussed at considerable length the background and implications of the government's policy in the field of exchange rates. He pointed out that in 1949 and again in 1950 Canada was forced off a fixed rate by external factors beyond its control.

"He recognized that the premium rate was adversely affecting some Canadian exports, but he pointed out that it was also contributing to the decline in the cost of living and was directly benefiting debtors, such as the Provinces and municipalities which have bond issues payable in U. S. funds.

"The Minister said that the practicable alternative to the current policy was government intervention to force the exchange to a certain rate. This alternative he rejected on the dual basis that no one knew what the 'right rate' was and that the government did not possess the surplus cash—nor could it acquire it without recourse to inflationary financing—required for large-scale operations in the foreign-exchange market.

"He emphasized his belief that an unknown, but 'very substantial amount indeed,' of U. S. exchange would have to be bought in order to push the Canadian dollar back to parity and keep it there. 'Where,' he asked, 'would the government get the money to buy this American exchange?' '*We have*,' he said, '*no surplus cash lying idle in the Treasury. We would have to increase taxes or borrow more from the public. Alternatively, we might have to borrow the money from the banking system, or some might suggest we just print it, but either way it would be straight inflationary financing*.'

"Disclaiming any 'undue pride' in the present strength of the Canadian dollar, the Minister said that he would not be 'unduly alarmed' if at some future date it slipped below equality with the U. S. dollar. Fluctuations in the exchange rate had to be accepted, in his opinion, as a result of the disturbed international situation and Canada's unusual exposure to movements of capital originating in the United States.

"In discussing the recent strength of the Canadian dollar, the Minister said the dominant factor was the tremendous shift that has occurred in Canada's trade balance in the past two years. No large shifts, he asserted, have occurred in the invisible items of Canada's current account transactions this year as compared with a year ago.

"Turning to capital movements, the other major factor affecting the exchange rate, he said that preliminary statistics indicate that direct foreign investment in Canada this year is as great as in 1951—or greater. However, there has been an offsetting outflow of capital resulting from the sale of securities by American investors, from leads and lags in trade payments, and changes in holdings of short-term balances. His impression, he said, was that on balance the sum total of capital transactions this year may show, if anything, some net outflow of capital."

Mr. Abbott, we note, states that Canada's Government has no surplus cash on hand to pay for foreign gold. The same is true of the U. S. Government; has been true all the years we have been buying gold and would continue to be true if the U. S. agreed to the sterling-area desire to see the price of gold raised. To maintain a currency on gold means to be ready to buy gold when offered.

Mr. Abbott states that, having no cash on hand with which to buy gold, Canada would have to raise the money by taxation, borrow it, or inflate. All this is true, also, of the U. S. in relation to past and future gold acquisitions. We can only infer that Mr. Abbott prefers to see gold inflation confined to the U. S. A. or at least excluded from his own country, other things being equal. But if inflation caused by the purchase of foreign gold is bad for Canada, is it not equally bad for the U. S. A? Is not Mr. Abbott's reasoning bad for the gold-price purposes of South Africa, Australia and the mineowners in Britain?

We are not here trying to put words in Mr. Abbott's mouth. As Finance Minister of a country which has had a managed currency since 1931, Mr. Abbott doubtless would recognize that gold purchases have the same effects in the United States as they would have in Canada. Perhaps if he were Secretary of the Treasury in Washington he would advocate a policy of not buying gold. Perhaps he would not have liked to see the U. S. gold stock swell from about $9 billion in 1935 to $22½ billion in 1941, even though at times the inflow was so unwelcome it had to be sterilized by public debt operations.

Foreign advocates of the U. S. raising its buying price for gold seems to regard U. S. gold buying as a form of foreign aid which we should continue indefinitely. Because our devaluation of the dollar in 1933-34 tended to draw large quantities of foreign gold to our shores and tended thereby to constitute an important element in the dollar earnings of other countries, the argument is now being offered to Americans that gold should be restored to the place it held in other countries' balances of payments in the exceptional prewar 1930s.

To accumulate gold which we do not need and cannot use is not a policy of self-evident wisdom. Were other countries to follow Canada's example and decline to accept gold at a fixed price, the wisdom of our past policy of stockpiling gold would come into greater question. It is not enough for us to assume that "everybody wants gold."

Between April, 1951, and June, 1952, Canada's gold and dollar reserves under the flexible exchange-rate policy increased very little: from $1,664,000,000 to $1,827,000,000. Canada has made it quite clear to Washington that it does not intend to add to its official reserves more than absolutely necessary. Should other countries attain the fortunate status of the Canadian dollar and see great demand for their currencies, will those other countries emulate Canada and tell us that our gold is not wanted? Is the modified gold standard on which we operate to become a one-way street? These are questions posed by Canada's gold and exchange policy.

HERBERT M. BRATTER
3000 39th St., N.W.
Washington 16, D.C.
Jan. 7, 1953.

Rada, McElhiney & Morack Form New Firm

MILWAUKEE, Wis.—Rada, McElhiney & Morack, Inc. has been formed with offices at 790 North Water Street, to act as underwriters, participating distributors, and dealers in railroad, public utility industrial, real estate, church and institutional issues, bank and insurance stocks and mutual fund issues. Officers are Lester B. McElhiney, President; Ralph Rada, Vice-President and Treasurer; and Llewellyn I. Morack, Secretary. Mr. McElhiney was formerly an officer of Loewi & Co. Mr. Rada and Mr. Morack were associated with Paine, Webber, Jackson & Curtis, Mr. Rada being in charge of the trading department of the Milwaukee office.

Lester B. McElhiney

Ansonia Wire & Cable Common Stock Sold

A group of underwriters headed by Putnam & Co. of Hartford, Conn., on Jan. 5 offered to the public 100,000 shares of common stock of The Ansonia Wire & Cable Company at a price of $16 per share. The other underwriters in the group are White, Weld & Co., New York; Cooley & Co., Hartford; G. H. Walker & Co., Hartford; Smith, Ramsay & Co., Inc., Bridgeport; and The R. F. Griggs Company, Waterbury.

The offering has been oversubscribed and the books closed.

The company, whose plant and offices are located at Ansonia, Conn., is reported to be the largest United States manufacturer of all-plastic telephone, railroad communication, supervisory control and submarine communication cables. The products are to a large degree custom designed and custom built, so that the company does not normally carry an inventory of its finished products. The trade name "Ankoseal" is applied to all of the items manufactured and sold by Ansonia.

Sales for the fiscal year ending June 30, 1952 amounted to $4,816,356 compared to $3,942,123 for the previous year. Pro forma earnings were $2.28 per share compared to $1.90 per share for the same years. Earnings for the four months ending Oct. 31, 1952 are reported at 81 cents per share compared to 63 cents for the corresponding period of 1951. Total assets are in the neighborhood of $2,250,000. It is expected that dividends will be considered on a quarterly basis with an initial dividend of 28 cents about April 1. Dividends at this rate would yield 7% on the offering price.

Now a Partnership

(Special to THE FINANCIAL CHRONICLE)

ASHTABULA, Ohio — Perry T. Blaine has admitted Robert T. Blaine to partnership in Perry T. Blaine & Co., 4519 Main Avenue. Richard P. Seager has recently become associated with the firm.

Goodbody Admits

Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange, admitted Huber K. Reese to limited partnership Jan. 1.

With Denton & Co.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn. — Harold Cohn has been added to the staff of Denton & Co., Inc., 805 Main Street.

With Income Funds

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn.—John J. Devine has joined the staff of Income Funds, 152 Temple Street.

Securities Salesman's Corner

By JOHN DUTTON

BUILDING AN INVESTMENT CLIENTELE

(Article 3 — Part 1)

"Cultivate Investors Who Will Follow Sound Investment Rules"

Although I believe that it is important and vital to success, if you wish to build a permanent clientele in the securities business, that you should educate people along sound investment lines, I am enough of a realist not to advise anyone to go about it so strenuously that they lose sight of certain realities.

My own experience has convinced me that there are three broad groups of security buyers. Within these groups there are variations of one sort or another, but the temperamental characteristics of those who comprise each group can be a guide to any organization that embarks upon a campaign similar to the one which I am going to suggest in further articles on this subject. It is temperament that gives you the clue as to whether or not you can sell *an investment program* to a person or not. There are many people who will not accept ideas of this sort. You don't try to make an investor out of a speculator—each is born the way he is—you can't remake him.

Group I

The Outright Speculator

So first of all, let us take up the type of security buyer that you will find answering quite a lot of your general type of advertising, both direct mail and newspaper copy. Many of these people are out-and-out "tip hunters." They are looking for a fast dollar and whether they would admit it or not, many of them have been in-and-outers in the stock market for years. They may even think they are investors, but only too often their entire interest is centered on the ticker. When the market moves up they mentally calculate their increased paper wealth; when it goes down they become somewhat unhappy. Often they will buy a stock because they think it acts well on the tape, or for some other pet reason of their own. They usually have cozy resting places in some brokerage office, and they spend away the hours in conversation with some of their cronies, either hoping to pick up a stray morsel of helpful information, or to be given the opportunity to do a little bragging of their own. Any securities salesman who spends his time trying to do business with these people is going to find out soon enough that it doesn't pay. Such leads, whether developed by advertising, or personal reference, should be put in a dead file, and when new inquiries come up again from them, they should be courteously answered by mail and not reassigned to any salesman.

Group II

The Sophisticated Investor

The second group comprises an intermediate section of investors between the speculator and the simon-pure investor. Many of these people have been investing for a long time. They have developed a considerable amount of experience. They have usually subscribed to various investment services from time to time. They have had their ups and downs and have been through at least one "bear" market.

Many people in group two have their own ideas. You cannot obtain their complete confidence, because they have developed a certain skepticism about all investing in general. They usually investigate rather carefully before they buy a security. Some of them have a program of their own. They hold various types of securities and in some cases are interested in special situations. It is in this field of "special situations" that you can often develop considerable business with people in group two.

Regarding this phase of security salesmanship, I have known of many able securities men who have developed a very loyal following of people who have been sufficiently advanced in security analysis and experience to appreciate information and research on undervalued securities, workouts, or growth companies. These people, however, can be put into a separate classification. They will only buy what they like providing you know enough to bring them that sort of merchandise. Handling special situations is an art in itself. It takes a combination of skillful research, contacts, information, and an understanding of timing, to accomplish success in this field of investment.

The people in group two should be cultivated if you have the facilities to give them what they desire in the way of suggestions and information. Don't try to sell them your ideas about a sound investment program. They have their own ideas. You can do better with them if you KNOW YOUR BUSINESS, and bring securities to their attention that they might like to consider from time to time. Your ability to do business with the investor in group two depends upon three elements in your makeup. One, having a likable personality so that the client will find it pleasant to chat with you occasionally. Two, knowledge of securities but definitely not displayed too flagrantly on your part. Three, *some good situations!*

Next week we will devote the entire column to the *investor* in group three. These people make up *your best market* for sound investment programs. They are the ones who can help you in building a good solid business, and in return you can assist them in achieving better financial results over the years.

Canadian Securities

By WILLIAM J. McKAY

The economic progress and prosperity of Canada in the last three years has naturally furnished a background for continued favorable development in the years ahead. But there have been words of caution that the gains achieved must be consolidated, since, as stated recently by James Stewart, President of the Canadian Bank of Commerce, at the annual meeting of shareholders of his bank, "We are entering a period of increasing risk in business, which requires the utmost efficiency in the conduct of our affairs." Mr. Stewart has been joined by the executives of the Bank of Montreal, in placing great emphasis on the prevalence of "a caution, born of the changeable economic climate in the past two years, which is tempering the excesses of overconfidence, and which, in itself, is a factor on the side of orderly progress." It is likely that this factor lies at the basis of the upset in some securities prices on the Canadian exchanges, and is therefore "on the side of orderly progress."

The current issue of the "Business Review" of the Bank of Montreal, in reviewing economic influences during the past year and in attempting to discern "what clues they contain regarding the shape of things to come," stresses particularly the high level of capital expenditures in the last year. "Expenditures made in adding to this country's durable capital assets probably exceeded $5 billion, about 13% more than in 1951, with higher outlays devoted mainly to enlarging production of metals, fuel and power. Capital expansion thus took close to 23% of Canada's total available output—possibly a higher proportion than in any of the other free nations. A rising volume of new construction under way points to a further increase in capital formation next year. The number of new housing starts has, since May, been running ahead of last year and the value of building permits for all types of construction has similarly been up since March. Moreover, the lifting of restrictions on steel for non-essential construction and the termination of deferred depreciation at the end of this month should release a good many capital expansion plans that have been postponed for the past two years."

Here again, the executives of leading Canadian banking institutions appear to be in agreement. Mr. Stewart, the President of the Canadian Bank of Commerce, in discussing Canada's outlook with his shareholders, attributed the continued buoyancy of the Canadian economy in large part to the relatively heavy volume of capital investment, which, he pointed out, "was the most sustained in our history." Expenditures on capital goods, he added, "unlike those on consumer goods, tended to generate a chain of expenditures, which was reflected favorably in a high rate of employment. Over the short-term, however, the volume of investment must be contingent on the market for goods and services and be related also to the price level. Over the longer term, the increase in population and the desire for an improved standard of living depend on the expansion of national production, and therefore of the maintenance of a steady flow of capital."

In speaking on the same topic to the shareholders of the Dominion Bank, another of the great Canadian institutions, President Robert Rae warned that the heavy and continued flow of capital into Canada should not be taken for granted. He pointed out that in the years 1946 to 1949, inclusive, Canadians were net exporters of capital to the amount of more than $1,400 million. This outward flow of capital was reversed abruptly in 1950. Canadians were net importers of capital of nearly $1,600 million in 1950 and 1951. The influx of these millions strengthened the currency, and made a substantial contribution to Canada's industrial expansion. However, Canadians have subscribed from their own savings nearly four dollars for each dollar invested in Canada by non-residents. That is important as the inflow cannot be taken for granted.

During 1952, the discount on U. S. dollars has enlarged the flow of capital out of Canada, Mr. Rae claimed. Some Canadians, owing to the discount on the U. S. dollar, have made investments in the New York market, thus offsetting, in part, the capital being brought into Canada.

Non-resident owners of Canadian bonds have been tempted by the premium on the Canadian dollar to sell them on the Canadian market. The transfer of ownership of such bonds from foreign to Canadian hands, has been checked by lower bond prices in Canada.

Mr. Rae does not regard the heavy U. S. investments in Canada as the chief force that sent the Canadian dollar to a premium. The principal reason, he states, has been the improvement in the merchandise trade position. In 1951, there was a substantial deficit on trade account, whereas in 1952, exports have been running ahead of imports. Nevertheless, any marked slackening of the capital inflow would tend to affect adversely the exchange rate for the Canadian dollar, Mr. Rae admitted.

"No one yet knows accurately the relative importance of the two movements (i.e. capital inflow and outflow) this year," Mr. Rae concludes. "It will not be surprising if for the whole of 1952 the inward and outward flows nearly neutralize one another, leaving only a small net movement."

Albert de Jong to Be Hirsch Partner

Albert de Jong will become a partner in Hirsch & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, on Feb. 1. Mr. de Jong is a partner in Albert de Jong & Co. which will be dissolved as of the same date.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—Paul E. Yeaman is now with King Merritt & Co., Inc. Mr. Yeaman was previously with Investment Service Corp. of Denver.

Slayton Co. Adds

(Special to THE FINANCIAL CHRONICLE)

QUINCY, Ill.—Ray A. McRea is now associated with Slayton & Co., Illinois National Bank Building.

Dean Witter Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — William J. Cooney, Jr. has become associated with Dean Witter & Co., 19 Congress Street. Mr. Cooney was previously with Whiting, Weeks & Stubbs.

Public Utility Securities

By OWEN ELY

Puget Sound Power & Light

Puget Sound Power & Light Company has for the last seven years or more been attempting to effect the sale of all its properties *as a unit* to a group of public utility districts in Washington—but without success thus far. Sale appeared imminent around 1946, but failed due to questions of legality as to a *joint* PUD purchase. After several years a new law was passed and its constitutionality finally affirmed by a close decision by the State Supreme Court. But it required several additional years to revive the plan for an overall sale.

In the meantime the company's property in Snohomish County was sold at a fair price to the PUD in that county. A troublesome issue also arose over disposition of the property in Seattle, where the city operated a municipal plant and thus competed with Puget Sound; however, this was eventually worked out on a compromise basis.

During 1952, a deal to sell the remainder of the company to seven PUDs was finally developed, with Halsey, Stuart & Co. again heading a banking group. One of the PUDs, Whatcom County, pulled out, preferring to make a private deal with the company at some later period. Later, as a result of the November election of a new commissioner in Kitsap, legal difficulties arose over the sale assignment to the five remaining PUDs made shortly before by two Kitsap Commissioners.

There had also been a dramatic episode at the time of the Oct. 27 stockholders' meeting, which ratified the proposed sale to the PUDs by a heavy majority. On Oct. 9 Washington Water Power Co. had advised Puget by telegram that it wished to effect a merger with Puget. The offer of an exchange for stock (or stock and cash) was not considered definite, however, since it had not been approved by regulatory authorities, and President McLaughlin of Puget opposed it on the ground that it was inadequate and belated.

Litigation which developed in Massachusetts (designed to prevent the vote on sale to the PUDs) proved unsuccessful. However, the deal with the PUDs has proved more vulnerable to litigation in Washington State, which has developed since the stockholders' meeting. As President McLaughlin stated in a recent letter to stockholders, "Puget has diligently endeavored to carry out the stockholders' mandate, but the consummation of the transaction has been continuously delayed by a series of seemingly correlated and synchronized court, and other actions—obviously masterminded and backed by The Washington Water Power Co. As a matter of fact, if it were not for these obstructionist tactics, stockholders would by this time have received the contemplated initial liquidating distribution of $22 per share under the District purchase proposal, with an additional $5 per share expected to be realized in a comparatively short period of time."

Recently it was reported that the banking group had decided to go ahead with a public offering of $107 million PUD bonds, but another move on the legal chess board has again deferred the deal. This was the action by two members of the Kitsap County PUD in asking for a restraining order to prevent the Thurston County PUD from issuing bonds or participating in the joint acquisition of Puget Sound properties.

It seems possible that this could pave the way for Washington Water Power to renew its merger offer. In this connection the statements made by President McLaughlin in his Dec. 29 letter to stockholders are of interest: "In the event that such a proposal is presented by Washington Water Power, or any other party, the company will give it consideration and participate in the working out of an appropriate agreement. It is felt the position of the company should then be (subject to such stockholder approval as may be necessary, and to outstanding contractual obligations) that it will dispose of its property or stock to the prospective purchaser (the Districts, Washington Water Power, or any other party) which is first able to complete the transaction.

"Puget does not want to be left in the position of being exposed to piecemeal condemnation on the one hand and the uncertainties as to the consummation of a merger on the other. If the District purchase is subject to delay from litigation, obviously a merger could suffer the same fate.

"The foregoing policy recognizes that under no circumstances should Puget permit itself to become the 'casualty' of an all-out war between the PUDs and Washington Water Power, and the gate should be kept open so as to enable company stockholders to realize $27 or more per share of common stock from any purchaser who actually puts the 'cash on the line' within the shortest period of time."

However, if Puget Sound should eventually have to deal with the 12 pending condemnation actions (which involve all the company's major hydro plants and about 50% of its revenues and customers) it is difficult to forecast the outcome. In condemnation proceedings, cost of reproduction less depreciation is sometimes allowed. In this connection it may be noted that the recent engineering report by R. W. Beck & Associates (page 12) estimated the cost of reproduction new of Puget's utility plant as of June 30, 1952 to be $203,791,989; and after deducting the company depreciation reserve the net figure was $170,573,895. This figure apparently compares with the $89,490,000 which the PUDs were to pay for the property (plus an allowance for current assets). On this basis it would seem that the PUDs might eventually have to pay more individually than they currently propose to pay as a group. The danger is, however, that if the hydro plants should be condemned first, the company might have difficulty (particularly in view of the power shortage in the northwest) in serving its remaining customers and this fact might result in a deterioration of remaining values.

Puget Sound has retired a substantial part of its senior securities with proceeds of earlier sales, so that the common stock enjoys a very good equity position. The company is currently paying out only about half its earnings, resulting in a yield of only about 3½% on the stock, but President McLaughlin will try to increase the dividend if the sale is materially delayed.

Sachau Appointed By Blyth & Co., Inc.

Blyth & Co., Inc., 14 Wall Street, New York City, underwriters and distributors of securities, announce the appointment of John O. Sachau as New York City Sales Manager. Mr. Sachau has been with the firm since 1935 and in recent years has been devoting most of his time to institutional sales.

Joins Zahner Co.

KANSAS CITY, Mo.—Albert J. Portelance, Jr. and Edward J. Browne have become connected with Zaner and Co., Dwight Bldg.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb.—George Kienholz and Tom H. Moates are now with Waddell & Reed, Inc., Continental National Bank Building.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Preliminary reports of 1952 earnings of banks in various sections of the country fully meet previous expectations. Operating results in most instances reached record levels and were substantially higher than those reported in 1951.

Few institutions failed to participate in the gain in earnings although there was a considerable variation in the percentage increase shown among the different banks.

While all of the major institutions have not released their operating results and as only scattered annual reports have been published, detailed statements in most cases are not yet available and comparisons must be tentative. However, from statements published and figures released, sufficient information is obtainable to give a clear indication of the operating trends of 1952.

Representative figures from some of the major banking institutions are shown below together with earnings reported in 1951 and 1950.

	Earnings per Share		
	1952	1951	1950
New York City—			
Bank of Manhattan	$2.52	$2.37	$2.41
Bank of New York	25.21	22.05	23.64
Bankers Trust	3.97	2.96	2.67
Chase National	*3.48	*2.91	*2.83
Chemical Bank	3.96	3.33	3.07
First National	22.53	21.69	22.77
Irving Trust	1.63	1.55	1.48
Manufacturers Trust	5.31	4.96	4.63
Morgan, J. P.	*17.91	*16.29	*13.58
National City	3.98	3.51	3.19
New York Trust	8.70	8.09	7.17
Other Banks—			
Bank of America	*2.10	*2.12	*2.16
First National Chicago	*16.49	*14.85	*11.92
Continental Illinois National	7.03	6.45	5.89
Security First of Los Angeles	*10.97	*11.32	*10.69

*Net profits.

The above figures are net operating earnings unless otherwise indicated. Some of the banks have not yet released a breakdown of earnings but have published a statement on net profits which includes certain security profits and other recoveries and/or adjustments.

Profits from securities this year have been generally lower reflecting the hardening of money rates. Thus, when final operating earnings are reported, they may show a more favorable comparison than indicated in the above net profit figures.

The primary reasons for the gain in operating earnings reported by most banks was the increase in the level of loans and the increase in interest rates. These changes enabled the banks to make better use of their earning assets. Not only was the return improved on loans but holdings of government securities also provided a better yield.

Other than the increase in loans, the most important trend evident as reflected by year-end statements was the gain in deposits. Some institutions showed substantial increases.

Regarding government security holdings there was no definite general pattern. A considerable number of banks reduced holdings to accommodate larger loan requirements although many institutions showed an increase in government totals.

Considering the year-end statements and earnings Chemical Bank made one of the best showings in the New York City group. Operating earnings of the Chemical Bank showed a gain of almost 20%. Deposits on Dec. 31, 1952 were higher by $106 million and loans gained an even greater amount rising by $108 million during the year.

The Chase National Bank was another institution to show a large increase in loans. As of Dec. 31, 1952 a record loan total of $2,512,000,000 was outstanding as compared with $2,162,000,000 a year earlier. This was an increase for the year of approximately $350 million.

Over the next few weeks the other large banks will be releasing their earnings and publishing annual reports for 1952. Present indications are that they will continue to show a favorable record for the year just ended.

Coast Representatives

BEVERLY HILLS, Calif. — Wildenberg-Ross & Co., 450 North Camden Drive, have been appointed Pacific Coast wholesale representatives for shares of Investment Trust of Boston.

C. W. Scranton Adds

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn.—William E. Browne has become affiliated with Chas. W. Scranton & Co., 209 Church Street, members of the New York Stock Exchange.

Continued from page 9

The Vital Problem of Currency Convertibility

themselves evidence of a weak currency.

Responsible in part for the tardiness of various nations to combat inflation have been the policies followed by the United States in the administration of foreign aid. Our officials have failed to give sufficient recognition to the direct and intimate connection between stable money and recovery and hence have not given adequate emphasis to the need to check inflation. A different emphasis by this Government in administering the loans and grants extended since the end of the war would have advanced the convertibility of European currencies and in consequence production and world trade would each have received decided stimulus.

"Whatever its course," the Fund says, in its recent Annual Report, "domestic inflation has been at the root of many recent international difficulties, and as long as it continues a satisfactory and stable system of international trade and payments will be impossible." [6] The basic reason for inflation is that nations are not willing to face economic realities. They live beyond their means, do not tailor their investment programs to the available supply of savings and are unwilling to adopt austere monetary and fiscal policies. Inflationary pressures cause a lack of confidence in local currencies, retard exports, stimulate imports, generate a flight of capital and bring about the hoarding of gold and commodities. That the checking of inflation and the stabilization of a currency can have a dramatic effect upon an economy is evidenced, for example, by experience in Belgium, Italy and Germany.[7]

Only within the past year or so has there been general recognition in Western Europe of the role of internal monetary policy in causing external difficiulties. In fact the International Monetary Fund did not in its early years, as it does now, look upon inflation as an important cause of disequilibria in the balance of payments. Those who took a prominent part in its organization were inclined to attribute to creditor nations, in particular to the United States, the primary responsibility for exchange difficulties. This attitude led to the introduction of the so-called scarce currency clause in the Articles of Agreement of the International Monetary Fund. It accounted, too, for the implicit assumption that the Fund was not in its lending operations to pass judgment on the credit worthiness of borrowing nations, that loans were to take place on an automatic basis, were not to be subject to definite maturities and were to be charged only nominal rates of interest.

The point of view that it was the United States that caused the dollar gap stands in marked contrast to attitudes prevailing prior to 1914. Then sterling was never charged with responsibility for a sterling gap. If a nation had a deficit in its balance of payments with England, it set about to put its own monetary and fiscal house in order, in other words to take corrective measures

On the basis of its experience the International Monetary Fund has introduced significant changes in its lending policies. Now it will not grant loans until it evaluates the credit-worthiness of the member nation, its record of prudence in using the Fund's resources and its promptness in fulfilling its obligations. Moreover, loans are to be granted for periods not exceeding three to five years and, in any event, are not to be outstanding belond a period reasonably related to the payments problem, giving rise to the need for assistance. Charges on loan transactions have been increased. The present management of the Fund is fully aware of the need to grant aid, when aid is required, but to see to it that the member nation is willing to do its part in eliminating exchange difficulties.

The British Loan

The International Monetary Fund represented a global approach to the problem of currency convertibility. The founders looked upon the whole world as its province, not even excluding the Soviet Union whose currency is not used in international transactions and which in consequence had logically no reason for membership.[8]

Even at the time of the Bretton Woods Conference, the global approach was not without its critics. They believed that greater progress could be made if convertibility were first restored to the key currencies, the currencies that are important in world trade. They urged concentrated effort in making these currencies convertible into gold or dollars. Once they were made convertible, other currencies would follow and the whole currency complex would quickly fall into an ordered pattern.

The credit extended to Britain in 1946 by the United States and Canada totaling $5 billion was based upon the key currency approach to the problem and constituted the most important step in the postwar world to restore convertibility to a key currency. In return for this loan, Britain agreed within a year to make sterling receipts from current transactions of all sterling area countries freely available for current transactions in any other currency area. In other words, sterling on current account was to be convertible. Also Britain undertook to enter into agreements with the nations holding large sterling balances for their release, refunding or cancellation.

The British credit, designed to bring about convertibility and to meet Britain's needs for foreign financial assistance was practically exhausted within a year. Sterling convertibility which was introduced on the 15th of July, 1947, had to be suspended five weeks later on the 20th of August. Before convertibility was introduced the financial district of London was convinced that it could be maintained and that no particular difficulties would be encountered. Why then did it last only five weeks?

In evaluating that experience it seems to me that several factors accounted for the failure of convertibility. The immediate causes were the dilution of the purchasing power of the credit by continued price increases in the United States and Canada, the severe autumnal crisis of 1947 in Britain which caused an industrial stoppage and reduced exports, and higher overseas expenditures by Britain particularly in Germany. Of great importance, too, was a rapid release on Britain's part of the accumulated sterling balances. Of basic significance, however, was the fact that Britain had not succeeded in getting control of inflation. It was suppressed by wage and price controls but really not subdued.

Also in evaluating that experience it seems to me it would have been better, if, before convertbility, the British had abandoned a fixed rate for sterling and had allowed the rate to fluctuate. If this had been done, the British would not have been obliged to protect sterling at a definite rate but could have made strategic retreats before the onslaught of demand I recognize that this action would have been contrary to the Articles of Agreement of the International Monetary Fund, and that they would have required modification in order that a nation might abandon a fixed rate and yet not be denied access to the Fund's resources.

The European Payments Union

The European Payments Union came into being in 1950 in order to widen the area of transferability in Western Europe and to get away from previous bilateral arrangements. It was not intended as a substitute for convertibility, but simply as a step in that direction. Indeed, as a means of achieving convertibility, it might have been the wiser course if the United States in 1949 had concentrated on making fully convertible the currencies, the Belgium franc and the Italian lira, that were approaching convertibility instead of devoting its efforts to the establishment of the E. P. U. A tremendous amount of time and effort was expended in resuming simple transactions which earlier would have occurred as a matter of course and in devising machinery which could only work in a favorable environment and if the environment were favorable, the machinery would not be needed. However, the American Congress would probably not have appropriated funds to stabilize particular currencies or to provide gold reserves for separate countries. It was willing to furnish funds to the E. P. U. which was looked upon as a prime factor in European economic integration.

Few, if any, would dispute the contention that the E. P. U. was far superior to earlier bilateral arrangements. It did eliminate the accumulation of non-transferable balances with central banks and it helped keep countries in line since payments in gold or dollars came into the picture at an early stage. However, the E. P. U. does have certain disadvantages which call into question its basic desirability. Thus it has not removed import restrictions, rather it encouraged them; it has led to discriminations against the dollar area and has tended to distort trade. It has, according to some observers, spread sterling area inflation and it has not been able in all cases to exercise decisive influence over internal monetary policies.

Though superior to previous payment systems, the E. P. U. has probably rendered as much service as it can. Further progress would not seem to lie along these lines but rather in the direction of convertibility, and it is towards this goal that the policies of the United States should now be directed.

III

Europe's Responsibility

Our postwar experience with problems of convertibility and transferability carries important lessons for the future. From the point of view of the deficit nations, the principal one is that disequilibria in the balance of

6 P. 8.

7 It takes courage to bring inflation to an end. Vested interests develop which batten upon the depreciation of a currency. In fact it is said that only an occupying power could have forced through the German currency reform. No political party would have dared risk the displeasure of the electorate.

8 Though Russia participated in the Bretton Woods Conference it did not join the International Monetary Fund.

payments cannot be overcome and convertibility established unless they are willing and ready to curb inflation.

Any nation can produce difficulties in its balance of payments by recourse to inflation. Only when this is checked will the basis be laid for monetary reform, will the hoarding of labor and commodities cease, will economic resources be used to best advantage, will the productivity of labor and management rise and the dollar gap disappear. As Walter R. Gardner of the International Monetary Fund brought out in a recent study, the dollar gap has not been caused by a shortage in the supply of dollars but rather by excessive demand on the part of the deficit nations.[9] This demand is the result in no small measure of inflationary pressures.

All that is required in European monetary policy in order to bring about convertibility into dollars is that prices in the free markets keep in step with those in the United States. Surely, in view of the inflation that has occurred in the United States in the postwar period, this cannot be considered an onerous task.

Europe's task then in the restoration of convertibility is mainly that of inflation control. America's main task which we shall discuss in the next section is that of reducing still further its trade barriers.

Many nations in Europe have already by various heroic means taken measures to reform their monetary systems. This is true of Belgium, Holland, Italy and West Germany. Evidence of their success in this respect is seen not only in wholesale price trends but also in the fact that their paper money is subject to only a slight discount in the free Swiss markets. The two principal countries which have yet to place their currencies on a sound basis are Britain and France.

The United Kingdom's Progress

In the return to monetary orthodoxy the United Kingdom and France have each made good progress over the past year but neither has completed its task. Thus, over the past 12 months, the United Kingdom raised the Bank rate from 2% to 4%; took action to reduce bank liquidity by funding one billion pounds of Treasury bills; requested the commercial banks to restrict loans to essential purposes, to limit installment credits and not to advance funds for capital purposes; asked the financial community to reduce the maturity of acceptance credits; raised rates of interest on mortgage credits and municipal borrowings. The consequence of these different measures was to reduce bank loans substantially.

These measures were paralleled by action to restore a degree of freedom to the London foreign exchange market. About a year ago, the authorized banks were allowed to deal freely in the forward exchange market, to buy and sell specified currencies within the spread of official quotations and to carry open positions in certain currencies. These measures have served to reopen the London foreign exchange market which after being closed for 12 years is beginning to recover its old techniques, ability and skills. Even with these concessions, the market is restricted and the contrast with the prewar situation is still marked. Thus today most foreign exchange transactions are on a bilateral basis, banks are limited in the open positions they may carry, foreign exchange transactions are linked to commercial transactions, and general convertibility in non-existent.[10] Nevertheless the essential initial steps have been taken in the restoration of a free competitive exchange market.

In consequence of these measures, coupled with a betterment in the terms of trade and import restrictions, the gold and dollar loss from the sterling area has been checked. The improvement has been substantial but not good enough. The reason is that the effect of the policies adopted to restrain private credit have been offset in part by the renewed dependence of the government on the banks. The so-called "below the line" deficits have been large and these have been financed by the sale of Treasury bills to the banks.[11] The result is that the inflation potential has not been significantly reduced. The money supply in relation to national income is still high, higher for example, than in the United States. This means that monetary and fiscal policy will have "to be applied with more than ordinary vigor to be succesful."[12]

To restore the basis for workable convertibility the United Kingdom must be willing to adopt a vigorous monetary and fiscal policy, continuing to control private credits and budgeting for a surplus, even though this requires a reduction in subsidies and social services. At the same time the government should continue to free the commodity markets from controls and also eliminate the residual of price controls and rationing. The tax structure should be revised to preclude the need of British corporations from living on their real capital. Such action may lead to unemployment but this is the risk that must be taken if Britain is to do her part in restoring convertibility.

These measures may prove politically unacceptable to the British electorate. If this is the case, convertibility cannot be re-established for the pound sterling. Failure to take the necessary action to restore convertibility implies that the United Kingdom wishes to insulate itself against the rest of the world, living by trading within the sterling area, selling its products at high prices in a market protected by import restrictions and exchange controls.

But will those parts of the sterling area that have freedom of choice be content to restrict their purchases to British products of high price? They might as long as they possess excess sterling balances, but eventually will they not transfer their patronage to such industrial nations as Western Germany and Japan.[13]

Britain must face up to the hard realities of a world increasing in competitive struggle. Survival demands that she adjust her cost and price structure. This she will not do if the pound is "protected," against the dollar world. The "protection," however, will prove short lived and the sterling area will shrink in size and economic importance.

France

Like England, France has made considerable progress under Pinay's leadership towards monetary stabilization. The French problem is one of monetary confidence.[14] The economy of the country is sound and well balanced. Once the people of France have gained confidence in their currency, they will dishoard their gold and dollar exchange. The reserves of the Bank of France will rise sharply as they did under similar circumstances in 1926.

The Pinay program has taken the form of a slight reduction in government expenditures, an attempt to cover the deficit from the savings of the people, improvements in tax collections, and continued pressure on the commercial banks to restrict private credits. Victory is not yet assured. trade unionists continue to demand higher wages; the agriculturalists continue to hoard gold; the peasant, small tradesmen and professional classes fail to show any greater enthusiasm in the payment of taxes; and many of the nationalized industries operate at heavy deficits.

Yet Pinay has, on the whole, done well. He has stabilized the franc in the free markets at about 400 to the dollar. If he can continue to hold the line, and persuade France to adopt his fiscal measures, he may rank with Poincare as the savior of the franc.

The Result

In the opinion of a distinguished student of the subject, Europe has, over the past year, generally "rediscovered the importance of money."[15] The fact that this is so gives us grounds for confidence that the Western World may, in the not too distant future, witness a return to workable convertibility. Whether this is the case will depend in part upon the trade policies of the United States—the subject of the next section.

IV

America's Responsibility

Convertibility of currencies into dollars cannot be achieved by Western European nations alone. Their efforts must be supplemented by equally courageous and vigorous measures in the United States in the fields of monetary, procurement, agricultural and trade policies.

Europe's primary responsibility, in which they have made good progress, is that of checking inflation. Our main task is that of establishing the dollar as a sound currency and of following policies that will enable our friends abroad to increase their dollar earnings.

Monetary Policy

Our monetary policy, like similar action abroad, should be directed towards preventing inflation. A willingness to rely on the credit policies of the Federal Reserve System will need to be supplemented by equally courageous budgetary action. If appropriate measures are taken our dollar will become a firm anchorage on which other nations can rely and to which they may, with confidence, tie their own currencies. If the United States is to assist in a return to convertibility, it is not enough, however, that the dollar itself be made a firm basis for world commerce and trade. In addition we must enlarge the opportunities for friendly nations to earn dollars.

Procurement Policies

The first change we should make in order to give our foreign freinds greater access to the American market, is to modify our procurement policies, federal and state. All too frequently these policies are controlled by legislation which makes it virtually mandatory for our officials to "Buy American." The Federal "Buy American" Act was enacted in 1933 during the Great Depression. The conditions which led to its passage have long since disappeared. Its repeal, along with the repeal of similar provisions in state and other Federal legislation, would allow American procurement officers to buy in the cheapest markets and to draw on the surplus labor supply and manufacturing capacity of the

Continued on page 30

9 Gardner, Walter R. "World Payments Developments in 1951-1952." The World Payments Situation published by the International Monetary Fund, Washington, D. C., 1952.

10 Cf. The Midland Bank Review, Aug., 1952, and *The Economist*, (London) Dec. 22, 1951.

11 See Lutz, *op. cit.*

12 Murphy, Henry C. *The Period Ahead.* The World Payments Situation, published by The International Monetary Fund, Washington, D. C. 1952.

13 It is interesting to note that since 1948 dependent overseas territories have increased their sterling balances in London by about 500 million pounds. These territories are in effect thus making loans to Britain. Would they do so if they had freedom to use these balances?

14 This is seen in the fact that the money supply of France in terms of national income was lower in 1951 than in 1939. Cf. Murphy, *op. cit.*

15 Heilperin, Michael A. "Western Europe Rediscovers Money". *Fortune*, September, 1952.

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free world. To the extent that we are able to make offshore civilian and military purchases, we will at one and the same time increase the dollar earnings of foreign nations and reduce our foreign aid expenditures.

"Buy American" legislation disregards the nation's growing need for raw materials and for the acquisition of a stockpile of critical goods at the most reasonable price. This country now consumes half of the raw materials of the free world. Surely, in view of the depletion of our own resources, no impediments should be placed in the way of importing the raw materials required by an expanding American economy.

Agricultural Policy

Still another change of great importance concerns our domestic agricultural policies. For many years these policies have been in basic conflict with our desire to remove restrictions on the trade of nations. The conflicts arising between our agricultural and international policies have, up to the present time, been resolved invariably in favor of agriculture.

Various enactments, going back to the Agricultural Adjustment Act of 1933, permit the United States Government to impose import quotas on agricultural products and to subsidize agricultural exports. Import quotas have been imposed on wheat, wheat flour, cotton and cotton waste and a special import fee was imposed on almonds imported in excess of a specified amount. Imports of sugar are subjected to quotas of a cartel-like character. The government has subsidized the exportation of agricultural stocks accumulated in consequence of its intervention in the market.

Under the terms of the Defense Production Act of 1950, as amended, the Department of Agriculture has imposed quotas on various agricultural imports, such as cheese, other dairy products, rice and certain fats and oils. Although recently liberalized, import quotas on cheese and other dairy products worked injury on such countries as Italy, France and Denmark.

The import restrictions ordered under these different enactments have made it more difficult for Western Europe to earn dollars and have justly merited its condemnation. Our friends abroad are disturbed not only by the import quotas that have been ordered but also by the fear that other such controls may be imposed in the future. The uncertainty surrounding our action has caused understandable apprehension and resentment. If the basic inconsistency between agricultural and foreign trade policies is to be resolved in favor of our foreign trade policies, then far-reaching changes must be made in our domestic agricultural program.[16]

Tariff and Other Trade Policies

And, finally, of basic significance is the need to reduce our tariff, visible and invisible, so that trade may be substituted for aid. At this juncture in our history it is imperative that we follow a liberal trade policy. As a creditor nation we must enable our debtors to have access to our markets. As a nation of great industrial strength we are in a better position than any other country to open wide our doors to import trade. As a people who subscribe to the doctrine of free competitive enterprise, we must in all consistency follow a libreal trade policy. And finally, as the political leader of the free world, we must bring about closer trade ties with our allies. Otherwise our strategic position is endangered. We have discouraged trade with nations behind the Iron Curtain. We must therefore afford our friends the opportunity of trading with ourselves.

Tariff Rates

Despite the reductions that have taken place in American tariff rates (our visible tariff) since the inauguration of the Reciprocal Trade Agreements Program (1934), many rates are still restrictively high—so high as to exclude goods from the American market. This is true, for example, with the rates on cotton cloth, woolen textiles, scientific instruments, many electrical appliances and chemical products. Thus, duties on cotton cloth range from 35 to 40% of ad valorem and duties on woolen textiles run up as high as 60% with the result that imports of each are small relative to home production. In the case of chemicals, particularly coal tar products, ad valorem rates, if computed on the usual basis of foreign value, would amount to as much as 100 or even 200%

In stressing the growing dependence of the United States upon foreign sources of raw materials, the report of the President's Materials Policy Commission itself calls attention to the high tariff rates prevailing on such critical imports as tungsten, fluorspar, aluminum and magnesium. "The overriding national interest," states the Commission, "points clearly to the desirability of eliminating the obsolete tariff barriers to the entry of materials to the United States."[17]

The Question of the Level of Rates

Under the Reciprocal Trade Agreements Program, rates on dutiable imports have been reduced from about 26 to 13%. This reduction of about 50% is frequently cited as evidence of the fact that the United States has gone as far as it should in the reduction of tariff rates. Overall figures of this type, however, have limited significance and do not reflect the restrictive effects of high rates which actually prevent goods from entering the American market. The problem is not that of calculating the average level of rates on goods actually imported but rather that of determining the amount of trade which is prevented from entering our markets.

Average ad valorem rates on dutible imports are biassed downwards by a few large items. Among such items are sugar, burlap, copper, nickel, aluminum, zinc, lead, raw cotton, etc. It is questionable whether the tariff rates on any of these commodities have the same restrictive effects on imports as do the rates on the manufactures cited above. In fact, the volume of sugar imports is limited by absolute quotas.

Evaluation of Reciprocal Trade Agreements Program

In a realistic adjustment of American tariff rates to the world situation, we have probably gone as far as we can under the Reciprocal Trade Agreements Program. Little of the remaining authority can be effectively used and, even if it were, rates would in many instances still remain high. The "peril point" clause acts in a negative way to prevent rates from being reduced and the "escape clause" operates to undermine the concessions that have been granted. Both work in the direction of a conservative approach to the problem.

What is required now is a unilateral reduction of American tariff rates. Higher interests of statesmanship require that we should do this even if the results are injurious to marginal American producers. There is no other way that we can open our markets to the products of the free world; encourage imports, thereby enabling our foreign debtors to service their debts; and integrate the economies of ourselves and our allies. Injury to marginal producers is eclipsed by the needs of the free nations, with whose security our own is inexorably bound.

The Invisible Tariff

What has been termed the invisible tariff, taking the form of procedures relating to classifications and valuations, appraisers' rulings, marking and labelling requirements, or finding embodiment in such subterfuges as sanitary and health requirements, stands in need of radical change. Over the past several years, the State and the Treasury Departments have pressed for the passage of a Customs Simplification Bill which deals with some of these problems. In the 1951 session of the Congress, the House passed the measure but the Senate took no action. One of the first tasks of the new Administration would seem to be that of sponsoring the enactment of such a measure.

Imports Low Relative to 1929

The reduction or elimination of visible and invisible tariff barriers will help to substitute trade for aid. Our imports will rise, foreign producers will be enabled to earn dollars and American consumers will benefit. In terms of gross national product, our imports now are low relative to their volume in 1929.[18] The reasons are the destruction of foreign manufacturing facilities, America's great lead in productivity and the rise of domestic synthetic industries. Prompt and vigorous action is needed to redress the balance.

Some Other Measures

In addition to the repeal of the "Buy American" Act and changes of a fundamental character in our agricultural and trade policies, certain other measures need to be mentioned, which will enable the rest of the world to earn or have access to more dollars. These include the elimination of merchant marine subsidies, the development of a favorable environment for American foreign investment,[19] a constructive Point IV program, and additional efforts to build up tourist travel by Americans.[20]

The Rise of Protectionism

Very disturbing at the present time is the rise of protectionist sentiment in the United States. Evidence of this is seen in the increase in the number of actions brought under the "escape clause" of the Reciprocal Trade Agreements Act and in the insertion of the so-called "cheese amendment" (Section 104) in the Defense Production Act. A recession in business activity would probably accentuate these protectionist tendencies.

The revival of protectionism in the United States seriously endangers our foreign relations and plays directly into the hands of Communist propaganda. The quotas we have placed on agricultural products have aroused justifiable resentment in other nations and have led to retaliation. If renascent protectionism is to be checked, it is imperative that the United States now take vigorous action to lower trade barriers.

Action Short-Run and Long-Run

The United States has reached a crucial stage. If it now elects to adopt a positive foreign economic program, it can bring about close union among the free nations. Each will add strength to the other. The whole will be able to resist economic penetration and aggression. If the United States fails to follow an enlightened program and instead succumbs to narrow economic nationalism, the free world will be weakened and the Soviets will be closer to their goal of world domination. The issue then transcends the problem of currency convertibility. The attainment of currency convertibility, however, will in itself constitute evidence of a free world that is adopting policies of enlightened internationalism and drawing closer together.

The die will be cast in the near future. The United States will need to take quick legislative action involving the repeal of the "Buy American" Acts, the extension (minus the "peril point" and "escape clause") of the Reciprocal Trade Agreements Act expiring on June 12, 1953 and the enactment of a Customs Simplification Bill. In addition we should drop the "cheese amendment" from any extension of the Defense Production Act. Action should begin on a unilateral reduction of tariff rates, the dropping of merchant marine subsidies and modifications in our agricultural price support program of such a character that it will not inhibit the liberalization of our foreign trade program.

These measures will permit nations to earn dollars by selling to us the products of their industry and agriculture. Additional dollars can be provided by offshore procurement, by increases in American private foreign investment, by increased stimulation to tourist travel, and by a well-conceived Point IV program.

In the long run the increasing dependence of the United States upon foreign sources of raw materials will increase sharply the supply of dollars to the rest of the world. By 1975 the Paley Report estimates that our imports of raw materials will have doubled. This will produce a flow of dollars to the countries producing the raw materials we desire and also to

16 The so-called Green Book prepared by the European section of the Mutual Security Administration suggests a stabilization of world commodity prices by means of international multilateral agreements sponsored by the members of the Atlantic community.

Such agreements have, in the past, turned into devices to raise not to stabilize prices, have partaken of the nature of international cartels and have functioned contrary to the best long-run interests of both producers and consumers.

17 Volume I, p. 79.

18 *Report to the President on Foreign Economic Policies*, Washington: United States Government Printing Office, Nov. 10, 1950, p. 124.

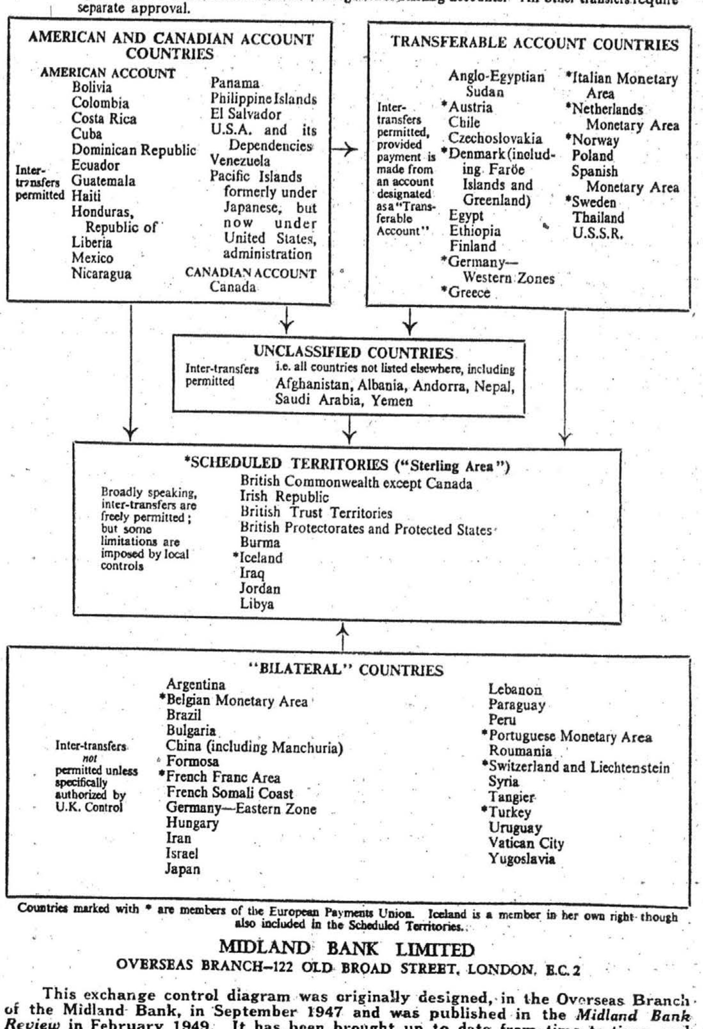
19 Reasons given for the fact that since the war American private foreign investment has been relatively low in amount are: (1) the fear of war; (2) attractive investment opportunities at home; (3) danger in doing business abroad by reason of nationalization, government interference with management, minority ownership requirements; and (4) difficulty of convertibility of investment earnings into dollars. Various groups are working on the problem including the National Planning Association, the International Development Advisory Board of the United States State Department, Harvard University, and the Interdepartmental Government Planning Committee.

20 Foreign economic and military aid, though of great importance, is not included in this list, as we have been putting emphasis in these remarks on more permanent, non-governmental factors affecting the supply of dollars.

AMENDED OCTOBER 1952

UNITED KINGDOM EXCHANGE CONTROL REGULATIONS
OUTLINE OF PERMISSIBLE TRANSFERS

→ The arrow indicates direction of transfers, permitted without the necessity of individual approval by the U.K. Control, between different categories of sterling accounts. All other transfers require separate approval.



Countries marked with * are members of the European Payments Union. Iceland is a member in her own right though also included in the Scheduled Territories.

MIDLAND BANK LIMITED
OVERSEAS BRANCH—122 OLD BROAD STREET, LONDON, E.C.2

This exchange control diagram was originally designed, in the Overseas Branch of the Midland Bank, in September 1947 and was published in the *Midland Bank Review* in February 1949. It has been brought up to date from time to time, and further amendments will be made as may be found necessary.

The purpose of the diagram is to show the main groups of sterling, the channels along which it is permitted to flow and the degree of freedom permitted within the various groups themselves. Exchange control regulations are subject to unforeseen modification, and it will therefore be understood that the position, depicted here in broad outline, may have altered even by the time the diagram has been received.

all free nations if convertibility has been re-established.

V
Is Convertibility Possible Now?

Growing Sentiment in Favor of Convertibility

Throughout the free world, sentiment in favor of convertibility seems to be increasing. Support comes from business and government, from industrial and raw material nations, from nations with convertible and from those with inconvertible currencies. Various international organizations are studying the problem in it different aspects. Among others the International Monetary Fund and the European Payments Union are preparing reports. Convertibility is being discussed at the Commonwealth Conference in London and will be on the agenda of the forthcoming meeting of the Organization of European Economic Cooperation. The O.E.E.C. contemplates preparing an economic plan for submission to the United States which may be the forerunner of a general economic conference dealing with this and other problems.

Convertibility is gaining adherents from a growing realization that it alone will unify the economies of free nations and prevent the splintering of the non-Soviet world into weak and indefensible fragments! Conviction is growing that inconvertibility causes a seepage of the hard currency earnings of export trade into the grey markets and deprives such nations as Britain and France of dollar reserves. The conviction is growing, too, that inconvertibility cannot save a nation from the consequences of living in a competitive world and that no mechanism such as the E.P.U., however, elaborate and extensive, is a substitute for convertibility.

The Opposition

Though of weakened influence, opposition to convertibility is still vocal and apparently dominates the thinking of various political groups. Thus the British Labor party has expressed opposition to convertibility. Seemingly it does so because it believes that inconvertibility will permit Britain to follow a full employment policy, to insulate herself from competitive struggles with West Germany and Japan and to live a comfortable secure life within a closed area.

The opposition to convertibility does not couch its arguments in the form of a retreat from economic realities. It rationalizes in terms of a mystical hard core of a dollar deficit, of fear of recessions emanating from the United States, of an inadequacy of reserves, etc.

The Problem of Timing

To its opponents, the present is never a propitious moment to return to convertibility. One must wait until the dollar gap disappears, until the balance of payments is in equilibrium, until monetary reserves reach a certain level. Should success attend their realization, then one must still wait for fear convertibility will terminate full employment or plunge a nation into recession.

If convertibility is ever to be attained, now is the time for action. What is required is the willingness on the part of Europe to check inflaton and on our part to reduce trade barriers. Both actions will insure the success of convertibility and convertibility will set into motion economic processes that will resolve the hard core of the dollar deficit and will rectify any imbalance in the balance of payments.

The Adequacy of Reserves

Frequently it is alleged that the nations of Western Europe lack sufficient reserves of gold and foreign exchange to establish and maintain convertibility. It is difficult if not impossible to set up criteria of the adequacy of reserves. Obviously this will depend upon the type of convertibility that is planned. Larger reserves would be needed if convertibility were to be complete[21] than if it is to be restricted simply to current transactions, or to what we have termed workable convertibility.

Existing statistics throw little light on this subject. They are far from complete, including only official holdings of gold and foreign exchange. Private holdings are large. Recent data show that the short-term liabilities of American banks to private holders abroad are practically as large as those to official holders (foreign central banks and governments), the total coming to $8.6 billion.

Again and again, it has been demonstrated in monetary history that once inflation is checked the problem of reserves settles itself. What was thought to be inadequate suddenly becomes adequate. Once confidence is restored to a currency, the forces causing drains upon reserves will cease to operate. Reserves will increase by an influx of private holdings into the coffers of central banks. They will increase too by reason of the fact that leakages of hard currency earnings on current account transactions will cease.

Stabilization Credits

This discussion is closely related to the question of stabilization credits. My opinion is that if the way is well prepared, stabilization loans extended at the time of convertibility can be small in amount. If the way is not well prepared, stabilization loans, irrespective of size, will not, over the long run, prove effective. The reason is that in the absence of appropriate measures the dollars loaned will gravitate back to the United States.

Stabilization credits need not in their entirety be supplied by the United States Government. The International Monetary Fund has about $3 billion dollars available in gold and convertible currencies for loans to member nations. Moreover, the International Bank for Reconstruction and Development may extend stabilization credits. Stabilization credits granted by these two institutions could be supplemented by those extended by the United States, Canada and Switzerland The aggregate of stabilization credits extended by all lenders, to hazard a guess, probably would not need to exceed $5 billion.[22]

A Floating Rate

Once a nation decides to re-establish convertibility, it should

21 In this paper we have defined convertibility as including simply current account transactions. This definition permits the British government to maintain exchange controls with respect to the sterling balances and to release these at its own discretion.

22 The Green Book prepared by the European Section of the Mutual Security Administration has suggested the creation of a stabilization fund of unspecified billions of dollars to be used for facilitating trade and stabilizing currencies. As proposed, the fund would initially be administered by representatives of the United States and the United Kingdom in order first to stabilize the British pound. Discussion of the fund is in a preliminary stage and its functions, administrative structure and relations to existing international organizations not developed. The point of view of those who prepared the Green Book is vigorously opposed by many who believe that a stabilization fund for the United Kingdom should not be created until it adopts a vigorous program of monetary and budgetary action. (*Agence Economique et Financiere*, Nov. 10, 1952.)

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probably do so initially at a free instead of at a fixed rate. With the rate free or floating, the exchange authorities could intervene in the market as they deemed best making, as indicated above, strategic retreats as these might be required. The authorities would not be compelled to defend a particular rate until it felt ready to do so.

A free rate does not mean a depreciating rate. If the freeing of a rate were accompanied by orthodox monetary and fiscal policy, the rate of exchange might actually rise, as was the case with the Canadian dollar.

This problem has recently received considerable attention in the British press. There the advisability of freeing the sterling rate was discussed from the point of view of the effect of this action on the administration of exchange controls, on the sterling area and EPU. The concensus of those participating in the discussion was that exchange controls could be handled with a fluctuating as well as a fixed rate. Greater freedom than now would be required in the forward markets. A moving rate creates a demand for forward exchange transactions.

Disagreement arose over the effect of a fluctuating sterling rate on the sterling area. Some felt that it would mean the end of the sterling area, others that it would mean simply a change in relations within the sterling area not its termination. Those who held to the second point of view pointed out that in the prewar period the sterling area functioned with a fluctuating rate of exchange. Though relations between the various parts were then less formalized than at present, nevertheless trade and financial ties were close. The same type of close but informal relationships could persist even though the British pound were allowed to fluctuate.

A floating pound would, however, probably mean the end of EPU. The reason expressed was that administrative difficulties in coping with a fluctuating rate would prove insuperable for a clearing mechanism. However, those who favor a return to sterling convertibility conclude that the end of the EPU would not be too high a price to pay to attain this goal. If agreement is general that convertibility at a fixed rate must of necessity be preceded by convertibility at a fluctuating rate, the Articles of the International Monetary Fund could be amended to permit the Fund to grant financial assistance to nations with fluctuating rates of exchange. This would seem a necessary and logical action to take.

If Britain Is Opposed to Convertibility

In this paper it is assumed that concentrated action should be taken to restore convertibility to the British pound, at a floating or fixed rate, an action to be accompanied or followed by a return to convertibility on the part of other European nations. If, however, Britain should decide that she is unwilling to return to convertibility, then I believe that the United States should lend its assistance to any European or other nation willing and ready to take this step. Perhaps the Fund, too, would be willing to assist such nations by granting standby drawing accounts and by standing ready to lend when required up to the full amount of the nation's quota.

Concluding Observations

Currency convertibility promises to take high rank on the agenda of economic problems in 1953. As one of the basic problems of our day, it should indeed receive top priority.

It is a question that far transcends the technical aspects of monetary and banking relations. It is directly concerned with the desire of all of us to see an expanding world trade and a non-Soviet world experiencing a rising standard of life and increasing in economic strength.

Though convertibility may seem a technical subject, it is one which impinges upon the economic life of all of us. It was convertibility which accounted for the rapid increase in world trade in the 19th Century, which led to various patterns of triangular and multilateral trade and which, in consequence, was in no small measure responsible for rising standards of life. No foreign exchange barriers existed to thwart the international division of labor and an optimum use of the world's resources.

By adopting appropriate actions we of the free nations can establish a firm basis for convertibility and become as one great trading unit, exchanging goods and services among the peoples of North and South America, Western Europe, Africa, the Near East, India and Southeast Asia.

Gray, Cook V.-Ps. Of Wm. J. Mericka

CLEVELAND, Ohio — Announcement has been made by William J. Mericka & Co., Inc., Union Commerce Building, member of the Midwest Stock Exchange, of the election of William S. Gray and Richard J. Cook as Vice-Presidents of the firm. Mr. Gray will head the sales department and Mr. Cook will be in charge of the municipal bond department.

Mr. Gray's election as Vice-President comes after seven years with William J. Mericka & Co. He is a graduate of Williams College.

Mr. Cook worked previously with Field, Richards & Co. for five years, and has been with the Mericka firm for one year. He is a graduate of Duke University.

With J. W. Goldsbury

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn.—Donald L. Swanson has become associated with J. W. Goldsbury Company, Twin City Federal Building.

Keenan & Clarey Add

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — John H. Wollmering has been added to the staff of Keenan & Clarey, Inc., National Building.

J. P. O'Rourke Adds

(Special to The Financial Chronicle)

CHICAGO, Ill.—Lewis S. Bushnell has become associated with J. P. O'Rourke & Co., Board of Trade Building. Mr. Bushnell in the past was with Francoeur & Co.

With Slayton Co. Inc.

(Special to The Financial Chronicle)

LEBANON, Ill.—Lawrence D. Boyer is now associated with Slayton & Company, Inc. of St. Louis.

Continued from first page

Dollar Devaluation

it in serious vein. It runs afoul of political logic as well. Should the Party of Sound Money and of its high priests, the Bankers, start in the midst of an unprecedented prosperity where F. D. R., whom they have denounced, left off in the greatest depression? Should the Republicans pull a "gold brick" that the corruption-ridden Truman regime steadfastly refused to touch? What a windfall that would be to the Democrats!

On second thought it occurs to this writer that the bankruptcy of the Bank of England in 1931 was a mighty surprise to every expert, including the Bank itself (and even the uninhibited Mr. Keynes). Or who foresaw that the dollar would become in 1933 the object of dilettantic experimentation?

The question should be faced; if it is not "actual" right now, it will pop up time and again. The powerful interests, material and ideological, on and behind the scene must not be discounted. They can be classified under three headings: gold producers and hoarders; foreign aid recipients and advocates; inflationists and anti-depression planners — or a combination of all.

II

The Gold Interests: The group with an immediate stake in the price of gold consists of the owners of gold, be it in the mines or above ground. Hoarders have a small—and camouflaged—voice in this country; the miners are a different story. It is a sad story, indeed. Given a fixed gold parity, they suffer in prosperous times when costs are up and their product's purchasing power down, but they profit by the same token when the rest of us are under depression. Now, with history's longest boom, lasting for 12 years, the position of the relatively high-cost producers is becoming untenable. Technological progress in prospecting, development, etc., is more than offset by mounting labor, material and tax charges. Even where they can sell part of the output at a premium, which is not the case in this country, the premium hovers close to the official American rate due to the constant threat of an outpour from public and private hoards and to the competition of "cheap" gold, the by-product of base metals. And one of the worst enemies of the gold miners turns out to be—the Roosevelt devaluation! It has bestowed on them huge profits, thereby fostering excessive investments and the by-passing of high-grade deposits. Shots in the gold industry's arms boomerang.

Some gold miners see the point; the unhappy majority wants a new shot in the arm. Naturally, it commands the support of other metal interests, combining into a renascent "silver bloc" with the same Western footholds in Congress, but with far more dangerous implications to our financial stability.

Devaluation results in an artificially increased volume of gold output. But in Full Employment, the less gold there is produced—the less incentive is provided from that corner for a still bigger boom —the better for the economy. If submarginal mines have to be closed, the resources which they absorb become available for other uses. But if for political reasons the gold industry must be rescued, direct subsidies are preferable to an over-all devaluation-bonus. Subsidies can be graded according to "need," as in Canada; they can be lowered like the tariff; they do not have to be permanent, while a formal devaluation step, other than the debasement of coins, has never yet been retraced. Above all, gold mining subsidies do not affect the monetary system at its foundation as devaluation does.

The special interests are busy promoting legislation to reestablish an American free market in gold—without legal convertibility at the present mint price—one on which the Federal Reserve shall not be permitted to operate. The purpose should be evident: keeping out the main source of supply would practically guarantee a subsidy in the shape of a premium and create the false appearance that the verdict of the "free" market finds the dollar guilty of being (officially) "overvalued"—ripe for debasement.

III

Devaluation Profit: However, gold does not enjoy the kind of popularity which carried the silverite movement. The domestic gold miners, together with their allies, could scarcely tip the Senate scale in favor of a revolutionary measure, were it not for an extraordinary "moral" support from abroad (with a great deal of vested interest, other than moral, involved). From five continents rises a crescendo of claims that the dollar **must** be devalued. The radical proposal is being authoritatively presented as the most important single device to overcome the Dollar Shortage, to cure the economic plight and consequent military unpreparedness of the West—a Super-Marshall Plan.

That is where the real pressure for devaluation comes in—through the international door. Make no mistake: it is a tremendous pressure. A 50% raise of the U. S. gold price would boost the British Empire's **annual** dollar proceeds from the sale of newly processed gold by about $300 million. Expansion of output to the prewar level or beyond, which the higher price is bound to promote, may bring another $150 million or more. With one stroke of the pen, or of the printing press, as much as 25% of the Empire's (non-military) dollar deficit could be wiped out.

No less significant is the effect on the gold and dollar hoards, public and private, held abroad. Between them, they more than equal our own gold pile; **visible** gold reserves of central banks, etc., amount to over $13 billion. The (non-recurrent) windfall that would accrue to the latter alone could bridge the world's Dollar Gap, estimated at an annual $5 billion, for a year or two—if commodity prices do not "jump." There would be a loss on foreign-owned dollar holdings unless they are converted into gold **before** we devalue—which is what foreign central banks did hurriedly in 1950-1951, and the Netherlands Bank does again right now.

As to the estimated $14 billion buried in **private** gold hoards, scattered all over the map, they may open up to an appreciable extent in order to take advantage of the bonanza—before American commodity prices adjust themselves (upward) to the lowered gold value of the dollar.

On top of all these "benefits" that a drastic dollar devaluation is to disburse among our friends (and foes), it is supposed to lay the foundation on which to base the stabilization of European currencies. The key to that operation would be the so-called "devaluation-gain" on the books of the U. S. Treasury. If we raise the gold price by 50%—much less would not do—our gold reserve rises in book value from say, $23.2 billion to $34.8 billion; the difference is a "profit" of $11.6 billion. It is assumed that, distributed abroad, this would suffice as backing to make their currencies convertible. And convertibility of national moneys, if only within limited scope, is considered now the prime condition for restoring the respective countries' solvency.

No one has ever killed so many economic and political birds with a single financial stone. The prayers of the gold interests, domestic and foreign, are answered. Europe, the Empire and the underdeveloped areas receive all the funds they ask for. Their financial stabilization will be accomplished, greatly benefiting their productive capacity and living standards. The funds will come home to buy American goods, to the joy of our export industries. With the spectre of depression removed, Prosperity shall be permanent (as we shall see presently). And all these real or imaginary blessings without loading the U. S. taxpayer or increasing the U. S. budget deficit or burdening the American capital market by a nickel's worth!

The great money wizards of the past, the John Laws, Hjalmar Schachts, John Maynard Keyneses, are outshone by this international Utopia where we can disburse purchasing power by the billions for the benefit of scores of millions of people at no cost or damage to ourselves. But, to raise a simple question — what will happen to commodity prices?

IV

The inflationist is for devaluation because he expects it to boost the price level. That was FDR's conception, inspired by two Cornell professors of chicken-breeding distinction: that the price level adjusts itself mechanically to the gold "content" of the standard. He could put it over at a time when commodities were in the doldrums and the nation's collective nerves on edge. Such outright inflation propaganda is by no means dead, but it is turned down. The fear of a coming let-down, on the other hand, is very much alive. It feeds a school of business cycle management, which claims that by devaluation we could keep prosperity going **without** inflationary repercussions. Note that the one approach is for a higher gold price because it would boost commodity prices; the other, because it would stop them from falling. The difference is very subtle; between the two, the weight of logic is on the side of the pure and simple advocate of inflation.

Devaluation Sans Inflation?: The fact is that by calling an ounce of gold $52.5 instead of $35.0, the loanable funds of the Federal Reserve are augmented to the tune of $17.5 for each ounce in the vaults. Having more funds available, the central bank can proceed to supply them (through lending or open market operations) to the member banks, enhancing their "excess reserves." They, in turn, can enlarge their credit volume and do so, say, to the five-fold amount of the additional excess reserves. The process is exactly the same as if more ounces of yellow metal had been added to the gold reserve.

The artificial stretching of the gold base, together with the bullish temper it arouses and the influx of foreign funds it stimulates, brings about the vicious momentum that never fails to appear in the wake of a devaluation. That is why it "counteracts," too, a depression; printing and distributing greenbacks, which the late Professor Irving Fisher used to propagandize, would do as well (or "better").

How, then, can one argue that raising the gold price would not be inflationary? It is the still undigested experience of the 1930's which, for one thing, is responsible for the confusion: the fact that the depression lingered on for six years—though with a mighty interruption in 1936-37! — after Roosevelt's sleight of hand. The inference that devaluation need not have inflationary consequences, overlooks a few items: the devaluation-profit had been "frozen" for years; a deep depression was on, discouraging credit expansion; when the latter got underway, sharply deflationary measures were instituted (in 1937); etc.

It is one thing to lead a horse to water, and another to make it drink, they say. Very true; but riding the same metaphor, the horse must drink sooner or later. And what did not burst at once into skyrocketing prices while the economy was in the throes of wholesale liquidation, might hit the markets now, in an economy loaded with liquidity, like an atomic explosion—with or without delay.

If prices are "abnormally" high, meaning that they must come down by their own weight, manipulating the gold price would prolong the abnormal state and promote the continuation of over-production which is at the root of the trouble. Ere long, the excessive flow of supplies would break the devaluation dam erected around the price structure; a second devaluation is the "logical" follow-up of the first, and so on, until the chasing after the mirage of a Permanent Boom is abandoned.

How on earth could dollar devaluation stop a trend of falling commodity prices if not by making possible the fabrication of paper dollars in order to bolster the demand for commodities (such as by surplus inventory buying—another appropriate suggestion from the Commonwealth prime ministers)?

And what if we are not heading for a major depression? In fact, there is no reason whatsoever to assume that a temporary recession would necessarily propel us into a crisis. Should we blow up an ever-bigger bubble—to see it then really burst—for the sake of protecting ourselves against hypothetical dangers?

But the chief motive behind the current depression-theories to scare us into devaluation is: to provide an emotional key with which to open the locks of the U. S. Treasury—for fresh handouts to Europe, the Sterling Area, and the rest. Any key will do, even a scarcely respectable one, if only they can be spared (for a while longer) the terrors of trimming their Welfare States, of liquidating their self-imposed commercial insulation, and of restoring economic sanity in their own backyards.

V

Cui Bono: Disgorging the paper profit brought about by changing the gold price sets a Credit Inflation in motion. Theoretically, one could avoid the latter by "neutralizing" the former: by not spending the devaluation-gain. But then, why devalue at all? *Cui bon* — to whom does it do any good (other than the mining and hoarding interests) if there is nothing to be distributed? And how long would Congress, harassed by mounting appropriations and requests for tax reductions, resist the temptation to use a multi-billion stack of cash at its elbow?

European spokesmen insist that the devaluation's evil potential could be "controlled": they can eat the cake while we have it, too. That is feasible—at a price, as illustrated by the British experience of 1931-32. The shock of going-off gold was cushioned by sharply restrictive policies: governmental payrolls were pruned, taxes raised, petty controls and restraints imposed, and the discount rate of the Bank of England elevated to a spectacular 6%. With measures so drastic, in a depression at that, the danger of an unruly upturn was banned. The reader may decide for himself whether the American public is likely to swallow such a deflation package in order to satisfy (for a while) deficit countries and despondent gold investors.

European experts make no bones about their conviction that we deserve some punishment, for we, not they, are responsible for the Dollar Shortage. (It is difficult to suppress the sarcasm—that American industry is guilty of not applying their know-how in eliminating incentives and holding down productivity.) To be sure, however, Europe does not want us to suffer too much; a severe American depression would be ruinous all around.

VI

Is the Dollar "Soft"?: One more argument (used to discourage our return to the gold coin standard) ought to be mentioned. It assumes that the dollar is too soft to stand on its golden leg unless diluted with paper alloy, so to speak. On the surface, this line has some merit. Most of the gold that glitters in Fort Knox is mortgaged, in effect, to claimants abroad. That is only one among several built-in weaknesses of our financial system. But does devaluation remedy or aggravate the ailment? Is our house so over-indebted that it could not be put in order, nor the gold reserve safeguarded against a run, without cutting the gold value of public and private debts, creating a new rush into domestic and foreign debts? Space limitations prohibit going into details. This much, briefly, may be pointed out:

Devaluation has a rationale of sorts under two closely interwoven conditions. One is an apparently irreparable deficit, called a fundamental disequilibrium, in the net balance of visible and invisible foreign trade. If devaluation is the way out (the easy way) then, by the same token, **what we need now is to revalue** the dollar—upward, maybe to the pre-Roosevelt $20.67 per ounce, since our trade balance is persistently favorable—**and/or Europe should devalue** its currencies. Besides, if we devalue, the whole world would follow, leaving the reciprocal price relationships untouched.

The second and more relevant condition is that of a run out of the currency and into gold or foreign money. This, too, is purely hypothetical in our situation. Such an emergency arises only when a currency is under pressure and the world expects that it will not be defended. (The pound went off gold in 1931 at a 4½% bank rate; Britain preferred to go bankrupt rather than to raise the interest rate, which she had to do anyway after the event.)

The sure way to bring about a dollar panic is by continued reckless financial policies—and by threats of tinkering with the currency. Sitting as we do in a gigantic glass house of debts, we should be the last ones to throw (devaluation) stones.

Stability cannot be attained by unstabilizing the financial anchor of the economy. Experience, if not common sense, should have taught us a lesson: scarcely have commodity prices reached a level proportionate to the 1934 change in the price of gold, when the clamor for a second devaluation has become vociferous. If we repeat the performance, the same situation is bound to confront us again, and very much faster than before. Fortunately, the new set-up in Washington does not seem propitious for a monetary Dunkirk—short of a new World War or something of that order.

Two With Renyx, Field

(Special to The Financial Chronicle)

NEW ORLEANS, La.—Clarence W. Acox and Daniel I. Hager have joined the staff of Renyx, Field & Co., 1803 Broadway.

T. E. Murchison

Thomas E. Murchison, partner in Paul H. Davis & Co., Chicago, passed away at the age of 66.

New York Stock Exch. Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Richard P. Dunn retired from limited partnership in Auchincloss, Parker & Redpath Dec. 31.

R. D. Whitehill withdrew from limited partnership in Haydock, Schreiber & Co. as of Jan. 2.

Harry W. Lunger, member of the Exchange, and a limited partner in Johnston & Lunger, became a general partner effective Jan. 1.

Philip G. Rust retired from limited partnership in Laird & Co. Dec. 31.

Neal Ranfoul, general partner in F. S. Moseley & Co., became a limited partner Jan. 1.

Joseph A. Fagan withdrew from partnership in Daniel F. Rice & Co. Dec. 31.

John J. Stonborough retired from limited partnership in Shields & Company.

Lillian B. Leavitt, general partner in Simon, Strauss & Himme, became a limited partner Jan. 2.

Margaret M. Hopkins retired from partnership in Raymond Sprague & Co. Dec. 31.

Courtlandt D. Barnes, Jr., general partner in H. N. Whitney, Goadby & Co., became a limited partner Jan. 1.

Malcolm E. McAlpin, member of the Exchange, and a limited partner in Talcott, Potter & Co., became a general partner, Dec. 31.

Joins Smith, Moore

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — George M. Marshall is now connected with Smith, Moore & Co., 509 Olive Street, members of the New York and Midwest Stock Exchanges. Mr. Marshall was formerly with A. G. Edwards & Sons.

Now Guardian Trust Co.

PHOENIX, Ariz. — The firm name of Peter Ver Cruisse and Company, Security Building, has been changed to Guardian Trust Company.

Waddell & Reed Add

(Special to The Financial Chronicle)

MOULTRIE, Ga. — William C. Peters is now with Waddell & Reed, Inc.

Continued from page 7

Investment Risk

vision[8] we know that interest defaults, even though remedied, tended about half the time to be precursors of still more defaults.

Further analysis may reveal other factors ranking with industrial trends as important determinants of investor experience. On the basis of preliminary data I have been privileged to see I suspect that the point in the cycle at which bonds are offered will surely stand out among them.

Urban Mortgages: Until analysis of the Bond Project is further advanced, we have more risk knowledge for urban mortgages than for bonds. This is strange because for many years Edgar Lodge's analysis of the experience of the Home Title Insurance Company (1906-1934) was virtually unique, although the Prudential, Lincoln National and Mutual Life Insurance companies had made intensive unpublished studies of their own experience. The rapid expansion of broader information has come since World War II in such studies as John Lintner's examination of the Massachusetts savings banks (1918-1946), and the three National Bureau studies by R. J. Saulnier, Carl Behrens and C. Lowell Harriss, dealing with mortgage experience of life insurance companies (1920-1946), commercial banks (1920-1947) and the HOLC (1933-1951), respectively.

In these studies overall foreclosure rates (by number) ranged from 3.2% for the commercial banks to 19.1% for the HOLC, and annual loss rates from .43% for the commercial banks to .85% for the savings banks.[9] Realized yields were 4.97% for the commercial banks, 4.69% for the life insurance companies. As in the case of corporate bonds, these studies confirm the importance of close attention to fundamental economic forces and trends which comprise the background of any specific mortgage transaction.

On the whole, loans made at the peak of the real estate cycle or in its declining phase have shown notably poorer experience. Foreclosure and loss rates on mortgages made in the late 20's and early 30's were roughly three to ten times as high as on lending of the early 20's. The underlying causes are plain to see: depression erodes both the earning power of commercial properties and smaller borrowers' ability to service debts. These forces come into play for loans made at or around the downturn before amortization has made much dent.[10] An even more telling consideration is the effect of boom optimism on property appraisals on which these loans were based. One sample[11] of loans made in New York City between 1900 and 1943 showed that on all loans made after 1925 no subsequent appraisal through 1943 ever equalled the original and later appraisals went as low as 8% of the original. Obviously, no amortization could offset such fantastic fluctuations to make loans based on these appraisals sound. The lender's solution had to be wariness of boom psychology in the first place.

Over and above cyclical effects, longer term trends, as reflected in specific risk characteristics, have left their mark in mortgage experience. In general, loans in the largest cities and metropolitan areas have had higher foreclosure rates. This is reasonable since the central areas of larger and older cities have borne the brunt of the prevailing trend toward local decentralization of population and industry. Foreclosures have also tended to be higher the more important land value has been in the total appraisal. Reliance on rising land values, particularly in central areas, has overlooked the effect of improved transportation in increasing the supply of accessible outlying land.

Cities differ too in the long-term growth and stability of their income sources and population, and L. D. Badgley has rated cities on the basis of such variations.[12] During the '30s foreclosures[13] showed a regular relationship to these ratings, being higher the poorer the rating. Whether or not these same patterns will hold good in the future for loans being acquired now only time can tell, but it is interesting to note that, low though mortgage delinquencies are at present, defaults in the Mutual Life portfolio currently substantiate the permanence of this past pattern.

Another finding with firm roots in economic and social conditions is the fact that larger residential loans occasioned larger foreclosures and losses. Presumably this reflects both a long-term and cyclical levelling down of family income and a decrease in family size, either depression-bred or secular in nature—which is not yet clear.[14]

Better or poorer experience has also been related to type of property, type of borrower and terms of the mortgage contract. Except for type of property, however, where single family loans show much the best experience, these variations seem less pronounced than those I have just been discussing.[15]

Finally, for purpose of supervision rather than initial selection, we know that early delinquency gives advance warning of heavier foreclosures and losses. As with bond defaults, early delinquencies also tended to be repeaters and thus to boost servicing costs.[16]

Farm Mortgages: Interest in actual lender experience with farm mortgages was evidenced as early as 1912 when the President of the Union Central Life Insurance Company, J. R. Clark, reported his company's experience (from 1866) to a meeting of the Life Insurance Presidents.

However, most experience data are sketchy prior to 1920. Studies since then have been made chiefly by the agricultural experiment stations and the Federal Land Banks. As might be expected in an activity where many and varied factors are associated with success or failure, the former tend to be detailed analyses for a few counties and/or a few crops. Synthesis of these fragments could not be attempted here although, in general, they stress the importance of land quality and relative debt burden in farm lending results. Such a synthesis has, however, been undertaken by Lawrence Jones and David Durand of the National Bureau in a work (now in preliminary form) to be titled "Mortgage Lending Experience in Agriculture."

The Federal Land Banks provide a more comprehensive picture through studies of their own past experience made in conjunction with their long-range reserve program. Over the 25 years from 1917 through 1941[17] the banks' losses and provision for estimated losses averaged .57% which is remarkably close to the ½% rule-of-thumb allowance for losses frequently cited by farm mortgage men.

Preferred Stocks: Studies of actual investor experience in preferred stocks over any significant period of time appear to be virtually non-existent, perhaps because earlier studies using a hypothetical list approach such as those of Kellogg and Kilbourne, Jackson, Rodkey, and Woodworth tended, on the whole, to favor either bonds or common stocks over preferreds. However, the Research Division of Mutual of New York is currently analyzing preferred and common stock experience by industrial group for 11 major life companies from 1928 to date; it is hoped that the findings may break worthwhile new ground.

Common Stocks: Common stocks have drawn attention not only because of the possibility that they might offer a more attractive return than more traditional forms of institutional investments, but also because of belief in their partial efficacy as a hedge against inflation.

On the first score the most impressive marshalling of evidence in recent[18] years is the 1949 Report of the Trust Investment Study Committee and the 1951 Report submitted to the New York Joint Legislative Committee on Insurance Rates and Regulations, both in support of proposed amendments to the New York laws restricting investments of personal trusts and life insurance companies. These reports contain two studies of actual experience, buttressed by tests based on lists of common stocks chosen on various hypotheses plus the composite performance of listed stocks based on an extension of the Cowles Commission indices.

One study covered 227 restricted and unrestricted personal trusts over the period 1926-1947. Since one of the chief distinguishing differences between the two types of funds was the inclusion of common stocks in the unrestricted group to the extent of perhaps one-third of the investment, the comparison could be taken as some reflection of the results of common stock investment. As such, it showed a definite income advantage for the unrestricted trusts throughout the period, but greater instability in market valuation, and much less uniform results than the restricted trusts.

Another study for three life insurance companies from 1930 to 1948 indicates that they realized highly satisfactory dividend plus net profit returns ranging from 5.39% to 8.51%.[19]

On the whole, these studies confirm the theory that investors whose requirements have permitted continuous long-term investment in common stocks, diversified with respect both to type and to time of acquisition and disposal, have realized a somewhat better return than on other classes of investment.

Common Stocks vs. Inflation

On the value of common stocks as an inflation hedge, the picture is less clear. The most recent reexamination of this thesis is William Greenough's "A New Approach to Retirement Income," prepared as background for the Teachers Insurance and Annuity Association's college retirement equities fund. This analysis covers the period 1900-1950, setting up hypothetical annuity funds invested in fixed income obligations, common stocks, and a combination of the two. The fixed income funds are assumed to be invested at net yields earned by life insurance companies,[20] the common stock funds in over 400 stocks in the Cowles Commission indices.[21] Results are examined, in terms of "real" purchasing power, for varying periods of accumulation and decumulation for both periodic and single premium funds. The annuities paid from the equities funds are on a unit basis, with each participant's share reflecting not only dividends, profits and losses, but also the changing market value of the fund's investments.

Greenough's study concludes that "changes in the value of common stocks and other equities are by no means perfectly correlated with cost of living changes, but they have provided a considerably better protection against inflation than debt obligations." This holds good only so long as the investor's requirements do not necessitate substantial shifts either into or out of equities at a particular moment.

No serious objection can be raised to this qualified thesis but it can not be used either as evidence of some inevitable relationship between common stock and commodity prices or as proof that stocks are a better inflation hedge than some form of real estate, for example. For any tempted to take this tack. I would recommend careful reading of Bascom Torrance's recent paper[22] which literally "throws the book" at this kind of argument. He highlights the lack of correspondence between stock and commodity prices not only in this country but in England, as analyzed by Hargreaves Parkinson. During the three-quarters of a century from 1870 through 1939. British ordinary share prices trended persistently upward, although commodity prices for about half the period were either stable or declining.

The limitations of common stocks as an inflation hedge, and the dangers of relying too heavily on indefinite continuation of a favorable secular trend, are reemphasized by British history since 1939. Under the looming shadow of nationalization and constant economic crisis ordinary share prices have risen only about 30% from the prewar year 1938, although wholesale commodity prices have more than tripled in the interval.[23]

Some of the More Important Inadequacies

This quick review of what we do know merely serves to emphasize what we do not know about investment risk and experience.

The skillful institutional investor can influence its own assumption of investment risk through four major aspects of its operations.

(1) The appropriate disposition of funds among broad classes of investment.

(2) Selection of investments within each class to minimize risk and maximize yield in the light of the institution's own needs.

(3) Supervision of the portfolio, including post-selection of investments which become impaired, in such a way as to minimize losses flowing from trouble situations.

(4) Timing of investment acquisition and disposal to take full advantage of market situations.

Ideally, judgments in each of these areas should be aided both by maximum knowledge of the facts of past experience and by maximum understanding of underlying causal factors to permit intelligent estimation of the extent to which past history remains applicable to current conditions. Unfortunately, this review indicates that with respect to all four aspects our knowledge of historical facts is sadly deficient and our understanding of their background even more so. Too many studies, particularly of securities experience, are based on hypothetical lists, with all of the opportunities such approaches afford for the employment of hindsight as well as for oversight of practical aspects of portfolio management. At the other extreme are studies of actual experience where analyses do not distinguish between the influence of risks peculiar to the investment itself and risk resulting from the needs and modes of operation of different investors.

Studies now under way promise to remedy some of these deficiencies but there are still major areas where little start has been made in gathering information required for more scientific investment management and regulation. Chief among these voids are such questions as:

(1) What returns have investors actually realized on mortgages and preferred stocks as compared with bonds and common stocks?

(2) What selection criteria can be developed for preferred and common stocks?

(3) What post-selection criteria and other aids to supervision can be formulated for virtually all forms of investment?

(4) What has been the most advantageous timing for acquisition

8 Some 15 years ago, Gilbert Harold examined the possibility of using changes in quality ratings as a post-selection criterion for corporate bonds. He concluded that they provided no consistent forecast so that "the investor must seek other less simple guides on the question whether he should make any move with respect to his bond portfolio." See "Bond Ratings As An Investment Guide," p. 192 (Ronald Press, New York, 1938).

9 However, these figures on losses are not comparable. The savings bank figures carry through to include estimated losses on purchase money mortgages taken on the disposal of foreclosed property; the others stop with losses at time of disposal.

10 This is not mere speculation but is based on the comparative experience of amortized loans made in the early 'twenties and in the period immediately following. Amortization was more prevalent in that period than is generally realized, e. g., of 2,059 1 to 4 family loans made by life companies 1925-29, 390 were fully and 1,212 partially amortized.

11 Eleanor S. Bagley, "Appraisal Pitfalls." The Appraisal Journal, April, 1949; pp. 173-182.

12 The system is very similar to that used by the FHA.

13 Per 100 residential structures; the proportion of such structures mortgaged is not known.

14 However, this particular risk factor could provide us with an excellent example of the dangers of mechanically extrapolating past trends without digging beneath for underlying conditions which may no longer apply. First, and obviously, size of loan, or price of property with which it is associated, has different meanings at different price levels. Second, whereas the 'twenties may have seen overbuilding of higher-priced homes, government policy in recent years may have produced overbuilding in the lower-price brackets — and building of homes which may prove too small for today's increasing size of family. So tomorrow may not be like yesterday — but we can still learn from yesterday's experience.

15 Better experience has been obtained on owner-occupied homes, on new as against older construction, on loans made at lower loan-to-value ratios, and, although the evidence is spotty, on loans providing for full amortization over their term.

16 John Lintner, "Mutual Savings Banks in the Savings and Mortgage Markets," (Andover Press, Ltd., 1948). Two earlier studies, by Roy Burroughs, for a Cleveland loan firm (1920-1931) and by Elden Smith, for the Security-First National Bank of Los Angeles (1931-1937) have analyzed delinquencies and the typical pattern of events leading to foreclosure.

17 Through 1945 losses before recoveries from national farm loan associations amounted to about 3½% of total loans closed, 1917-1945.

18 An excellent summary of more important earlier studies may be found in Leo Spurrier's "Common Stocks and Bonds as Long-Term Investments" (University of Chicago Press), 1941.

19 Although this period might be considered suspect the yield still appears impressive in view of the fact that much of the investment was acquired during 1935-37 at comparatively high prices.

20 No provision is made for loss.

21 Extended by the Standard and Poor's Index.

22 "Law and Contemporary Problems," Winter, 1952.

23 In terms of the slower-moving cost of living index, stocks have provided a better hedge, although in the years since 1947 the trend of living costs has been upward and that of stock prices down.

and disposal of bonds, mortgages and preferred stocks.[24]

(5) What types of lending organization and policies have represented the most successful adaptation to the investment environment?[25]

In the answer to such questions lies the promise of a body of information which could aid judgment in developing more systematic and scientific investment policies than have ever been possible in the past.

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24 The current explorations of C. Sidney Cottle and W. T. Whitman on formula plans and the institutional investor focus very largely on timing problems in connection with common stock investment, although not exclusively. However, a considerable field remains open to investigation on the timing aspect of investment risk. What, for example, do typical cyclical patterns of yield behavior on bonds, mortgages, preferred and common stocks, imply for the timing of their acquisition and disposal and how should the institution's organization and financial program be geared to take advantage of whatever opportunities may present themselves? What opportunities for maximizing yield and profit inhere in different term structures of interest rates? What have been the results for the investor of disposing of bonds, mortgages and preferreds immediately upon "default" as against disposal at some later date? Answers to such questions would provide factual background information of use to the investor in deciding on appropriate action in similar situations.

25 Investment returns, including costs and losses, are inevitably influenced by the form and efficiency of the lender's organization and by administrative policies. Yet I know of no studies of lending organization and administration which are focused squarely on the criterion of investment yield, with one possible exception: the statistics on urban and farm mortgage costs and yields now being collected by the Life Insurance Association of America on the basis of Saulnier's start in this field.

The kind of question to which answers should be sought can be formulated most readily for mortgages but like questions could be asked with respect to security investment. Do yields, losses and costs vary with the manner in which mortgages are acquired, whether through direct selection by the lender or through correspondents, in blocs, or through individual selection? Are direct lender supervision and collection more effective from the return standpoint after allowance for the cost of such supervision or are these functions performed more cheaply and just as well by agents? (Some operating men have generalized that reliance on agents is cheaper and more flexible in good times but falls down and results in greater loss and expense when delinquencies rise. Since flip-flops of lending organization with the turn of the cycle may be neither practical nor desirable, the real question is "which type of organization averages out to better results over good times and bad?") Another question to be asked is what kind of policy has proved best when default does occur: are better results achieved by advancing additional funds to cover taxes and insurance, by foreclosing immediately, or, where possible, selling immediately at a loss to some more venturesome lender willing to try to work out the situation? And still other questions might be asked about the management of foreclosed property.

Studies of this kind should be partly factual and partly designed to collect (and perhaps test) the accumulated wisdom of operating people in many sections of the country and many types of lending institutions. A great body of background information which could be evaluated from this returns standpoint and perhaps supplemented with still further studies has been accumulated in the descriptive studies of the National Bureau on consumer lending, term lending,, farm and urban mortgage lending. These deal not only with purely economic aspects, but with the psychological, legal, etc., complex of factors which the research economist often forgets; but which may be equally as important to the final outcome as the variable to which he directs his attention. Dr. J. E. Morton is currently engaged in evaluating much of this material from the standpoint of its effect on risk, so we may hope for some remedying of this deficiency in our knowledge, too, in the near future.

Joins H. C. Wainwright

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Ralph J. Waite has been added to the Staff of H. C. Wainwright & Co., 60 State Street, members of the New York and Boston Stock Exchanges.

Cites Reasons for Caution on Near-Term Outlook

Northern Trust Company points out upward surge of business was influenced by making up for steel strike, and may decline when catching up is over. Also cites, among other uncertainties, possibility of lower Federal spending.

The January issue of "Business Comment," a bulletin issued by the commercial banking department of the Northern Trust Company of Chicago, finds that there are reasons for caution on the near-term business outlook, notwithstanding the present high level of business activity. According to "Business Comment":

"Despite the prevailing optimism, grounds for caution exist even with respect to the near-term outlook. Business in steel and steel-using industries has been influenced favorably since summer by efforts to make up for the effects of the steel strike, which reduced steel output for the year by almost one-fifth. This influence stretches far beyond the immediately affected industries, because it makes business look good and therefore spreads optimism in ever-widening circles. In some degree difficult to measure, business may decline when the effects of catching up on steel are over.

"Another uncertainty is the future level of defense work. Defense expenditures have not been expanding significantly in recent months. The policies of the new administration in this area are yet to become known. It seems evident, however, that serious efforts will be made to spend military dollars more efficiently and to reduce the federal budget by appropriate changes in civilian programs also. Business has yet to face the psychological impact of the possibility of substantially lower federal expenditures. While a reduction in expenditures strengthens the prospect for tax reduction, nevertheless total demands may diminish for a time.

"A third factor that may have a dampening influence on business sentiment in the first quarter is the effect on consumer spending of heavy tax payments in January and March, and the burden on business finances of the payment of 40% of federal income tax liabilities in March and another 40% in June. This fall the Federal Government ran a heavy deficit, initially financed in major part through sale of obligations to the banks. Even though tax liabilities are to a large extent reserved for in advance of payment, the change from a large deficit to a surplus in federal finances may temporarily diminish total purchases of goods.

"The influence of these possible adverse developments in business on capital investment programs is difficult to appraise. In important industries such as the public utility, petroleum and chemical companies, short-term changes in business sentiment are outweighed by estimates of longer term requirements. On the other hand, the economic record shows that capital investment is sensitive to changes in business profits. With the cost of doing business high and quite rigid, and with profit margins narrowed by the competitive pressure of excess capacity in many lines, a small decline in volume can seriously affect profits. Capital expenditures may be more sensitive to changes in profits from now on than at any time in the postwar period.

"Several other factors cast a cloud on the business outlook. One is the failure of the prices of raw materials to respond to the expansion in production of finished goods. Usually a strong upward movement in the use of raw materials is accompanied by price advances, and the absence of such increases may be indicative of underlying weakness. Another unfavorable development is a tendency for exports from this country to decline, which is the result not only of restrictions on imports into many countries but also increasing competition in world markets. Though the harvesting of bountiful crops in the United States and Canada is always gratifying, the maintenance of prices at the point dictated by existing farm legislation has required heavy support loans by the Commodity Credit Corporation. Given the stimulus of high support prices and good weather next year, the problem of large carry-overs may lead to output restrictions, which are always unpopular. Also, farm expenses have been rising more rapidly than receipts from marketings, so that net farm income is tending lower.

"The rapid increase in private and state and local debts is cause for concern. Although private debt and debt charges are not as high in relation to incomes as in the late 1920's, the rate of increase in corporate and individual debt has been more rapid in the past five years than in any other comparable period. It may be questioned whether business and individuals will be able to go into debt as rapidly in the next five years. The incurrence of debt tends to expand demands beyond the reaches of current income, and is at the root of unusually good markets for goods and of the inflation problem.

"The competitive free enterprise economy of this country has, in the past twelve years, established records of expanding production of both civilian and military goods that are the envy of the world, and represent a remarkable achievement even in our own economic history. Like living organisms generally, our economy can hardly be expected to operate at peak effort continuously. Many observers judge that war, then war-deferred demands, and now the stimulus of the rearmament program have led temporarily to over-expansion of plant and employment. A letdown from such super-activity should be expected and planned for. The danger is that, in the effort to keep the economy going at boom levels, measures may be proposed that will damage the longer-run progress of the country. It may be that international, scientific and economic forces are combining to maintain the boom. But we should be prepared to tolerate periods of hesitation and consolidation, for such periods are always followed by new advances to levels of economic well-being never before envisioned by man."

Steele & Co. Offers Multicrafters Stock

Steele & Co., New York, are offering publicly "as a speculation" an issue of 99,900 shares of 6% convertible prior preference stock of Multicrafters Inc. (an Illinois corporation) at par ($3 per share). Each share of prior preference stock is convertible on and after Feb. 1, 1954 into three shares of common stock. Multicrafters intends to use the proceeds of this offering for plant investment, materials and supplies, and working capital, etc.

Multicrafters Inc. was incorporated in Illinois in August, 1952 for the manufacture and sale of a new multi-purpose power bench tool featuring a patented telescopic joint; a complete line of multi-purpose machine and bench vises, and a line of miscellaneous hand tools and shop fixtures.

Railroad Securities

How the Rail Market Performed in 1952

The feature of the securities markets last year was the buoyant action of the rails. During the year the Dow-Jones average of railroad stocks rose from 81.70 to 111.27, an advance of 36.2%. In the same period, the Dow-Jones industrial average was up only 8.4% and the utility average was up 11.4%. Moreover, the rise in rail stocks was on a broad scale. Taking a list of 57 railroad common stocks and speculative preferred issues listed on the New York Stock Exchange, there were only three that were selling lower at the end of 1952 than they had been at the beginning of the year.

As is usual in the rail list, however, the performance of the individual stocks varied widely. The 57 stocks mentioned above ranged all the way from a rise of 118.3% to a decline of 38.6%. The two extremes of the scale represented special situations. The gain of 118.3% was registered by the old Missouri Pacific preferred and was based on abandonment of the old reorganization plan and hopes and expectations that a revised plan will provide substantially better treatment. The poorest showing was on the part of Missouri-Kansas-Texas common. The weakness in this stock reflected the filing of a stock readjustment plan for the elimination of preferred dividend arrears. The plan naturally had to provide drastic treatment of the junior equity.

Aside from these two special situations the performance range ran from a rise of 88.6% to a decline of 5.8% which is still an ample spread to point up the necessity for a high degree of selectivity in picking railroad investments or speculations. The two stocks aside from Katy common that declined last year were Chicago, Milwaukee, St. Paul & Pacific and Virginian, off 5.8% and 5.2%, respectively. All told, there were 14 stocks, including the old Missouri Pacific preferred, that did better than the Dow-Jones averages and 43 were off on the year or showed narrower advances than the averages. Obviously the choice of stocks for purchase within the industry was an important one.

On the whole the stocks of roads operating in the southeastern section of the country had by far the best record last year. Eliminating Missouri Pacific preferred the five next best showings were in that area, and the southeast also accounted for six of the 14 that did better than the averages. The largest gain was in the speculative Central of Georgia common, up 88.6%, followed, in order, by Seaboard Air Line, Southern Railway, Illinois Central, and Atlantic Coast Line. These last four are all of investment caliber and last year showed price gains of from 57% to 65%. The only other stocks that advanced more than 50% were Texas & Pacific (54.3%) and Southern Pacific (52.1%).

During most of the year the revived interest and confidence in railroad stocks was largely institutional in nature and concentrated in stocks of investment grade. Nevertheless, by the end of the year it is interesting to note that three of the speculative eastern carriers were in the group that outdid the Dow-Jones averages. They were Baltimore & Ohio common (up 47.0%); New York, New Haven & Hartford common (up 44.1%), and Lehigh Valley (up 41.5%). The last two named have not even been paying dividends, while Baltimore & Ohio resumed payments after a 20-year lapse with a distribution of $0.75 late in the year. It is not on any regular basis. The three others that did better than the average last year (gains of from 37% to 40%) were Kansas City Southern; Gulf, Mobile & Ohio, and Chicago, Rock Island & Pacific. These three again were investment caliber stocks.

On the other end of the scale, and not including the three stocks that declined during the year, there were eight stocks that advanced less than 10%. There was no notable geographical concentration in this poorer acting group. They were as follows:

	Rise
Lackawanna	9.8%
Bangor & Aroostook	9.6
North Western Pfd.	8.9
Norfolk & Western	8.3
Eastern Illinois "A"	7.1
Pittsburgh & West Va.	6.7
Soo Line	5.7
Chi., Ind. & L'ville "B"	4.2

Pennsylvania and New York Central, which have been having a hard time of it in recent years, advanced 26.6% and 23.8%, respectively, in 1952 with the other major eastern road, Erie, about midway between them.

Continued from first page

Truman Delivers Farewell State of the Union Message

of grieving for President Roosevelt—the great and gallant human being who had been taken from us; a time of unrelieved anxiety to his successor, thrust so suddenly into the complexities and burdens of the Presidential office.

Not so this time. This time we see the normal transition under our democratic system. One President, at the conclusion of his term, steps back to private life; his successor, chosen by the people, begins his tenure of the office. And the Presidency of the United States continues to function without a moment's break.

The President-elect is about to take up the greatest burdens, the most compelling responsibilities, given to any man. And I, with you and all Americans, wish for him all possible success in undertaking the tasks that will so soon be his. . . .

Our times are not easy; they are hard—as hard and complex, perhaps, as any in our history. Now, the President not only has to carry on these tasks in such a way that our democracy may grow and flourish and our people prosper, but he also has to lead the whole free world in overcoming the Communist menace—and all this under the shadow of the atomic bomb.

This is a huge challenge to the human being who occupies the Presidential office. But it is not a challenge to him alone, for in reality he cannot meet it alone. The challenge runs not just to him but to his whole Administration, to the Congress, to the country.

There have been misunderstandings and controversies these past eight years, but through it all the President of the United States has had that measure of support and understanding without which no man could sustain the burdens of the Presidential office, or hope to discharge its responsibilities. . . .

What Has Been Done in His Administration

Let me remind you of some of the things we have done since I first assumed my duties as President of the United States.

I took the oath of office on April 12, 1945. In May of that same year, the Nazis surrendered. Then, in July, that great white flash of light, man-made at Alamogordo, heralded swift and final victory in World War II—and opened the doorway to the atomic age.

Consider some of the great questions that were posed for us by sudden, total victory in World War II. Consider also, how well we, as a nation, have responded.

Would the American economy collapse, after the war? That was one question. Would there be another depression here—a repetition of 1921 or 1929? The free world feared and dreaded it. The Communists hoped for it and built their policies upon that hope.

We answered that question—answered it with a resounding "no."

Our economy has grown tremendously. Free enterprise has flourished as never before. Sixty-two million people are now gainfully employed, compared with 51,000,000 seven years ago. Private businessmen and farmers have invested more than $200,000,000,000 in new plant and equipment since the end of World War II. Prices have risen further than they should have done—but incomes, by and large, have risen even more, so that real living standards are now considerably higher than seven years ago.

Economy Aided by Sound Government Policies

Aided by sound Government policies, our expanding economy has shown the strength and flexibility for swift and almost painless reconversion from war to peace, in 1945 and 1946; for quick reaction and recovery—well before Korea—from the beginning of recession in 1949. Above all, this live and vital economy of ours has now shown the remarkable capacity to sustain a great mobilization program for defense, a vast outpouring of aid to friends and allies all around the world—and still to produce more goods and services for peaceful use at home than we have ever known before. . . .

Financing World War II left us with a tremendous public debt, which reached $279,000,000,000 at its peak in February, 1946.

Beginning in July, 1946, when war and reconversion financing had ended, we have held quite closely to the sound standard that in times of high employment and high national income, the Federal budget should be balanced and the debt reduced.

In July of 1950, we began our rapid rearmament, and for two years held very close to a pay-as-we-go policy. But in the current fiscal year and the next, rising expenditures for defense will substantially outrun receipts. This will pose an immediate and serious problem for the new Congress.

Now let me turn to another question we faced at the war's end. Would we take up again, and carry forward, the great projects of social welfare — so badly needed, so long overdue—that the New Deal had introduced into our national life?

This question, too, we have answered.

Powers of Government to Promote People's Welfare

We have demonstrated, up to now, that our democracy has not forgotten how to use the powers of the Government to promote the people's welfare and security.

We have had to fight hard against those who would use our resources for private greed; we have met setbacks; we have had to delay work because of defense priorities, but on the whole we can be proud of our record in protecting our natural heritage, and in using our resources for the public good.

Here is another question we had to face at the war's close: Would we continue, in peace as well as war, to promote equality of opportunity for all our citizens, seeking ways and means to guarantee all of them the full enjoyment of their civil rights?

We answered these questions in a series of forward steps at every level of government and in many spheres of private life. In our armed forces, our civil service, our universities, our railway trains, the residential districts of our cities—in stores and factories all across the nation—in the polling booths as well—the barriers are coming down.

Problem of Building Lasting Peace

I come now to the most vital question of all, the greatest of our concerns: Could there be built in the world a durable structure of security, a lasting peace for all the nations, or would we drift, as after World War I, toward another terrible disaster—a disaster which this time might be the holocaust of atomic war?

That is still the overriding question of our time. We cannot know the answer yet; perhaps we will not know it finally for a long time to come. But day and night, these past eight years, we have been building for peace, searching out the way that leads most surely to security and freedom and justice in the world for us and all mankind.

This, above all else, has been the task of our republic since the end of World War II, and our accomplishment so far should give real pride to all Americans. At the very least, a total war has been averted, each day up to this hour. And, at the most, we may already have succeeded in establishing conditions which can keep that kind of war from happening, for as far ahead as man can see. . . .

The United States has sought to use its preeminent position of power to help other nations recover from the damage and dislocation of the war. We held out a helping hand to enable them to restore their national lives and to regain their positions as independent, self-supporting members of the great family of nations. This help was given without any attempt on our part to dominate or control any nation. We did not want satellites but partners.

The Soviet Union, however, took exactly the opposite course. . . .

The dominant idea of the Soviet regime is the terrible conception that men do not have rights but live at the mercy of the state.

Inevitably this idea of theirs—and all the consequences flowing from it—collided with the efforts of free nations to build a just and peaceful world. . .

We did not seek this struggle, God forbid. We did our utmost to avoid it. . . . The world is divided, not through our fault or failure, but by Soviet design. They, not we, began the cold war. And because the free world saw this happen—because men know we made the effort and the Soviet rulers spurned it—the free nations have accepted leadership from our republic, in meeting and mastering the Soviet offensive.

Nature of Soviet Threat

It seems to me especially important that all of us be clear, in our own thinking, about the nature of the threat we have faced—and will face for a long time to come. The measures we have devised to meet it take shape and pattern only as we understand what we were — and are — up against.

The Soviet Union occupies a territory of eight million square miles. Beyond its borders, east and west, are the nearly five million square miles of the satellite States—virtually incorporated into the Soviet Union — and of China, now its close partner. This vast land mass contains an enormous store of natural resources sufficient to support an economic development comparable to our own. . . .

But it is also a world of great man-made uniformities, a world that bleeds its population white to build huge military forces; a world in which the police are everywhere and their authority unlimited; a world where terror and slavery are deliberately administered both as instruments of government and as means of production; a world where all effective social power is the State's monopoly—yet the State itself is the creature of the Communist tyrants.

The Soviet Union, with its satellites, and China are held in the tight grip of Communist Party chieftains. The party dominates all social and political institutions. The party regulates and centrally directs the whole economy. In Moscow's sphere, and in Peiping's, all history, philosophy, morality and law are centrally established by rigid dogmas, incessantly drummed into the whole population and subject to interpretation—or to change—by none except the party's own inner circle. . . .

Externally, the Communist rulers are trying to expand the boundaries of their world, whenever and wherever they can. This expansion they have pursued steadfastly since the close of World War II, using any means available to them. . . .

The Communist rulers are moving, with implacable will, to create greater strength in their vast empire, and to create weakness and division of the free world, preparing for the time their false creed teaches them must come: The time when the whole world outside their sway will be so torn by strife and contradictions that it will be ripe for the Communist plucking. . . .

It has been and must be the free world's purpose not only to organize defenses against aggression and subversion, not only to build a structure of resistance and salvation for the community of nations outside the Iron Curtain, but, in addition, to give expression and opportunity to the forces of growth and progress in the free world, to so organize and unify the cooperative community of free-men that we will not crumble but grow stronger over the years, and the Soviet empire, not the free world, will eventually have to change its ways or fall.

Two Requirements of Defense Program

Our whole program of action to carry out this purpose has been directed to meet two requirements.

The first of these had to do with security. Like the pioneers who settled this great continent of ours, we have had to carry a musket while we went about our peaceful business. We realized that, if we and our allies did not have military strength to meet the growing Soviet military threat, we would never have the opportunity to carry forward our efforts to build a peaceful world of law and order—the only environment in which our free institutions could survive and flourish.

Did this mean we had to drop everything else and concentrate on armies and weapons? Of course it did not: Side-by-side with this urgent military requirement, we had to continue to help create conditions of economic and social progress in the world. This work had to be carried forward alongside the first, not only in order to meet the non-military aspects of the Communist drive for power, but also because this creative effort toward human progress is essential to bring about the kind of world we as free men want to live in.

These two requirements—military security and human progress—are more closely related in action than we sometimes recognize. Military security depends upon a strong economic underpinning and a stable and hopeful political order; conversely, the confidence that makes for economic and political progress does not thrive in areas that are vulnerable to military conquest. . . .

Reliance on United Nations

We were prepared, and so were the other nations of the free world, to place our reliance on the machinery of the United Nations to safeguard peace. But, before the United Nations could give full expression to the concept of international security embodied in the Charter, it was essential that the five permanent members of the Security Council honor their solemn pledge to cooperate to that end. This the Soviet Union has not done. . . .

By a series of vigorous actions, as varied as the nature of the threat, the free nations have successfully thwarted aggression or the threat of aggression in many different parts of the world.

Our country has led or supported these collective measures. The aid we have given to people determined to act in defense of their freedom has often spelled the difference between success and failure.

We all know what we have done and I shall not review in detail the steps we have taken. Each major step was a milestone in the developing unity, strength and resolute will of the free nations. . . .

The supreme test, up to this point, of the will and determination of the free nations came in Korea, when Communist forces invaded the Republic of Korea, a state that was in a special sense under the protection of the United Nations. The response was immediate and resolute. Under our military leadership, the free nations for the first time took up arms, collectively, to repel aggression.

Aggression was repelled, driven back, punished. Since that time, Communist strategy has seen fit to prolong the conflict, in spite of honest efforts by the United Nations to reach an honorable truce. . . .

It has been a bitter struggle and it has cost us much in brave lives and human suffering, but it has made it plain that the free nations will fight side by side, that they will not succumb to aggression or intimidation, one by one. This, in the final analysis is the only way to halt the Communist drive to world power.

At the heart of the free world's defense is the military strength of the United States.

From 1945 to 1949 the United States was sole possessor of the atomic bomb. That was a great deterrent and protection in itself.

Growth of Unity of Western Europe

But when the Soviets produced an atomic explosion—as they were bound to do in time—we had to broaden the whole basis of our strength. We had to endeavor to keep our lead in atomic weapons. We had to strengthen our armed forces generally and to enlarge our productive capacity—our mobilization base.

We have made great progress on this task of building strong defenses. In the last 2½ years, we have more than doubled our own defenses, and we have helped to increase the protection of nearly all the other free nations.

In Europe, the grand design of the Marshall Plan permitted the people of Britain and France and Italy and a half dozen other countries, with help from the United States, to lift themselves from stagnation and find again the path of rising production, rising incomes, rising standards of living.

Now the countries of Europe are moving rapidly toward political and economic unity, changing the map of Europe in more hopeful ways than it has been changed for 500 years. The countries of Western Europe, including the free republic of Germany are working together, and the whole free world is the gainer.

In Asia and Africa, the economic and social problems are different but no less urgent. There hundreds of millions of people are in ferment, exploding into the 20th century, thrusting toward equality and independence and improvement in the hard conditions of their lives.

In this situation, we see the meaning and the importance of the Point IV program, through which we can share our store of know-how and of capital to help these people develop their economies and reshape their societies. . .

Must Continue Foreign Aid

These are the measures we must continue. This is the path we must follow. We must go on, working with our free associates, building an international structure for military defense, and for economic, social, and political progress. We must be prepared for war, because war may be thrust upon us. But the stakes in our search for peace are immensely higher than they have ever been before.

For now we have entered the atomic age, and war has undergone a technological change which makes it a very different thing from what it used to be. War today between the Soviet empire and the free nations might dig the grave not only of our Stalinist opponents, but of our own society, our world as well as theirs.

This transformation has been brought to pass in the seven years from Alamogordo to Eniwetok. It is only seven years, but the new force of atomic energy has turned the world into a very different kind of place.

Science and technology have worked so fast that war's new meaning may not yet be grasped by all the people who would be its victims; nor, perhaps, by the rulers in the Kremlin. But I . . . know what this development means now. I know something of what it will come to mean in the future.

We in this government realized, even before the first successful atomic explosion, that this new force spelled terrible danger for all mankind unless it were brought under international control. We promptly advanced proposals in the United Nations to take this new source of energy out of the arena of national rivalries, to make it impossible to use it as a weapon of war. These proposals, so pregnant with benefit for all humanity, were rebuffed by the rulers of the Soviet Union. . . .

We had no alternative, then, but to press on, to probe the secrets of atomic power to the uttermost of our capacity, to maintain, if we could, our initial superiority in the atomic field. . . .

The progress of scientific experiment has outrun our expectations. Atomic science is in the full tide of development; the unfolding of the innermost secrets of matter is uninterrupted and irresistible.

Since Alamogordo we have developed atomic weapons with many times the explosive force of the early models, and we have produced them in substantial quantities. And recently, in the thermonuclear tests at Eniwetok, we have entered another stage in the world-shaking development of atomic energy. From now on, man moves into a new era of destructive power, capable of creating explosions of a new order of magnitude, dwarfing the mushroom clouds of Hiroshima and Nagasaki.

We have no reason to think that the stage we have now reached in the release of atomic energy will be the last. Indeed, the speed of our scientific and technical progress over the last seven years shows no signs of abating. We are being hurried forward, in our mastery of the atom, from one discovery to another, toward yet unforeseeable peaks of destructive power. . . .

War of Future

The war of the future would be one in which man could extinguish millions of lives at one blow, demolish the great cities of the world, wipe out the cultural achievements of the past—and destroy the very structure of a civilization that has been slowly and painfully built up through hundreds of generations. . . .

It is no wonder that some people wish that we had never succeeded in splitting the atom. But atomic power, like any other force of nature, is not evil in itself. Properly used, it is an instrumentality for human betterment. As a source of power, as a tool of scientific inquiry, it has untold possibilities. We are already making good progress in the constructive use of atomic power. We could do much more if we were free to concentrate on its peaceful uses exclusively. . . .

There is ahead of us a long hard test of strength and stamina, between the free world and the Communist domain — our politics and our economy, our science and technology against the best they can do—our liberty against their slavery—our voluntary concert of free nations against their forced amalgam of "people's republics"—our strategy against their strategy — our nerve against their nerve.

Above all, this is a test of the will and the steadiness of the people of the United States.

An Unprecedented Challenge to U. S.

There has been no challenge like this in the history of our republic. We are called upon to rise to the occasion, as no people before us. . . .

If we value our freedom and our way of life and want to see them safe, we must meet the challenge and accept its implications, stick to our guns and carry out our policies. . . .

Our resources are equal to the task. We have the industry, the skills, the basic economic strength. Above all, we have the vigor of free men in a free society. We have our liberties. And, while we keep them, while we retain our democratic faith, the ultimate advantage in this hard competition lies with us, not with the Communists.

But there are some things that could shift the advantage to their side. One of the things that could defeat us is fear—fear of the task we face, fear of adjusting to it, fear that breeds more fear, sapping our faith, corroding our liberties, turning citizen against citizen, ally against ally. Fear could snatch away the very values we are striving to defend.

Already the danger signals have gone up. Already the corrosive process has begun. And every diminution of our tolerance, each new act of enforced conformity, each idle accusation, each demonstration of hysteria — each new restrictive law—is one more sign that we can lose the battle against fear.

The Communists cannot deprive us of our liberties—fear can. The Communists cannot stamp out our faith in human dignity—fear can. Fear is an enemy within ourselves, and if we do not root it out, it may destroy the very way of life we are so anxious to protect.

To beat back fear, we must hold fast to our heritage as free men. We must renew our confidence in one another, our tolerance, our sense of being neighbors, fellow citizens. We must take our stand on the Bill of Rights. The inquisition, the star chamber, have no place in a free society. . . .

I have lived a long time and seen much happen in our country. And I know out of my own experience that we can do what must be done. . . .

The nation's business is never finished. The basic questions we have been dealing with, these eight years past, present themselves anew. That is the way of our society. Circumstances change and current questions take on different forms, new complications, year by year. But, underneath, the great issues remain the same — prosperity, welfare, human rights, effective democracy and, above all, peace.

Now we turn to the inaugural of our new President. And, in the great work he is called upon to do, he will have need for the support of a united people, a confident people, with firm faith in one another and in our common cause. I pledge him my support as a citizen of our republic, and I ask you to give him yours.

To him, to you, to all my fellow citizens, I say, God speed.

May God bless our country and our cause.

Five With Mutual Fund

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Arthur Dachman, Andrew P. Hill, Seymour G. Kost, Gerald B. Leethem and George W. Robinson have joined the staff of Mutual Fund Associates, 127 Montgomery Street. All were formerly with Consolidated Investments Incorporated.

With Francis I. du Pont

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Edward A. White has become associated with Francis I. du Pont & Co., 317 Montgomery Street. He was formerly with E. F. Hutton & Co. and prior thereto was with Merrill Lynch, Pierce, Fenner & Beane.

Joins Robert Buell

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Patrick D. Sullivan is now with Robert C. Buell & Company, 36 Pearl Street. He was formerly connected with Paine, Webber, Jackson & Curtis.

Joins Link, Gorman

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Alfons Sophie has become associated with Link, Gorman, Peck & Co., 208 South La Salle Street. He was formerly for many years with First Securities Co. of Chicago.

Amos Sudler Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — John J. O'Leary has been added to the staff of Amos C. Sudler & Co., First National Bank Building.

Dempsey-Telegler Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Virgil P. Leahy is with Dempsey-Tegeler & Co., 407 North Eighth Street, members of the New York and Midwest Exchanges.

Mutual Funds

By ROBERT R. RICH

"SPECULATIVE ENTHUSIASM for Canadian securities was overdone, especially in Western oil developments, resulting in decline of about 20% from their 1951-52 highs of a broad list of oil securities," according to a year-end statement of Hugh Bullock, President of Calvin Bullock.

"Indeed, Montreal Stock Exchange averages of representative industrial stocks ended 1952 some 10% lower than when the year began," he stated. "What of 1953? It looks as if at these more reasonable levels investors cannot fail to be attracted again.

"Canada in recent years has been attractive to investors in all parts of the world because it has wonderful natural resources, a relatively safe geographical position in a troubled world, sound fiscal policies and a stalwart people of high character.

"Investors see a country with remarkable petroleum properties, high grade iron ore deposits, plentiful water power, a modern industrial plant; cereals and food in abundance, a balanced budget and government debt reduced each year since World War II.

"They cannot fail to remember Winston Churchill's remark when he visited Canada this last January that 'Upon the whole surface of the globe, there is no more spacious or splendid domain than Canada open to the activity and genius of free men.' "

CONFIDENCE IN a continued near-term high rate of economic activity was expressed in the 1952 Annual Report of Diversified Funds, Inc., $48,000,000 mutual investment company.

"The Republican Administration represents a potential force for economy in government spending," said Hugh W. Long, President, in releasing the Report, "and any plans for change in the defense or other budget spending tempo must take into account the long-range plans of Russian imperialism and the heavy unfilled and outstanding defense commitments."

An increase of more than $10,000,000 in assets was reported in the Diversified Funds, Inc. Annual Report for 1952—the 16th report of the company and the first since its corporate simplification plan was completed. Formerly an issuer of "industry" and other specialty fund shares as well as general management funds, the company reclassified its industry and specialty series during the year in a plan that involved—among other features—a public underwriting of shares of Diversified Growth Stock Fund by Kidder, Peabody & Co. and a nationwide group of investment firms.

Sale offerings of Diversified Funds, Inc. are three general management funds — Diversified Investment Fund, a "balanced-income" fund; Diversified Growth Stock Fund, a growth fund, and Diversified Common Stock Fund, an equity income and appreciation fund.

IT WILL BE better to be in the stock market in 1953 than out of it, D. Moreau Barringer, Chairman, Delaware Fund, Inc. said in a year-end statement this week.

He emphasized that this is especially true of those investors whose sole or major goal is income. This type of investor, he pointed out, is as he always has been in the overwhelming majority and includes most of the new common stock buyers—pension funds, insurance companies, mutual funds, trust estates, etc.

The mutual fund executive expressed the opinion that General Eisenhower's election has reduced many of the fears that have lurked in the minds of anyone considering the purchase of stocks these past 20 years. He expects a further reduction of such fears and he added: "The effect of dispelling them will be to encourage, by a little or a lot, every purchaser of stocks; to reduce, by a little or a lot, the urgency of many sellers. This factor, other things being equal, can be expected to maintain a generally higher level of stock prices."

Mr. Barringer makes this appraisal of the cold war and foreign affairs generally: "The stock market will always be vulnerable to shocks from such sources. But, insofar as wars are inflationary, and stocks are the best refuge from inflation in the security markets, there is nothing in the foreign storm clouds that should cause the long-term investor to retreat to other types of securities. Does this mean that I think that trees have suddenly decided to grow to the sky? No. But I believe that the tree is nearer to the sapling stage, freer from internal rot, and further from the end of its life than pessimists say."

Meanwhile, the $15 million Delaware Fund added to a number of its common stock holdings in the latter part of December to close the year in a fully invested position, Mr. Barringer said in his semi-monthly report to directors.

He described the position as made up of 90% of common stocks with the balance in preferreds—mostly convertible.

"As you can see," the mutual fund executive told his board, "we feel that for the time being, at least, the stock market still represents good investment value."

Common stock holdings increased in the period included Norfolk & Western, Wrigley, Union Tank Car, Union Pacific, Lion Oil, and Columbus & Southern Ohio Electric. The fund also added to its Texas Eastern Transmission preferred.

SALES OF National Securities Series for the year 1952 were reported at $41,346,000, the highest year in the history of the company, according to figures released by E. Waln Hare, Vice-President of National Securities & Research Corporation, New York. These sales represent an increase of approximately 58% over sales reported in the previous record year of 1951.

Total assets of National Securities Series were reported at $118,310,065 at the 1952 year-end. The largest single fund in the group is National Stock Series, with net assets of over $56,256,467 as of Dec. 31, 1952—up over 76% from the year earlier figure of $31,959,945. National Income Series continues to be the second largest fund with net assets of $28,816,529 as of the year-end.

"Sales of National Stock Series were the largest of any of the funds in the National group," said Mr. Hare, "and accounted for over one-half of the total sales in 1952." This fund is managed with better than average current return as its objective and Mr. Hare attributed the popularity of Stock Series to the continuing desire of investors for greater income.

"The growth of National Securities Series," said Hare, "reflects the cumulative effects of clientele education by investment dealers, combined with the increasingly popular acceptance of Mutual Funds.

"The Mutual Fund industry today stands on the threshold of its greatest growth era and The 'National' Funds should continue to share in the future growth of the industry."

ON Dec. 31, 1952 combined assets of Eaton & Howard mutual funds exceeded $111,500,000, representing an increase of $21,200,000 during the year.

Eaton & Howard Balanced Fund had assets of $94,487,930, with 2,906,930 shares outstanding compared with $77,728,899 and 2,507,980 shares on Jan. 1, 1952. Year-end balance among classes of securities was as follows: 8.5% cash, U. S. Government bonds, and short-term notes; 14.7% corporate bonds; 15.9% preferred stocks; and 60.9% common stocks.

Eaton & Howard Stock Fund assets were $17,013,618 with 693,820 shares outstanding compared with $12,570,377 assets and 549,972 outstanding shares on Jan. 1, 1952. Assets of the Fund were 94.5% invested in common stocks.

GEORGE PUTNAM Fund of Boston, balanced mutual investment fund, increased its holdings of common stocks during the fourth quarter of 1952 from 61% to 63% of the total Fund at the year-end, according to a preliminary report by The Putnam Management Company.

New common stock additions included three banks—5,000 Bank of America, 5,000 National Bank of Detroit, and 4,500 Seattle First National; two utilities — 5,000 Idaho Power and 2,500 Texas Utilities; two finance companies — 2,000 Household Finance and 1,200 Traders Finance (of Canada); and initial commitments in 5,000 Boeing Airplane and 5,000 General Electric.

Holdings of the following common stocks were eliminated during the quarter: 15,000 Bank of Manhattan, 20,000 Gimbel Brothers, 36,000 New England Gas & Electric, and 5,000 Robbins Mills.

New additions to The Putnam Fund's fixed income investments included the following securities: $700,000 U. S. Treasury 2½s, 67-62; $350,000 Associated Investment debentures 3⅜s, 1962; $500,000 United Gas debentures 4⅜s, 1972; 5,000 shares American Investment 5.25% preferred; 5,000 shares Suburban Propane Gas 5.2% convertible preferred, and 2,500 shares Servel Inc. $4.50 preferred.

Total net assets of The Putnam Fund increased to a new high record of over $61,450,000 at the year-end after distributions to shareholders in December of more than $2,200,000 consisting of dividends and realized gains. This compares with $51,700,000 a year ago and represents the largest year-to-year gain in the 15 year history of the Fund.

RESOURCES OF Television-Electronics Fund, launched a little more than four years ago with assets of $112,500, crossed the $25 million mark.

The fund reports its latest asset position as $25,174,189. This represents an increase of upwards of $14,000,000 or 127% in the resources of the fund since Jan. 1, 1952.

Paul A. Just, Executive Vice-President of Television Shares Management Company, national distributors, pointed out that the fund's remarkable growth is without parallel in the mutual fund industry, even though the industry has recorded its greatest gains in the past five years. He attributed the dynamic expansion of Television-Electronics Fund to an ever-growing public recognition of electronics as the industry with the greatest growth potential, and to a realization on the part of the investment industry that the shares of the fund offer the only broad participation in electronics through a single security.

"Our analysis of our own expansion this past four years," Mr. Just said, "indicates that the investment interest in electronics is virtually universal. We have been drawing purchases of shares from every stratum of investors—the middle income groups as well as the large individual investors including institutions. We look for a substantial expansion of our assets this year."

TOTAL ASSETS of the Axe-Houghton Funds, funds managed by E. W. Axe & Co., Inc., on Dec. 31 amounted to $65,289,000 — a gain of $15,185,000, or 30% over the Dec. 31, 1951 total of $50,104,000.

JAMES M. JOHNSTON, Chairman of the Board of Washington Mutual Investors Fund, announced yesterday that D. J. Needham, formerly General Counsel of the American Bankers Association, now retired, had been elected Vice-President of the Fund. Mr. Needham also will become associated with the Washington, D. C., investment banking firm of Johnston, Lemon & Co., sponsors of the fund, in the firm's Investment Trust Department.

Mr. Johnston stated that Mr. Needham's long legal experience in banking will bring to the management of the fund and the firm's Investment Trust Department his broad banking knowledge especially in the field of trust management.

Washington Mutual Investors Fund is the first mutual fund in the United States to offer a fully invested "all legal" common stock portfolio. Its charter restricts investments to common stocks selected from the list of investments eligible for the investment of trust funds in the District of Columbia.

Mr. Needham was General Counsel for the American Bankers Association for 19 years, from 1933 to 1952. His office was in Washington, D. C. For 12 years, prior to Mr. Needham's association with the American Bankers Association, he was office counsel for the Central National Bank, Cleveland, Ohio.

He is a member of the Board of Governors of the Columbia Country Club and a trustee of the National Cathedral School for Girls. He is a Mason, a member of the National Press Club, Beta Theta Pi, college fraternity, and Phi Delta Phi, legal fraternity.

H. FREDERICK HAGEMANN, Jr., President of the Rockland-Atlas National Bank of Boston, has been appointed to the advisory board of Massachusetts Investors Trust and Massachusetts Investors Growth Stock Fund. Other members of the advisory board are: Charles Francis Adams, Roger Amory, Thomas D. Cabot, Paul F. Clark, Ralph Lowell and Oliver M. W. Sprague.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

For the past few days I have been fighting what my doctor calls an attack of intestinal virus. It hasn't been much of a battle. I lost. I stayed in bed or reasonably close to it.

* * *

Anyway, being away from the office, I had to communicate by phone. In addition, I have spent what time was otherwise unoccupied with reading the annual forecasts of business and finance that are now starting to appear in the newspapers.

* * *

Like every year, I have read these glimpses of the future and I am always amazed at the amount of words used to say so little. If there is anything new about these new year crystal gazings, it is the unusually large outcroppings of current statements to the effect that there is very little possibility of any business recession and the chances of 1929 being repeated are too remote to merit consideration.

* * *

I am not disagreeing with any of those authorities. I simply don't know if they are right. There was a time when I would have considered their opinions as solid as a mathematical axiom. But I can't help recalling the famous economic professor also quoted as saying, back in 1929 (it was the beginning of the year), that we had finally reached the millenium of economic stability; a reaction in security prices, he said, was out of the question. Such an opinion wasn't the professor's alone. It was echoed and re-echoed with some minor changes all over the country and was accepted as gospel.

* * *

As I started to say at the beginning of the previous paragraph, I am not disagreeing. Maybe this time around the boys are right, but for my own money, I have no intention of following such opinions.

* * *

A couple of weeks ago, I wrote in this space that I thought a storm was brewing although I anticipated a further rise in the various averages; even new highs. I warned readers to clear out of long commitments if tax situations permitted it, but in any case not to buy new stocks at this stage of the game.

* * *

Well, the following week the averages did go up. Hardly a day passed that we didn't see a new headline in the financial pages that the markets had hit a new high. Still if you went over the "new highs" you realized that it was always the other fellow's stocks, the blue chips, the stocks that make up the averages.

* * *

The past few days they have started to go off. I don't know whether this is the beginning of any important decline or not. Inasmuch as I am on the sidelines, and I hope you are too, I can be complacent about it. I do know, however, that I didn't become cautious in anticipation of any five-point reaction or so.

* * *

If people are rubbing their hands in anticipation of what the new Congress and the new President will accomplish right off the bat, they have a rude awakening ahead. There will be many statements, there may even be a few minor attempts to live up to some of the previous promises. I am afraid, however, that this will be one of the shorter political honeymoons.

* * *

That is what the market is saying to me. Until it changes its tune, I intend to keep to the side lines and yell "Come on, anybody!"

[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.]

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Observations . . .

relationship of former Commission personnel be examined into very carefully."

Too Hot to Handle

Again on the "hot" question of fees charged to brokers and dealers by the SEC, and the controversial Busbey bill, the committee abstains from expressing any opinion as to whether there should be such fees, confining itself to the iffy observation that "should there be charges or fees," they should be fixed in specific legislation passed by the Congress.

On the various legislative proposals submitted, as by President Funston of the New York Stock Exchange, no attempt was made to secure elaborated comment, and no committee recommendations were made.

The various material omissions, no doubt, were due to the paucity of funds and hence of staff available to the committee (rather, than as charged in some places, to an axe to grind for legislatively-influential banking interests). After all, adequate inquiry into the question of competitive bidding, which was completely skipped over by the committee, has required four years of delving by a squad of experts in the government's continuing anti-monopoly suit against the investment bankers.

Operated on IOU Shoe-String

The resolution for the investigation was passed on Aug. 22, 1951, without any mention whatever of money for a working subcommittee. The next day the Congress recessed, then reconvened for two to three weeks and again quit, all without appropriating any funds. At the reconvening of the Congress the following January, the subcommittee asked for $75,000—a modest enough sum—which the full committee cut to $25,000, and a House appropriations committee to $20,000 on Feb. 27. This $20,000 was finally passed by the full House in early April, until which time the subcommittee was operating under an IOU arrangement. By June it ran out of money completely, and was granted another $5,000 tab, without which there would not have been any report at all.

Quite ironical is it that the Committee waxes skeptical over the SEC's offering its own personnel shortage as impairing the effectiveness of its administration, saying: ". . . we recognize it is not uncommon for Federal agencies to allege inadequate personnel as the reason for failing to carry out their statutory duties. We think some means must be found to eliminate excuses of this character as a basis for failing to give the public the protection which the law intended. Consequently, the subcommittee believes that the allegations of 'help shortages' by the Commission should be carefully and thoroughly studied." With the SEC complaining that the Heller people's queries occupied 20,000 of its scarce man hours, we have a situation of two personnel-starved bodies making faces at each other.

Public's Interest Down When Prices Up

The Congress's stinginess with funds here is partly due to the timing of the public's interest in financial regulation in this country. Concern over securities regulation here characteristically is confined to the wake of the public's indignation over its losses in financial debacles. The appointment of a commission in 1908 to determine the advisability of the state legislature's "taking over" the New York Stock Exchange resulted from the previous year's epochal panic. Two decades later it took the personal disasters suffered in the post-1929 collapse to bring on the New Deal Federal securities laws—via the Pecora drama and circus.

In the European countries, on the other hand, reform does not depend on the course of prices or prosperity. The British Companies Act of 1929 was enacted midst a long bull market. In France too the timing of the financial reforms instituted successfully by Laval, Blum, Chautemps, and Daladier, have had no relevance to price movements; they represent carefully considered attempts to tighten the more obvious loopholes in previous statutes. And similarly scientific has been regulation in Germany and the Netherlands.

So the Heller subcommittee, way under-staffed and technically inexpert, and chaired by a comparative novice in the investment field, necessarily has come forth with a report that is sketchy and exploratory; at best a mere sign-post for further study. Whether, as the subcommittee urges, the study is to be renewed, the House's newly constituted Interstate and Foreign Commerce Committees will soon decide in the 83rd Congress. From the investigators' viewpoint, they must take a strong "either-or" stand, as they should have before: — no money, no work. Otherwise the end result must be a zero—merely a kindergarten securities course for the edification of the committee members.

* * *

Survey Groucho

If the continued investigation should encompass investigation of investors' psychological reactions, in line with the current rage for surveys, this column recommends that the West Coast's psychiatric processes be explored through further questioning of Mr. Groucho Marx. For this stockholder of Pitney-Bowes, Inc., recently came through with the following pithy replies to his company's eager questionnaire:—

Blithely ignoring all forms of questionnaire checking, Stockholder Marx responded with write-in answers in his own hand, closing with an affectionate "S. W. A. K." and six little crosses.

Asked what factor most influenced his decision to buy Pitney-Bowes stock, he replied, "The wind was from the North."

To the question, "Do you own other stocks beside Pitney-Bowes?", he answered, "Two dry holes in Texas."

Queried, "How capable do you consider the present management?" (and asked to check one of five boxes ranging from "very capable" to "weak"), he simply wrote in, "good golfers."

By-passing such orthodox methods of financing growth as common and preferred stocks, he submitted an alternative method: "bank robbery." His rating of the company's annual report was, "tops in fiction."

Continued from page 5

The State of Trade and Industry

All independent producers showed a gain in production. They worked four days instead of about three in the preceding week.

At the close of 1952 industrial production was at the best level since March, 1945. The Federal Reserve Board estimated its index of industrial output in December at 234% of the 1935-39 average, thus setting a new post-World War II high for the fourth successive month and approaching the record figure of 247% attained in October and November, 1943.

The indicated December index compared with 193% last July when industrial output was set back by the steel strike. It was a point above the November level of 233%, and five points above the revised October index of 229%. The board said practically every segment of the industrial economy shared in the November gain, but that wholesale prices of farm commodities continued to decline during the month.

Construction expenditures rose to a new high of $32.3 billion last year, but physical volume dropped below both 1951 and 1950. Because of increased costs, dollar outlays were 5% above 1951, the United States Departments of Labor and Commerce reported. About $21.8 billion was spent on private projects last year, against $21.7 billion in 1951. Private residential building accounted for half the total. Public construction expenditures increased to $10.5 billion, up $1.3 billion from 1951.

Steel Output Scheduled at 98.2% of Capacity This Week

The United States enters the new year with the largest steel ingot capacity it has ever had says "Steel," the weekly magazine of metalworking, the current week. It's between 116 million and 117 million net tons.

Whether that's enough or too much remains to be seen. Per person in the United States it's equivalent to 1,465 pounds. A year ago there were 1,395 pounds. Projected expansion of capacity to 120 million tons some time this year will put the capacity to approximately 1,495 pounds per capita, after allowance for continuation of the present rate of growth in the population, continues this trade publication.

This is the fifth consecutive time the United States has entered a new year with an increased and record-breaking capacity.

Expansion of the nation's ingot capacity to between 116 million and 117 million net tons from 108.6 million on Jan. 1, 1952, keeps this country far in the lead over the capacity of any other country. The United States capacity is equal to half the steel ingot tonnage produced in the world in 1952, "Steel" observes.

Even in face of the severe impact of the steelworkers' strike on the nation's economy, there were enough steel and other metals to permit the country's largest industry, metalworking, to push its sales to a record high for the third consecutive year. The 1952 sales approximated $111 billion, including $5 billion for undocumented ordnance production, compared with $100.3 billion in 1951 and $83.3 billion in 1950, adds this trade magazine.

Biggest consumer of steel in 1952 continued to be the automotive industry. In second and third places again are the construction industry and container makers, "Steel" declares.

The auto industry continues to press particularly hard for an increased share of the finished steel output. From other quarters too have come strengthened demands for steel. A noticeable surge in demand was born out of optimism stemming from the election of General Eisenhower to the Presidency. Now it appears that capacity steel production is assured for the first half of 1953. There's still a considerable variation in predictions for the year's total. They range from approximately 119 million net tons of ingots down to 105 million, states this trade weekly.

With relatively good business expected for 1953, outright reductions in the standard prices of steel are not in the cards. Increasing competition among steel sellers, however, could give the consumer some price advantages in the form of elimination of premium prices, improvement in qualities, and freight absorbtion by producers, 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 98.2% of capacity for the week beginning Jan. 5, 1953, equivalent to 2,213,-000 tons of ingots and steel for castings. In the week starting Dec. 29, the actual rate was 107.2% of capacity and output totaled 2,226,000 tons. A month ago output stood at 106.3%, or 2,207,000 tons, while a year ago when the capacity was smaller the estimated output was 2,074,000 tons with the rate at 99.8%.

The "Institute" also reported on Monday of this week that the steel capacity of the United States went up 8,959,800 tons during 1952—the largest gain ever made in a year—raising the total annual capacity of this country to 117,547,470 net tons, the highest level ever achieved.

Electric Output Turns Upward the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Jan. 3, 1953, was estimated at 7,713,155,000 kwh., according to the Edison Electric Institute.

The current total was 163,425,000 kwh. above that of the preceding week when output totaled 7,549,730,000 kwh. It was 564,-535,00 kwh., or 7.9%, above the total output for the week ended Jan. 5, 1952, and 1,111,033,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Drop 26.7% Due to Christmas Holiday

Loadings of revenue freight for the week ended Dec. 27, 1952, totaled 520,671 cars, according to the Association of American Railroads, representing a decrease of 189,637 cars, or 26.7% under the preceding week.

The week's total represented an increase of 18,663 cars or 3.7% above the corresponding week a year ago, but a decrease of 81,736 cars, or 13.6% below the corresponding week in 1950.

United States Auto Output Rises 2% in Holiday Week

Passenger car production in the United States last week rose 2% from the preceding week, according to "Ward's Automotive Reports."

The Christmas and New Year holidays cut output both in the preceding week and last week from the strong rates reported in previous periods.

It aggregated 80,665 cars compared with 79,237 cars (revised) in the previous week and 35,308 cars one year ago.

Total output for the past week was made up of 80,665 cars and 21,626 trucks built in the United States, against 79,237 cars and 19,103 trucks the previous week and 35,308 cars and 13,237 trucks in the comparable period a year ago.

Canadian plants turned out 3,241 cars and 1,711 trucks against 3,607 cars and 1,261 trucks in the prior week and 2,943 cars and 2,113 trucks in the comparable 1951 week.

Business Failures Continue Decline in 2nd Holiday Week

Commercial and industrial failures dropped to 89 in the holiday week ended Jan. 1, from 95 in the preceding week, Dun & Bradstreet, Inc., reports. This brought casualties considerably below their 1952 and 1951 totals of 126 and 144 respectively. Failures were down sharply from the prewar level of 312 in the similar week of 1939.

Casualties involving liabilities of $5,000 or more dipped to 78 from 83 last week and 103 a year ago. Little change occurred during the week in small failures.

Food Price Index Extends Mild Rise in Final 1952 Week

Individual food price movements were irregular in the final week of 1952 and the Dun & Bradstreet wholesale food price index showed a further mild rise to $6.16 on Dec. 30, as compared with $6.15 last week, and $6.11 two weeks ago, the low point for the year. The year's high was $6.70 recorded on Aug. 26 and Sept. 2. The current figure at $6.16, reflects a drop of 7.2% from the year-ago level of $6.64.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Edges Lower In Latest Week

The general price level trended slightly lower last week. Trading in most markets was greatly restricted by holiday observances. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., closed at 280.58 on Dec. 29, comparing with 281.93 a week previous, and with 310.45 on the corresponding date a year ago.

There was a slackening of demand in most grain markets and prices finished moderately lower for the week.

Corn led in the decline which followed the announcement by the Department of Agriculture that the past Autumn's pig crop was down 11% from 1951, and a forecast that the Spring pig production would be about 15% lower than a year ago. Wheat was buoyed in early dealings by the Government estimate indicating a yield of 611,000,000 bushels of Winter wheat this year, which would be about 42% under the year 1952 crop and the smallest Winter wheat production since 1943. Later, the market weakened along with other grains, in sympathy with corn. The renewal of peace talk around mid-week was also a bearish influence and contributed to the general easiness in all grains. Trading in all grain and soybean futures on the Chicago Board of Trade during the holiday week totalled about 145,500,000 bushels. This was down sharply from the previous week but considerably better than the like week in 1951.

Holiday dullness prevailed in the domestic flour market. Buying interest was conspicuous by its absence with the exception of rye flour in which a moderate expansion in bookings was stimulated by mill protection against a price advance early in the week. Shipping directions likewise remained slow. Cocoa firmed up at the close and finished slightly higher than a week ago. Warehouse stocks of cocoa continued to increase and totalled 45,122 bags, against 41,893 last week, and compared with 109,922 a year ago. Lard showed comparative strength, aided by commission house buying, firmness in vegetable oils, and a continued uptrend in live hog values. Cattle prices moved irregularly lower; lambs continued to rise from recent lows.

Cotton prices moved in a narrow range at slightly higher levels than a week ago.

The improved tone in the market reflected buying due to mill and trade price-fixing and the belief in some quarters that the 1952 crop might fail to reach the Government's Dec. 1 estimate.

Trading slackened in the 10 spot markets and totalled 85,000 bales in the pre-holiday week, as compared with 153,000 bales in the preceding week. Loans on 1952-crop cotton during the week ended Dec. 19 were reported by the CCC at 155,933 bales, the largest for any week thus far this season. Loan entries for the current crop season through Dec. 19 reached a total of 802,581 bales. Almost 14,000,000 bales of cotton were ginned through mid-December, or about 94% of the indicated 1952 crop of 14,895,000 bales.

Trade Volume Turns Lower in Post-Christmas Lull

The usual post-Christmas drop in consumer demand was reported in most parts of the nation in the period ended on Wednesday of last week. However, the total dollar volume of retail sales continued to top that of a year earlier.

While consumer response to clearance sales of holiday merchandise was quite spirited, such promotions were less common than a year ago when many merchants ended the holiday shopping season with bulky inventories.

Retailers were generally busy changing inappropriate gifts into usable merchandise; such exchanges were about as numerous as a year ago.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 2 to 6% larger than a year ago. Regional estimates varied from the year-ago levels by the following percentages: New England and East +1 to +5; South, Northwest, and Pacific Coast +3 to +7; Midwest +2 to +6 and Southwest +4 to +8.

Clearance sales of apparel began as tradition demands on the day following Christmas. Shoppers responded favorably, particularly to the reduced-price offerings of women's Winter coats. Better-grade apparel was more highly favored than at this time a year ago. Retailers of haberdashery encountered some difficulty in meeting consumers' demands the past week as their stocks were somewhat depleted by the recent surge in shopping.

Housewives trimmed their food budgets rather stringently following the record spending for festive fare in recent weeks. However, retail food stores continued to report larger sales receipts than in the comparable week a year earlier.

Although the buying of household goods was substantially below the records reached during the gift season, it continued to exceed the level of a year before.

The extension of credit which was more widespread than a year ago helped to soften the usually sharp post-holiday decline. Many retailers prepared for special January promotions of furniture and linens.

The usual holiday lull prevailed in most of the nation's wholesale markets in the period ended on Wednesday of last week. With many buying offices closed for an extended week-end, the total dollar volume of wholesale trade narrowed noticeably during the week; however, it continued to be moderately larger than a year ago. A heavy influx of buyers was expected at many market centers during the first week in January. Wholesale trade was expected to remain above the year-ago levels in coming months; inventories were generally smaller and merchants were more prone to extend their purchases than a year before.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended Dec. 27,* 1952, increased 57% from the level of the preceding week. In the previous week an increase of 3% (revised) was reported from that of the similar week of 1951. For the four weeks ended Dec. 27, 1952, an increase of 10% was reported. For the period Jan. 1 to Dec. 27, 1952, department store sales registered no change from the like period of the preceding year.

Retail trade in New York the past week is expected by trade observers to taper off slightly from the similar week of 1951, because of the shift in the Thursday night late opening to that of Friday occasioned by the New Year's Day holiday and the bus tie-up.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Dec. 27,* 1952, increased 47% from the like period of last year. In the preceding week no change was reported from that of the similar week of 1951, while for the four weeks ended Dec. 27, 1952, an increase of 3% was recorded. For the period Jan. 1 to Dec. 27, 1952, volume declined 7% under the like period of the preceding year.

*The large increases shown for this week reflect in part the fact that this year Christmas fell on Thursday and the week therefore included three days of heavy pre-Christmas shopping as compared with one day last year when Christmas fell on Tuesday.

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. 11	§98.2	*107.2	106.3	99.8
Equivalent to—					
Steel ingots and castings (net tons)	Jan. 11	§2,213,000	*2,226,000	2,207,000	2,074,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Dec. 27	6,594,200	6,610,800	6,668,550	6,204,100
Crude runs to stills—daily average (bbls.)	Dec. 27	¶7,077,000	6,928,000	7,143,000	6,763,000
Gasoline output (bbls.)	Dec. 27	24,023,000	23,497,000	24,107,000	22,478,000
Kerosene output (bbls.)	Dec. 27	3,054,000	2,942,000	2,842,000	2,523,000
Distillate fuel oil output (bbls.)	Dec. 27	11,024,000	10,583,000	10,939,000	10,522,000
Residual fuel oil output (bbls.)	Dec. 27	8,653,000	9,134,000	8,942,000	9,371,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 27	134,425,000	131,017,000	126,833,000	133,070,000
Kerosene (bbls.) at	Dec. 27	27,958,000	28,652,000	32,190,000	27,679,000
Distillate fuel oil (bbls.) at	Dec. 27	103,685,000	105,884,000	117,990,000	89,744,000
Residual fuel oil (bbls.) at	Dec. 27	48,662,000	48,504,000	52,401,000	43,751,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Dec. 27	520,671	710,358	670,167	502,008
Revenue freight received from connections (no. of cars)	Dec. 27	587,334	660,784	654,949	521,887
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 1	$185,038,000	$154,502,000	$344,173,000	$159,136,000
Private construction	Jan. 1	83,083,000	87,365,000	220,700,000	69,701,000
Public construction	Jan. 1	101,955,000	67,137,000	123,473,000	89,435,000
State and municipal	Jan. 1	80,572,000	40,771,000	78,856,000	73,871,000
Federal	Jan. 1	21,383,000	26,366,000	44,617,000	15,564,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Dec. 27	6,250,000	*10,210,000	9,000,000	7,906,000
Pennsylvania anthracite (tons)	Dec. 27	489,000	706,000	653,000	633,000
Beehive coke (tons)	Dec. 27	86,900	101,000	81,900	122,400
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Dec. 27	146	237	138	92
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 3	7,713,155	7,549,730	8,165,463	7,148,620
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Jan. 1	89	95	120	126
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Dec. 30	4.376c	4.376c	4.376c	4.131c
Pig iron (per gross ton)	Dec. 30	$55.26	$55.26	$55.26	$52.72
Scrap steel (per gross ton)	Dec. 30	$42.00	$42.00	$42.00	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 31	24.200c	24.200c	24.200c	24.200c
Export refinery at	Dec. 31	34.700c	34.925c	34.500c	27.425c
Straits tin (New York) at	Dec. 31	121.500c	121.500c	121.375c	103.000c
Lead (New York) at	Dec. 31	14.750c	14.250c	14.000c	19.000c
Lead (St. Louis) at	Dec. 31	14.550c	14.050c	13.800c	18.800c
Zinc (East St. Louis) at	Dec. 31	12.500c	12.500c	12.500c	19.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 6	95.86	95.72	96.79	96.39
Average corporate	Jan. 6	109.42	109.60	109.60	108.16
Aaa	Jan. 6	113.50	113.50	113.70	112.75
Aa	Jan. 6	112.00	112.00	112.37	111.62
A	Jan. 6	108.88	108.88	109.06	106.92
Baa	Jan. 6	103.97	104.14	103.97	102.13
Railroad Group	Jan. 6	106.74	106.92	106.92	103.80
Public Utilities Group	Jan. 6	109.24	109.42	109.60	108.34
Industrials Group	Jan. 6	112.37	112.37	112.37	112.75
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Jan. 6	2.80	2.80	2.72	2.74
Average corporate	Jan. 6	3.20	3.19	3.19	3.27
Aaa	Jan. 6	2.98	2.98	2.97	3.02
Aa	Jan. 6	3.06	3.06	3.04	3.08
A	Jan. 6	3.23	3.23	3.22	3.34
Baa	Jan. 6	3.51	3.50	3.51	3.62
Railroad Group	Jan. 6	3.35	3.34	3.34	3.52
Public Utilities Group	Jan. 6	3.21	3.20	3.19	3.26
Industrials Group	Jan. 6	3.04	3.04	3.04	3.02
MOODY'S COMMODITY INDEX	Jan. 6	408.7	408.7	405.9	462.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Dec. 20	178,124	217,081	205,897	153,591
Production (tons)	Dec. 20	242,594	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	502,962	333,224
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Jan. 2	108.50	*108.77	109.20	114.74
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. 20	28,426	28,876	31,082	24,549
Number of shares	Dec. 20	840,614	867,325	923,384	720,127
Dollar value	Dec. 20	$37,137,351	$37,618,852	$40,314,408	$32,633,607
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Dec. 20	32,759	32,435	29,894	23,026
Customers' short sales	Dec. 20	125	105	146	81
Customers' other sales	Dec. 20	32,634	32,330	29,748	22,945
Number of shares—Total sales	Dec. 20	928,636	920,904	858,850	659,286
Customers' short sales	Dec. 20	4,283	3,194	4,843	2,936
Customers' other sales	Dec. 20	924,353	917,710	854,007	656,350
Dollar value	Dec. 20	$36,512,464	$36,125,595	$34,239,581	$27,764,489
Round-lot sales by dealers—					
Number of shares—Total sales	Dec. 20	359,783	327,780	271,220	198,990
Short sales	Dec. 20	------	------	------	------
Other sales	Dec. 20	359,783	327,780	271,220	198,990
Round-lot purchases by dealers—					
Number of shares	Dec. 20	266,671	281,220	353,980	277,650
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. 13	240,290	238,270	221,630	309,160
Other sales	Dec. 13	9,974,940	9,001,240	5,996,720	7,365,380
Total sales	Dec. 13	10,215,230	9,239,510	6,218,350	7,674,540
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Dec. 13	1,011,180	935,280	636,510	784,590
Short sales	Dec. 13	143,090	161,530	118,600	130,840
Other sales	Dec. 13	763,640	704,900	500,980	601,430
Total sales	Dec. 13	906,730	866,430	619,580	732,270
Other transactions initiated on the floor—					
Total purchases	Dec. 13	314,900	231,840	155,480	209,140
Short sales	Dec. 13	9,800	9,400	7,100	18,600
Other sales	Dec. 13	263,820	242,850	132,500	183,120
Total sales	Dec. 13	273,620	252,250	139,600	201,720
Other transactions initiated off the floor—					
Total purchases	Dec. 13	358,200	364,230	284,840	299,904
Short sales	Dec. 13	39,550	22,400	40,350	78,980
Other sales	Dec. 13	342,149	392,455	263,995	374,410
Total sales	Dec. 13	381,699	414,855	304,345	453,390
Total round-lot transactions for account of members—					
Total purchases	Dec. 13	1,684,280	1,531,450	1,076,830	1,293,634
Short sales	Dec. 13	192,440	193,330	166,050	228,420
Other sales	Dec. 13	1,369,609	1,340,205	897,475	1,158,960
Total sales	Dec. 13	1,562,049	1,533,535	1,063,525	1,387,380
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Dec. 30	109.6	*109.5	110.0	------
Farm products	Dec. 30	101.1	101.0	102.4	------
Processed foods	Dec. 30	102.1	102.8	104.3	------
Meats	Dec. 30	93.8	92.5	96.2	------
All commodities other than farm and foods	Dec. 30	112.7	112.7	112.8	------

*Revised figure. ¶Includes 615,000 barrels of foreign crude runs. §Based on new annual capacity of 117,547,470 tons as of Jan. 1, 1953 as against the Jan. 1, 1952 basis of 108,587,670 tons.

	Latest Month	Previous Month	Year Ago
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of November	6,761	*8,223	6,289
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES — Month of Oct. (millions of dollars):			
Manufacturing	$43,300	*$43,224	$42,437
Wholesale	10,084	*9,932	10,465
Retail	20,511	*20,281	20,775
Total	$73,905	*$73,437	$73,677
CASH DIVIDENDS — PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPARTMENT OF COMMERCE — Month of October (000's omitted)	$522,700	$1,158,300	$533,900
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of December (000's omitted):			
Total U. S. construction	$906,976	$1,079,879	$829,173
Private construction	530,230	663,996	502,183
Public construction	376,746	415,883	326,990
State and municipal	246,463	264,599	220,590
Federal	130,283	151,284	106,400
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM — Estimated short-term Credit in millions as of Nov. 30:			
Total consumer credit	$22,798	$22,288	$19,989
Instalment credit	15,883	15,573	13,271
Sale credit	8,910	8,653	7,400
Automobile	5,034	4,882	4,100
Other	3,876	3,771	3,300
Loan credit	6,973	6,919	5,871
Noninstalment credit	6,915	6,716	6,718
Charge accounts	4,246	4,075	4,190
Single payment loans	1,513	1,488	1,422
Service credit	1,156	1,153	1,106
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of November:			
Weekly Earnings—			
All manufacturing	$70.66	*$70.59	$65.85
Durable goods	76.24	*76.76	71.05
Nondurable goods	62.99	*62.42	59.07
Hours—			
All manufacturing	41.2	*41.4	40.5
Durable goods	41.8	*42.2	41.5
Nondurable goods	40.3	40.3	39.2
Hourly earnings—			
All manufacturing	$1.715	*$1.705	$1.626
Durable goods	1.824	*1.819	1.712
Nondurable goods	1.563	*1.549	1.507
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE-INSURANCE—Month of October:			
Death benefits	$154,860,000	$146,410,000	$147,059,000
Matured endowments	39,111,000	34,400,000	40,377,000
Disability payments	9,220,000	8,253,000	8,605,000
Annuity payments	31,605,000	28,532,000	29,545,000
Surrender values	52,516,000	48,768,000	51,965,000
Policy dividends	51,845,000	56,273,000	50,097,000
Total	$339,557,000	$322,636,000	$327,648,000
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES—Month of October (millions of dollars):			
Inventories:			
Durable	$23,597	*$23,292	$21,968
Nondurable	19,713	*19,932	20,469
Total	$43,310	*$43,224	$42,437
Sales	24,632	*23,663	22,726
MONEY IN CIRCULATION—TREASURY DEPT.—As of October 31 (000's omitted)	$29,644,000	$29,419,000	$28,417,000
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of Dec.:			
Industrial (125)	5.14	5.33	5.56
Railroad (25)	5.56	5.77	6.38
†Utilities (24)	5.07	5.14	5.61
Banks (15)	4.18	4.19	4.45
Insurance (10)	2.99	3.10	3.47
Average (200)	5.13	5.28	5.55
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of October (in billions):			
Total personal income	$275.8	*$273.8	$261.7
Wage and salary receipts, total	187.0	*185.3	174.0
Total employer disbursement	183.6	*181.9	170.5
Commodity producing industries	82.7	*81.6	75.9
Distributing industries	49.5	*49.3	46.5
Service industries	21.8	*21.6	20.7
Government	33.0	32.8	30.9
Less employee contributions for social insurance	3.8	3.7	3.5
Other labor income	4.6	4.5	4.3
Proprietors and rental income	53.6	*53.4	53.4
Personal interest income and dividends	21.4	21.4	20.8
Total transfer payments	13.0	*12.9	12.7
Total nonagricultural income	255.2	*253.0	239.1
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—August, 1909-July, 1941 = 100—As of October 15:			
Unadjusted—			
All farm products	282	288	296
Crops	260	264	247
Food grain	240	240	239
Feed grain and hay	219	234	219
Tobacco	429	428	445
Cotton	311	329	304
Fruit	215	200	188
Truck crops	189	182	171
Oil-bearing crops	304	305	296
Livestock and products	301	309	340
Meat animals	328	349	410
Dairy products	316	307	294
Poultry and eggs	228	227	247

†Not including American Tel. & Tel.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ Afiliated Fund, Inc., New York
Jan. 2 filed 15,000,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—Lord, Abbett & Co., New York.

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 Brake Shoe Co.
Dec. 10 filed 50,000 shares of common stock (no par) to be offered for subscription by certain employees under the company's "Employees' Stock Purchase Plan." **Underwriter**—None.

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.

★ Bruce Balcome Enterprises, Inc., New York
Dec. 31 (letter of notification) 14,800 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To establish new offices in several states to promote the publication, sale and distribution of musical compositions, and records. **Office**—37 Madison Avenue, New York, N. Y. **Underwriter**—None.

• Budget Finance Plan, Inc. of California. (1/15)
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.

★ California Texas Oil Co., Ltd., New York
Dec. 31 filed $1,768,000 participations in the company's Employees Savings Plan to be offered to eligible employees of that company and of such other corporations which are affiliates thereof as may initially or hereafter be participating companies. **Proceeds**—To be trustee in one or more of; (a) certain U. S. Government bonds, or (b) capital stock of The Texas Co. and Standard Oil Co. of California, in equal dollar amounts, or (c) retention by trustee as cash without interest. **Underwriter**—None.

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**—Probably in latter part of January.

NEW ISSUE CALENDAR

January 9, 1953

General Public Service Corp.__________Common
(Offering to stockholders—Stone & Webster Securities Corp. represents Dealer-Managers)

Ohio Edison Co.__________Common
(Offering to stockholders—Morgan Stanley & Co.)

Sinclair Oil Corp.__________Debentures
(Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane)

January 12, 1953

New York Airways, Inc.__________Common
(Smith, Barney & Co.)

Pan American Sulphur Co.__________Common
(Kuhn, Loeb & Co. and Carl M. Loeb, Rhoades & 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.)

Chesapeake & Ohio Ry.__________Equip. Trust Ctfs.
(Bids noon EST)

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 15, 1953

Budget Finance Plan, Inc.__________Preferred
(Reynolds & Co. and Lester, Ryons & 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

Illinois Central RR.__________Equip. Trust Ctfs.
(Bids noon CST)

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)

English Oil Co.__________Common
(J. A. Hogle & Co)

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)

March 24, 1953

Dallas Power & Light Co.__________Bonds
(Bids to be invited)

Clarvan Corp., Milwaukee, Wis.
Dec. 8 (letter of notification) 1,150 shares of class A preferred stock and 58,750 shares of common stock (of which 30,000 shares of common stock will be sold for account of underwriters). **Price**—For preferred, $50 per share; for common, $2 per share. **Proceeds**—For working capital. **Office**—250 N. Water Street, Milwaukee, Wis. **Underwriter**—Pioneer Enterprises, Inc., Bluefield, W. Va.

Clary Multiplier Corp., San Gabriel, Calif.
Dec. 15 (letter of notification) 20,000 shares of common stock (par $1). **Price**—$5.50 per share. **Proceeds**—To reduce bank loans. **Office**—408 Junipero St., San Gabriel, Calif. **Underwriter**—None.

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.

★ Columbia Pictures Corp., New York
Jan. 2 (letter of notification) 984 shares of common stock (no par). **Price**—At market (about $12.50 per share). **Proceeds**—To common stockholders entitled to receive fractional shares in connection with 2½% stock dividend payable on Jan. 19, 1953. **Underwriter**—None, but Hallgarten & Co., New York, will act as brokers.

★ Composite Fund, Inc., Spokane, Wash.
Jan. 2 filed 200,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

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 at office of Commonwealth Services Inc., 20 Pine St., New York 5, N.Y.

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.

Devil Peak Uranium, Ltd. (Nev.)
April 7 (letter of notification) 600,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds** — For rehabilitation and development program. **Office**—Suite 839, 60 East 42nd St., New York 17, N. Y. **Underwriter**—Gardner & Co., New York.

★ Diamond Match Co.
Dec. 30 (letter of notification) not to exceed 102 shares of common stock (no par). **Price** — At market (about $40.12½ per share). **Proceeds**—For benefit of holders of fractional rights (represented by issued or unissued scrip) issued under plan of recapitalization adopted Dec. 14, 1950, and outstanding on Dec. 29, 1952. **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. **Offering**—Now being made.

★ English Oil Co., Salt Lake City, Utah (1/26)
Jan. 5 filed 3,435,583 shares of common stock, of which 750,000 shares are to be offered publicly and 2,435,583 shares in exchange for oil and gas properties and interests therein. **Price**—At par ($1 per share). **Proceeds**—For acquisition of additional properties and leases. **Underwriter**—J. A. Hogle & Co., Salt Lake City, Utah.

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.

★ Fidelity Acceptance Corp., Minneapolis, Minn.
Dec. 29 (letter of notification) 10,000 shares of class D preferred stock. **Price**—At par ($25 per share). **Proceeds**—For working capital. **Office**—820 Plymouth Bldg., Minneapolis 3, Minn. **Underwriter**—None.

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.

Food Fair Stores, Inc., Philadelphia, Pa.
Sept. 9 filed 100,000 shares of common stock (par $1) to be offered to certain employees pursuant to the terms of stock purchase plan. **Price**—$3 below the average market price for the month in which payment is completed. **Proceeds**—For general funds. **Underwriter**—None.

★ Freihofer (William) Baking Co.
Dec. 31 (letter of notification) 20,000 shares of common stock (no par). **Price**—To raise not exceeding $300,000. **Proceeds**—For improvements and additions to property. **Office**—Allentown, Pa. **Underwriter**—None.

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.

★ Golden Ensign Mining Co., Salt Lake City, Utah
Dec. 29 (letter of notification) 287,879 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—To sink shaft in tunnel for ore. **Office**—1350 So. East, Salt Lake City, Utah. **Underwriter**—None.

Grace (W. R.) & Co., New York
Dec. 11 (letter of notification) 9,300 shares of common stock (no par). **Price**—$32.25 per share. **Proceeds**—To Estate of Maurice Bouvier, deceased. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane and Blyth & Co., Inc., both of New York.

Gyrodyne Co. of America, Inc.
Nov. 13 filed 350,000 shares of class A common stock (par $1), 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.

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.

★ Indianapolis Public Loan Co., Inc.
Dec. 30 (letter of notification) $75,000 5% sinking fund debentures, 1965 series. **Price**—At par (in denominations of $500 and $1,000 each). **Proceeds**—To reduce bank loans. **Underwriter**—City Securities Corp., Indianapolis, Indiana.

Insurance Exchange Corp., Walla Walla, Wash.
Nov 25 filed 30,000 shares of common stock (par $10) and 14,000 shares of preferred stock (par $50) of which 28,000 common shares and all of the preferred stock are to be offered in units of one share of preferred and two shares of common stock. Of remaining 2,000 common shares, 500 have been sold to directors and 1,500 are to be reserved for directors and sales representatives. **Price**—$70 per unit. **Proceeds**—For working capital. **Underwriter**—None.

Insurance Securities, Inc., Oakland, Calif.
Dec. 12 filed 10-year participating agreements, as follows: 10,240 units of $1,000 each, Single Payment Plan, Series U, and 12,300 units of $1,200 each, Accumulative Plan, Series E. **Business**—Investment company. **Underwriter**—None.

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.

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.

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.

★ Kenmar Manufacturing Co., East Palestine, Ohio
Dec. 31 (letter of notification) 30,000 shares of class B stock (no par). **Price**—$10 per share. **Proceeds**—For expansion of manufacturing facilities. **Office**—East Martin Street Extension, P. O. Box 230, East Palestine, Ohio. **Underwriter**—None.

Kroger Co., Cincinnati, Ohio
Dec. 12 filed 16,871 shares of common stock (no par) to be issuable upon exercise of options to purchase common stock held by certain officers and executives of the company and Wesco Foods Co., a subsidiary. The options are exercisable in 1953. **Underwriter**—None.

Langley Corp., San Diego, Calif.
Dec. 5 (letter of notification) 2,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—To Frank H. Nottbusch, the selling stockholder. **Office**—660 Second Avenue, San Diego 1, Calif. **Underwriter**—Dempsey-Tegeler & Co., San Diego, Calif.

● Lassiter Corp., Charlotte, N. C.
Dec. 4 (letter of notification) 14,344 shares of class B common stock (par $5) and 2,500 shares of class A common stock (par $5). **Price**—$10 per share. **Underwriter**—R. S. Dickson & Co., Charlotte, N. C. **Proceeds**—To selling stockholder. **Offering**—Date indefinite.

★ Lassiter Corp., Charlotte, N. C.
Dec. 26 (letter of notification) 4,800 shares of class B common stock (par $5). **Price**—$10 per share. **Proceeds**—For general corporate purposes. **Underwriter**—Reynolds & Co., Durham, Raleigh and Winston-Salem, N. C.

Lindemann (A. J.) & Hoverson Co.
Nov. 21 (letter of notification) 6,510 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To Mrs. Julia Lindemann Amendt, the selling stockholder. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, Milwaukee, Wis.

Lorain Telephone Co., Lorain, Ohio
Dec. 9 (letter of notification) 5,000 shares of common stock (no par) to be offered for subscription by common stockholders at rate of one new share for each 15.41 shares held. **Price** — $20 per share. **Proceeds** — For property additions. **Office**—203 W. Ninth Street, Lorain, Ohio. **Underwriter**—None.

Louray Gas & Oil Corp., Phila., Pa.
Dec. 5 (letter of notification) 290,000 shares of capital stock. **Price** — At par ($1 per share). **Proceeds** — To acquire and drill wells. **Office**—2717 Fidelity-Philadelphia Trust Bldg., 123 So. Broad Street, Philadelphia, Pa. **Underwriter**—None.

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-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.

★ Mid-River Telephone Cooperative, Circle, Mont.
Dec. 22 (letter of notification) membership stock to be sold in blocks of one share of common stock and four shares of preferred stock. **Price**—$50 per block. **Proceeds**—To construct a telephone service. **Underwriter**—None (Rural Electrification Administration sponsored).

Mineral Exploration Corp., Ltd., Toronto Canada
July 29 filed 2,000,000 shares of common stock, each share to have attached an "A," "B" and "C" warrant, each giving the holder the right to buy one additional share for each two shares purchased in two, three, or five years, at $1, $2 and $3 per share, respectively. **Price**—For 2,000,000 shares, $1 per share—Canadian. **Proceeds**—For exploration, development and acquisition of properties. **Underwriter**—Brewis & White, Ltd., Toronto, Canada. Names of United States underwriters to be supplied by amendment.

Mississippi Chemical Corp., Yazoo City, Miss.
Sept. 29 filed 2,000,000 shares of common stock (par $5), of which 849,038 shares have been subscribed, paid for and issued, and an additional 107,550 shares have been subscribed for as of Aug. 28 and will be issued in connection with expansion of ammonia plant. The remaining shares will be offered for sale primarily to farmers and farm groups. **Price** — At par. **Proceeds** — For new construction. **Underwriter**—None.

Montana Basin Oil Corp. (N. Y.)
Sept. 19 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development expenses. **Underwriter**—Aetna Securities Corp., New York.

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.

★ Mutual Mortgage, Inc., Kansas City, Mo.
Dec. 30 (letter of notification) $250,000 of debenture bonds. **Price**—At par. **Proceeds**—For working capital. **Office**—800 Dierks Bldg., Kansas City, Mo. **Underwriter**—None.

● 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. **Offering**—No date set.

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., New York (1/12-16)
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. **Offering**—Expected week of Jan. 12.

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.

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★ Northeastern Montana Telephone Cooperative Association, Scobey, Mont.
Dec. 22 (letter of notification) unspecified number of shares of common stock to be offered to persons who wish to be members of the Cooperative: One share of common stock at $50 per share is required for membership. **Proceeds**—To construct telephone service to participant shareholders. **Underwriter**—None. (Rural Electrification Administration sponsored).

Northland Oils, Ltd., Calgary, Alta., Canada
Nov. 21 filed 1,000,000 shares of capital stock (par 20 cents—Canadian) and subscription warrants for 600,000 shares, of which the stock and subscription warrants for 400,000 shares are to be offered in units of 100 shares of stock and subscription warrants for 40 shares. **Price**—$52 per unit. **Proceeds**—For drilling of additional wells and to purchase producing wells. **Underwriter**—M. S. Gerber, Inc., New York.

● 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. **Offering**—Expected in about a week.

● Ohio Edison Co.
Dec. 11 filed 479,846 shares of common stock (par $12) being 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**—$35.25 per share. **Proceeds** — For repayment of bank loans and for new construction. **Underwriters**—Morgan Stanley & Co.

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. (1/12)
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 about Jan. 12; rights to expire about Jan. 26. **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.

★ Pinewald Finance & Construction Corp.
Jan. 5 (letter of notification) 5,600 shares of 6% preferred stock (par $10) and 2,800 shares of common stock to be sold in units of two preferred shares and one common share. **Price**—$26 per unit. **Proceeds**—Working capital for construction of homes. **Address**—Box 174, Bayville, N. J. **Underwriter**—None.

Pittsburgh Reflector Co.
Dec. 2 (letter of notification) 60,000 shares of class B common stock being offered to all stockholders of record Dec. 1 at rate of one new share for each class A or B share held. Officers of company have waived sufficient of their preemptive rights (33,078 shares) so that the remaining stockholders may subscribe on a one-for-one basis. **Price**—At par ($5 per share). **Proceeds**—For expansion and modernization of plant and for working capital. **Office** — 403 Oliver Bldg., Pittsburgh 22, Pa. **Underwriter**—None.

Powers Manufacturing Co.
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.

★ Purex Provident Fund, South Gate, Calif.
Dec. 24 (letter of notification) $295,000 aggregate amount of participation interests in this Fund (an Employees' Profit Sharing and Retirement Trust). **Office**—9300 Rayo Ave., South Gate, Calif. **Underwriter**—None.

★ Regent Manufacturing Co., Inc., Downey, Calif.
Dec. 31 (letter of notification) $150,000 of first mortgage bonds, of which 130 units will be issued at $1,020 each and 40 units at $510 each. **Proceeds**—For building and equipment. **Office**—11905 Regentview Avenue, Downey, Calif. **Underwriter** — Hopkins, Harbach & Co., Los Angeles, Calif.

Sapphire Petroleums Ltd., Toronto, Canada
Oct. 28 filed 50,000 shares of common stock (par $1—Canadian). **Price**—To be supplied by amendment. **Proceeds**—To Ken Kelman, the selling stockholder, who will offer the shares from time to time either on the New York Curb Exchange or in the over-the-counter market. **Underwriter**—None.

Schweser's (George) Sons, Inc., Fremont, Neb.
Oct. 17 (letter of notification) 989 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Office**—108 East 6th St., Fremont, Neb. **Underwriter**—None, but Ellis, Holyoke & Co., Lincoln, Neb., will act as broker.

Scott Paper Co.
Dec. 5 filed $1,000,000 of memberships in the company's Stock Purchase Plan for 1953 and 23,529 shares of common stock purchasable under the plan. **Underwriter**—None.

Seaboard Finance Co., Los Angeles, Calif.
Nov. 14 (letter of notification) 14,000 shares of common stock (par $1). **Price**—$20.75 per share. **Proceeds**—For working capital. **Office** — 945 South Flower St., Los Angeles 15, Calif. **Underwriter**—None.

Seacrest Productions, Inc., Newport, R. I.
Sept. 8 (letter of notification) 5,000 shares of non-voting common stock, series B (no par). **Price**—$10 per share. **Proceeds**—To acquire real estate and buildings, convert sound stages, install recording equipment and cameras, and for other corporate purposes. **Office**—73 Bliss Road, Newport, R. I. **Underwriter** — Kidder, Peabody & Co., Providence, R. I.

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. (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. To be received up to 8:30 a.m. (PST) on Jan. 14 at company's office, 601 West 5th Street., Los Angeles, Calif.

Southwestern Electric Service Co. (Texas)
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.

★ Stanley Home Products, Inc., Westfield, Mass.
Dec. 26 (letter of notification) 3,000 shares of non-voting common stock (par $5). **Price**—$28 per share. **Proceeds**—To Frank S. Beveridge, the selling stockholder. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass.

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.

★ Twin Vault Corp., West New York, N. J.
Jan. 6 (letter of notification) 299,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To purchase equipment, etc. to repay loan, and for working capital. **Office**—616-55th Street, West New York, N. Y. **Underwriter**—None.

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.)
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. 22, on a 1-for-15 basis; rights to expire on or about Feb. 9. It is expected that subscription warrants will be mailed no or about Jan. 23. **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 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.

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.

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.

★ Arizona Public Service Co.
Dec. 30 it was reported company is considering sale of additional common stock. **Underwriter**—Probably The First Boston Corp.

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.

★ Carborundum Co.
Jan. 6 Clinton F. Robinson, President, announced that the Mellon family, and various foundations and trusts established by them, plan to sell approximately one-fourth of their holdings of 71% of Carborundum Co. stock. **Offering**—Expected during first quarter of this year. **Underwriter**—The First Boston Corp. New York.

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.

★ Chesapeake & Ohio Ry. (1/14)
Bids will be received by the company in Cleveland, O., up to noon (EST) on Jan. 14 for the purchase from it of $7,200,000 equipment trust certificates to be dated Feb. 1, 1953, and to mature in 30 equal semi-annual instalments from Aug. 1, 1953 to and including Feb. 1, 1968. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

★ Commercial Credit Corp.
Jan. 7 it was reported company expects to register with the SEC (probably next week) $25,000,000 of convertible subordinate debentures. **Underwriters**—The First Boston Corp. and Kidder, Peabody & Co., both of New York. —**Offering**—Expected early in February.

★ Consolidated Edison Co. of New York, Inc.
Jan. 6 company announced it would file by Jan. 9 an application with the New York P. S. Commission for authority to issue and sell $40,000,000 of first and refunding mortgage bonds, series I, due 1983. **Proceeds** — To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—Expected to be received in mid-February.

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. (3/24)
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. **Registration**—Expected Feb. 16. **Bids**—Tentatively scheduled to be received on March 24.

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). **Offering**—Expected around the middle of February.

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 Contract Corp.
Jan. 2 it was announced stockholders on Jan. 14 will vote on approving a new issue of 500,000 shares of authorized 6% cumulative convertible preferred stock (par $10). These are to be first offered for subscription by common stockholders on the basis of about one-third share for each common share held; then to holders of 5% preferred stock (par $100) and of 5% preferred stock (par $20); thereafter to holders of 5% preferred stock, series A, (par $10); and any unsubscribed shares to public. **Proceeds**—To redeem $10 par 5% preferred stock (61,881 shares outstanding at Nov. 30, 1952) and for working capital. **Price**—$11 per share.

General Public Utilities Corp.
Nov. 15, A. F. Tegen, President, announced that its domestic subsidiaries may spend around $80,000,000 for new construction in 1953. Of this total, $15,000,000 will be provided internally leaving about $65,000,000 to be financed by the sale of securities. Subsidiaries expect to sell around $49,000,000 of bonds, debentures and preferred stocks and GPU will furnish about $16,000,000 to them. GPU expects to obtain the funds from bank loans, the sale of debentures, the sale of common stock or a combination of these. If present conditions continue well into next year, GPU would expect to offer additional shares to stockholders rather than resort to borrowing. 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.

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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.

★ Illinois Central RR. (1/22)
Bids will be received up to noon (CST) on Jan. 22 at the company's office, Room 301, 135 East 11th Place, Chicago 5, Ill., for the purchase from it of $6,000,000 equipment trust certificates, series 36, to be dated Feb. 1, 1953, and to mature in 30 equal semi-annual instalments up to and including Feb. 1, 1968. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Bear, Stearns & Co.

Indiana & Michigan Electric Co.
Nov. 6 it was reported company plans to issue and sell in 1953 some bonds and/or preferred stock. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—May be determined by competitive bidding. Probable bidders: (1) for bonds—Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Union Securities Corp.; Harriman Ripley & Co., Inc. (2) for preferred—Lehman Brothers; The First Boston Corp. Smith, Barney & Co.

★ Iowa Southern Utilities Co.
Dec. 31 it was announced company plans to issue and sell $7,000,000 first mortgage bonds due 1983. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; The First Boston Corp.—**Bids**—Expected to be received in February.

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.

● Narragansett Electric Co.
Dec. 26 it was reported company has applied to Rhode Island P. U. Commission for authority to issue and sell $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 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.
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**—Issue awarded Jan. 7 to W. E. Hutton & Co. and Kidder, Peabody & Co. on their bid of 97.548 for the bonds as 4¼s. **Price**—Reoffered at 98.673.

● Northern Indiana Public Service Co.
Dec. 31 it was reported company plans early registration of 80,000 shares of new preferred stock. **Underwriters**—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 the proposed issuance to its parent, American Telephone & Telegraph Co., of $85,000,000 common stock. If debentures are issued, probable bidders may include Halsey, Stuart & Co. Inc. and Morgan Stanley & Co.

Southwestern Public Service Co.

Dec. 5 it was announced that the company's financing program tentatively involves offering early in 1953 of $12,000,000 bonds and $2,000,000 preferred stock in addition to about $5,500,000 to be raised from the sale of additional common stock (about 293,500 shares) to common stockholders on a 1-for-12 basis (with an oversubscription privilege). Bond and preferred stock financing was previously done privately. **Proceeds**—To repay back loans and for new construction. **Underwriter**—Dillon, Read & Co. Inc., New York. **Registration**—Expected about Jan. 12, 1953.

State Bank of Albany, N. Y. (1/27)

Dec. 15, Frederick McDonald, President, announced that company plans to offer (following approval on Jan. 27 of increase in capitalization) 101,725 additional shares of capital stock (par $10) on the basis of one new share for each three shares held about Jan. 17; with a 21-day standby. **Price**—To be determined by directors. **Proceeds**—To increase capital and surplus. **Underwriter**—Salomon Bros. & Hutzelr, New York.

Sylvania Electric Products Co. (2/9)

Dec. 19 it was reported company plans issue and sale of about $20,000,000 debentures and approximately 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 sell early in 1953 between $25,000,000 and $30,000,000 of first mortgage pipe line bonds. Underwriters—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly).

Texas Electric Service Co.

Dec. 15 it was reported company plans to issue and sell $9,000,000 first mortgage bonds and $8,000,000 preferred stock. **Proceeds**—For new construction. **Underwriters**—(1) For stock, Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). (2) For bonds, to be 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 of 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.

Our Reporter's Report

Market observers reported the first signs of the appearance of customary reinvestment demand with the passing of the holidays. It was no more than a smattering and highly selective. But dealers and underwriters felt it augured well for the near-term.

Inquiry of this nature came almost wholly from institutional sources, chiefly savings banks and insurance companies and trust funds also evincing some interest.

Feelers, however, were neither broad nor aggressive, but rather revolved around special situations which doubtless had been thoroughly scouted during the hiatus between the year-end closing and reopening of books.

Since the rank and file had not been looking for any sudden burst of new demand, the picture as it unfolded was encouraging and indicated that institutions and people with money to invest were on the lookout for suitable opportunities.

Meantime, there is considerable interest in the $35,000,000 of Pacific Telephone & Telegraph Co.'s 3¼s which have been in syndicate now since the latter part of November. Brought out to yield 3.13%, indications are that the issue has been slow in moving out.

The disposition now is to wait a while and see whether or not the market, with the fillip of replacement buying, manages to come up to levels which would revive interest in this one.

New Haven's Bonds

Underwriters who contemplated bidding for New Haven's Harlem River division first mortgage bonds brought to market this week, balked on the first outline of bidding requirements put out by the road, it is learned.

One of the provisions in the original setup was that the bidding groups, in addition to setting the coupon rate, also include their prospective reoffering price for the bonds.

None could remember such an instance in the past, but all naturally cited the impossibility of such a condition. This provision, needless to say, was eliminated before bids were submitted yesterday.

Sinclair Debentures

Looking back on the Standard Oil Co. of Indiana's operation, there was a strong feeling in the Street, that Sinclair's impending offering of $101,000,000 of subordinated debentures would meet with ready demand provided the price and terms are right.

Holders of record tomorrow will be eligible to subscribe for this big issue. The hope too was that the conversion basis would be made attractive.

It was pointed out that SOIndiana's issue came out at an initial price of 105-105½ marketwise and that the debentures now are selling in the market around 111½-112.

Expanding the Roster

Commercial Credit Co., came into the picture this week as the latest prospective borrower of new money. The big credit agency expects to register $25,000,000 of convertible subordinate debentures with the Securities and Exchange Commission, probably next week.

This, naturally will be a negotiated undertaking, with the interest rate and the details to be worked out before time for offering very likely early in February.

Meanwhile, Ohio Edison Co., opened bids from bankers for a "standby" operation on its offering of 479,846 shares of common stock at a price of $35.25 a share. The top bid was $108,924 to the company for the privilege of taking up any unsubscribed stock.

Upturn Halts Seasonal Drop in Employment

The seasonal downward trend in civilian employment in the United States, which began in September, was interrupted by an upturn in November, says the Alexander Hamilton Institute. It is probable, however, that this was only a temporary movement and that the downward trend was resumed in December. While this decline may not be halted before March, the intervening period is not likely to be characterized by a serious amount of unemployment, since the curtailment of employment should be offset to a considerable extent by a drop in the available supply of labor. The number of persons unemployed in November was relatively small, amounting to 1,418,000 as compared with 1,828,000 a year previous.

To Be Baker, Weeks Co.

On Jan. 1 the firm name of Baker, Weeks & Harden, 1 Wall Street, New York City, members of the New York Stock Exchange, becomes Baker, Weeks & Co.

R. M. Disbro Opens

(Special to THE FINANCIAL CHRONICLE)

WILLOUGHBY, Ohio — Robert M. Disbro is engaging in a securities business from offices in the Cleveland Trust Building.

Joins H. B. Cohle

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—James C. Plessinger is now connected with H. B. Cohle & Co., Union Trust Building, members of the Cincinnati Stock Exchange.

S. Richard Harris Co.

JACKSON, Miss. — S. Richard Harris is engaging in the securities business from offices at 742 Carlisle Street.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — This session of Congress, now completing the routines of formal organization, will have a staggering agenda. Consequently the session will last long, perhaps until almost next Christmas.

Overall the new Congress, in cooperation with the Eisenhower Administration, will have two broad problems.

The first of these is to re-establish control over the fiscal affairs of the Federal government. For 20 years, spending and taxes, with few interruptions, have been rising constantly. The first session of the 83rd Congress cannot at once more than begin this task of bringing spending under control and taxation within reason.

Fiscal control involves the reversing of the trend toward higher taxes and higher spending. The first session of the new Congress will try to lop off several billions from next year's prospective expenditures and establish a basis for further cuts in succeeding years. This session also may bring about the first tax reduction since that legislated over Mr. Truman's objections by the 80th Congress.

Second of the basic overall problems of the new Congress will be to recast, in close cooperation with the Eisenhower Administration, U. S. foreign policy and right along with it—military policy.

In particular the new governing party will seek to establish policies that will lead to the eventual end of the stalemate in Korea. There will be an effort made to obtain the maximum of material and spiritual defense with the minimum possible expenditure of funds.

A phase of this new foreign-military-policy involves determining how much responsibility the United States shall continue to bear in the defense of the western world both in an economic and in a military way, and under what circumstances and with what assurances the funds will be employed successfully.

Another phase of a combined military-foreign policy redetermination is how much effort should be extended upon the construction of a larger industrial mobilization base against the possibility of all-out war with Russia. The "interim" defense build-up now has been completed, or completion is in sight of the additional facilities it requires. If the calculation is that all-out war is an appreciable danger, then further effort might be considered needed in expanding the mobilization base.

Problems May Collide

In a sense some of these policies may tend to collide with one another. For instance, it is understood that most of the advice on how to bring about an eventual end of the war in Korea involves applying more intensive military and economic pressure against the Red Chinese enemy. This may involve such things as laying down a naval blockade against the Chinese coast, U. S. naval protection for Chinese Nationalist raids on the mainland, and a greater employment of force by the U. S. on the land and in the air in Korea.

Such a policy may temporarily inflate expenditures. This would threaten the goal of reducing expenses. It might also lead to some resumption for a while of inflationary pressure militating politically against an additional GOP policy, that of virtually ending controls.

Specific Problems Are Many

Apart from these overall broad objectives, the specific matters definitely on the Congressional agenda are many.

One of the first of these is organization.

While formal organization is being completed, the give and take of Congressional-Executive relationships on a harmonious basis must be established by trial and not by luncheon or breakfast conferences alone. Nevertheless, after the recent luncheon between General Eisenhower and Senate Republican leaders, there is a great deal of optimism that both halfs of a satisfactory governmental equation have come to realize their mutual interdependence.

Within the Eisenhower Administration itself, many of the outstanding businessmen will have to learn that they are members of a team, a large team which moves slowly and often with frustration. Suppose, for example, a markedly greater military effort were made in Asia. This might postpone the decision to begin refinancing the heavy volume of short-term debt into long-terms, and might even result in the temporary suspension of the tight money policy cherished by the new fiscal managers.

Another phase of the problem of organization will be "reorganization." Mr. Eisenhower is reported to intend to bring about an extensive realignment of the Federal establishment. This will call upon Congress to enact legislation extending the authority of the President to reorganize the Executive establishment subject to one limitation or another.

Specific Problems: Spending, Dying Taxes

Specifically Congress will have to deal with the Budget for fiscal 1954. President Truman will submit a proposed Budget on or about Jan. 18. The Congress probably will return that Budget to the White House for revision after the inauguration of Mr. Eisenhower. Meanwhile the appropriations committees will be seeking ways and means of recapturing outstanding money allowances so as to save several billions in prospective expedinitures for fiscal 1954.

Congress will also be confronted with the specific problem of the expiring (June 30) Excess Profits Tax and the personal income tax boost (Dec. 31) of 11%. There is practically no sentiment favoring retention of EPT. However, it is acknowledged that business tax relief without personal income tax relief is a politically vulnerable deal.

The disposition is still to end the 11% personal tax increase on June 30 along with EPT, and the leaders will be told that for fiscal 1954 the loss will amount to only \$3.5 billion (\$5 to \$6 billion a year thereafter). This intelligence will ease the chances for such a joint reduction. However, the leaders intend to hold off until they see what is involved in Korea and have had a chance to look at tangible prospects for expenditure curtailments.

BUSINESS BUZZ

"What's new?"

Tidelands, Copper and Controls

On Feb. 15 the last suspension of the 2-cent copper tariff expires. In view of the continued shortness of copper supplies, the suspension is likely to be continued.

Perhaps early in the session, the Congress can pass a law returning to the states control over the drilling and leasing of tidelands oil. Mr. Eisenhower has committed himself in favor of this and an even larger majority of the Congress than before will support it.

Shortly after Congress gets going, Banking committees of both Houses should begin to hold hearings with a view to determining what, if any parts of the Defense Production Act shall be continued.

There is little thought that price and wage control powers will be extended. There are two issues on this subject. The first is whether the sorry vestiges of these controls shall be ended prior to their statutory expiration under present law of April 30. The second is whether some variety of a stand-by price and wage control power should be retained in law in case of an emergency.

Rent controls on any scale will be dropped. Materials controls will be dismantled rapidly, although it is not yet clear whether the Eisenhower Administration may want some residual controls retained temporarily after June 30 on industrial raw materials.

T-H To Be Studied

Labor committees of both Houses will conduct studies and hearings looking toward possible modifications of the labor relations laws. Only a moderate change in the Taft-Hartley Act is anticipated. Its repeal is impossible. On the other hand Mr. Eisenhower is disposed against curbing the powers of the big nation-wide unions and the same sentiment prevails in the majority councils of Congress in view of the precarious hold of the GOP upon Congress.

The Reciprocal Trade Agreements Act extension may come up for early consideration, since, without renewal, it expires June 12. Congress has determined that the President shall on April 15 propose a plan for the sale of the government's synthetic rubber plants to private industry. This presumably will require Congress to attempt by statute to fix the terms and conditions of the sale of these plants.

Need Housing Program

Congress will run into expiring parts of the laws subsidizing housing credit. This will necessitate a look by the GOP Congress at the whole complicated skein of housing subsidy legislation, and the agreement upon some terms of what shall be continued, what shall be dropped.

Long-Term Studies

Congress probably will commence two long-range studies of a far-reaching character, those on social security and on farm subsidy legislation.

Action probably may be avoided on any new broad farm legislation, since the GOP seems committed to retain the present supports program through 1954. However, the agriculture committees will start chewing over this problem with a view to getting set for later legislation.

Without action, the present payroll tax for contributory old age security rises to 2% next Jan. 1, and the President-elect has seemed to favor higher pension payments. These may require specific legislation in this year's session of Congress as well as a long-range study of desirable social security changes.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

Business Man's Bookshelf

Facing the Future's Risks: Studies Toward Predicting the Unforeseen—Edited by Lyman Bryson—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y.—Cloth—\$4.

Federal Debt, The: Structure and Impact—Charles Cortez Abbott—The Twentieth Century Fund, 330 West 42nd Street, New York 18, N. Y.—Cloth—\$4.

Formosa: A Problem for United State Foreign Policy—Joseph W. Ballantine—The Brookings Institution, 722 Jackson Place, Washington 22, D. C.—Cloth—\$2.75.

Recruitment and Selection of College Graduates for Technical Positions in Industry: Bibliography—Industrial Relations Section, Princeton University, Princeton, N. J.—Paper—20c.

Truth of Money, The: A Doctrine of Social Reconstruction by Means of Ticket Money—Yoshitaka Tominaga—New Liberalist Economics Research Institute, Yokohama, Japan—Cloth.

What's Ahead? Ten reports a year by Edward R. Dewey sent to those contributing \$10 a year to the Foundation for the Study of Cycles, 9 East 77th Street, New York 21, N. Y. (plus a charge of stock market cycles, projected to 1990—ask for Chart C).