2

ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 177 Number 5190 New York 7, N. Y., Thursday, January 29, 1953 Price 40 Cents a Copy

EDITORIAL

As We See It

The new Administration has been in office only a little more than a week, but many professional commentators and others are already busy assessing its quality and its promise. These analyses and these appraisals are of necessity almost wholly political in their nature. A great deal has been heard of the political "ineptitude" of the President's staff, and of the "bad start" that the Administration has made, particularly in its relations with Congress. All this that has been taking place on Capitol Hill either by design or by its very nature has been damaging to the Republican regime and to the new President, so it is said. Designing Democrats have been carefully and shrewdly using it to build a basis for future attacks, the story continues.

There is doubtless a modicum of truth in these accounts, and the matter is not to be brushed aside as of no importance. There can be no question but that the events of the past week have provided certain types of politicians in the Democratic party (and also in some instances in the left wing of the President's own party) with ammunition they highly value and intend to use as occasion presents itself. It would appear that much of these ills might have been avoided with better planning and better approaches on the part of some one or some several individuals among those most directly involved. The New Dealers for long years made most effective use of just such material as this to discredit the Republican party for a time seemingly beyond repair. It is to be hoped that lessons have been duly learned from what has been taking place, and in the future

Continued on page 48

Economic Picture for 1953

By PAUL W. McCRACKEN*
Professor of Business Conditions, University of Michigan

Prof. McCracken pictures prospects for current year as generally good, with an increase in production of about $15 billion more than in 1952. Looks for proportionate increase in consumer spending, though we are close to peak in government buying. Discusses "coming recession" and concludes much depends on: (1) future tax policy; (2) new marketing efforts; (3) public works spending, and (4) banking expansion.

Most of you 28 days ago closed your books on a pretty good year. Earnings even after taxes were generally well maintained, and were for the average bank slightly above last year. This reflected three developments:

(1) The demand for bank credit was brisk but not excessive, with the result that note pouches contained $4 to $5 billion more loans than at the beginning of the year.

(2) Moreover, the typical loan by the year end was being negotiated on the basis of about a quarter of a per cent higher interest rate than a year ago, reflecting the general firming up of rates during the year.

(3) Though some costs were up, prices generally were fairly stable so that the increased current earnings meant a modest increase in net after taxes for the average bank.

Paul W. McCracken

Year-end reports generally, therefore, made pretty good reading to stockholders. What about 1953? That is now the question we are beginning to ask ourselves. For the banker, this "forecasting" is more than a matter of idle curiosity or fortune telling. Sound credit analysis, knowledge about borrowers, and competent management generally—you all realize very well that these considerations importantly determine the success

Continued on page 52

*An address by Dr. McCracken before the National Credit Conference of the American Bankers Association, Chicago, Ill., Jan. 28, 1953.

Yesterday, Today, And Tomorrow

By ORVAL W. ADAMS*
Executive Vice-President
First National Bank of Salt Lake City

Asserting after 20 years of government mismanagement, new Administration faces desperate situation, prominent Mid-western banker lists forces which tended to deprive public of control of both government and industry. Calls attention to problems of U. S. Treasury, and says nation must decide in next four years what is the optimum in government spending and taxation. Warns a sudden policy reversal is not practical, and decries tremendous increase in private debts. Predicts bankers' advice again will receive attention in high places and calls for return of gold standard.

We are here to consider specifically the fundamentals underlying the granting of sound credit. We should not indulge in finespun theories or academic cant. This is both a sober and hopeful gathering pinpointed by the recent election which presages a basic change in governmental policies affecting the granting of credit.

Orval W. Adams

I view that election as a protest transcending partisan politics.

"Incentive to succeed" is a major factor to be considered in the granting of credit. Our country was built on principles of highly ethical public conduct—policies wished onto government by the inherited and firmly held belief of our people that work was honorable, the worker worthy of his hire—and entitled to retain the reward of his efforts.

The seniors among us were trained in the extension of credit on the premise that such conditions prevailed. Then came the "new order." Our departure from the principles of honest labor was evidenced by the use

Continued on page 48

*An address by Mr. Adams before the National Credit Conference of the American Bankers Association, Chicago, Ill., Jan. 28, 1953.

PICTURES IN THIS ISSUE—Candid shots taken at the 27th Annual Dinner of the New York Security Dealers Association at the Hotel Biltmore, New York City, on Jan. 16, appear on pages 29, 30, 31 and 32.

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

Republic Aviation — N. Leonard Jarvis, Partner, Hayden, Stone & Co., New York City. (P. 2)

Illinois Terminal Railroad — Leon Levy, Partner, Oppenheimer & Co., New York City. (P. 2)

N. LEONARD JARVIS
Partner, Hayden, Stone & Co., New York City
Members, New York Stock Exchange

Republic Aviation

The name Republic on a plane has the same meaning to the Air Force that the name Grumman has to the Navy. The business friendship of Republic and the Air Force is an unusually close one and must necessarily remain so in view of the important position which Republic has held in the development and manufacture of military aircraft. Since completion of P-43 orders in 1941, the company concentrated on various models of P-47 Thunderbolts during World War II. Its earliest job was to escort bombers but later it was used in strafing ground targets and throwing bombs and rockets at enemy installations. Thunderbolts were credited with having destroyed over 7,000 enemy planes, about one-half in the air and the remainder on the ground, at small loss to themselves and were credited with having fired some 60,000 rockets, 135 million rounds of machine-gun ammunition in addition to having dropped 132,000 tons of bombs in over 546,000 sorties during the war. Republic built 15,329 Thunderbolts from 1941 through December, 1945, which was the greatest number of domestic single-engine combat planes of any one type produced during this period.

N. Leonard Jarvis

The old P-47, the first 400-mile an hour army fighter, was the forerunner of the F-84 Thunderjet, a 630-mile an hour jet plane with a radius of over 1,200 miles, packing terrific destructive power in its various combinations of armament including the simultaneous firing of 32 five-inch aerial rockets, 6 machine-guns or two 1,000-lb. bombs or napalm. incidentally, they can also carry "baby" atomic bombs. A new version of the F-84, called Thunderstreak, has recently been brought out which features a more powerful engine and swept-back wings. In addition to producing fighter bombers and interceptors, Republic will produce large quantities of the RF-84 a photo reconnaisance version of the F-84 which contains 10 camera stations in the nose to enable Intelligence to assay bomb damage after raids, as well as for other uses. The XF-91 experimental fighter motor-powered by turbo-jet engines and four auxiliary rocket motors has already been flown successfully and, furthermore, the company has contracts to develop other planes which, for the time being, have been designated as XF-103 and XF-105, and has others which are still in the top secret stage. Thunderjets and Thunderstreaks now coming off the production line are all equipped for aerial refueling which considerably extends their potential radius of action wherever aerial tankers can safely be used.

It is no secret that Republic, along with other aircraft manufacturers, is also working on guided missiles. Republic has been in the forefront in cutting down production costs as it has been increasing its production tempo. Complex jets are essentially the best that engineering skill can produce. In this connection, Republic has amply proved not only to the Air Force but to our friends all over the world that it rates top rank in its field. Advances in automatic welding, new methods of setting up jigs and fixtures, thus cutting major tooling costs, new ways of shipping and other items in production research have fortified Republic's position in the industry. The use of plastics is encouraged and either in their use as production tools or in the substitution of steel and aluminum, plastics have played an important part. The main plant at Farmingdale is estimated to have a replacement value in excess of $30 million and is owned outright. Its plant at Port Washington is leased and is used for building wings and mobile training units although Servel, a major subcontractor in Indiana, probably produces more than RA's own plant. During World War II, Republic employed some 16,000 workers at Farmingdale but at present there are believed to be some 22,000 employees. Recently a high government official stated that Republic's staff is producing the largest number of jet fighter planes in the free world and contrary to recent reports the Air Force program is not slowing down nor is it being permitted to lag as a whole. Production currently in numbers and in poundage is running as large as in any period since World War II.

It is thought that the company will show sales for 1952 in the neighborhood of $400 million. After taxes, on the basis of 75%, earnings may well exceed $6 a share even after allowing for the 10% stock dividend which was declared last November to supplement total cash dividends of $1.25 a share a year. A substantial part of profits are plowed back into the business, mostly for research and development but also for equipment which, at the present time, is represented by the building of stress analyses and physical structure laboratories. The company's working capital position has shown steady improvement over the last three years and it has an ample line of bank credit.

In my opinion, because of the remarkably outstanding performance which the company has made within the last few years, it will be in a position this year to claim that it "has become of age." Compared with other aircraft stocks, Republic seems to be most attractively priced and because it is regarded as a major supplier to the Air Force, its shares are qualified for "The Security I Like Best" rating. What Boeing, Lockheed and Grumman have done marketwise, RA can also accomplish, especially as earnings in 1953 may reach a new record high.

LEON LEVY
Partner, Oppenheimer & Co., New York City
Members, New York Stock Exchange and American Stock Exchange

Illinois Terminal Railroad

A railroad stock selling near its all time low is rare these days. If its earnings are about to rise sharply, and if its dividends, deferred during less favorable times are likely to be resumed soon, then the stock deserves careful investigation. Finally, if SEC reports show that the road's own officers have been buying the stock in the open market, then the security becomes unusually interesting as a means of capital appreciation.

Leon Levy

Illinois Terminal Railroad common, selling at 7⅞ on the New York Stock Exchange, is such a stock.

The company operates some 400 miles of track in St. Louis and southern Illinois. Additional revenues come from a terminal near downtown St. Louis and the McKinley toll bridge which spans the Mississippi.

During 1951 and 1952 when most railroads' earnings soared, Illinois Terminal's reached their lowest levels since 1940. They earned $0.92 and an estimated $0.95 respectively for those years. Although these reduced earnings still cover the road's $0.20 quarterly dividend, which had been initiated in 1948, tight finances and a heavy capital improvement program caused directors to pass the dividend last June. But since then, several important events, which should cause substantial improvement both earnings-wise and to working capital, have altered the picture.

Perhaps the most important single development occurred last week, when the Interstate Commerce Commission granted permission to abandon some 60 miles of non-profitable line. This abandonment should save $0.34 per share annually before taxes. Also, the abandoned track will net some $400,000 cash as scrap.

Working capital at the end of October was $765,000. One million dollars is considered the minimum satisfactory amount for the road. Thus, the $400,000 will again bring the road's current position to a comfortable level.

Other favorable developments are additional rolling equipment, a new roadway on the McKinley bridge and new traffic from industry expansion in the road's territory.

But perhaps as important would be the continuing absence of nonrecurring misfortunes which plagued the road since 1951. They included several local strikes and high waters on the Mississippi, which have hindered normal operations.

As the result of the above factors, earnings for the last half of 1952 have been about 40% above the 1951 months. This trend should continue. Aided by higher rates and a new warehouse, scheduled for completion this May, 1953, earnings should be well above last year's levels. The combination of higher earnings and improved working capital should result in the resumption of dividends.

Capitalization of Illinois Terminal is simple. It consists of $11,000,000 of first 4s, $3 million equipment obligations and 500,000 common shares.

The Capital Investment Outlook

By DEXTER MERRIAM KEEZER*
Director, Department of Economics
McGraw-Hill Publishing Co., Inc.

Asserting outlook for continued high level investment in new plant and equipment by American industry is very good over next year or two, Dr. Keezer cites surveys by Department of Commerce and McGraw-Hill Publishing Company indicating no let up in capital outlays. Says needed capital will be available, coming largely from retained corporate earnings and increased depreciation allowances. Finds prospects of balanced Federal Budget and of tax relief as good omen, and looks to modernization trend to foster large scale capital expenditure.

I shall deal with the outlook for capital investment by American business only over the next year or two and I shall skimp on the analysis of the interplay between capital investment and the operation of the economy generally, which is essential to a thorough-going treatment of my subject.

Dexter M. Keezer

The outlook for a continuation of a high level of investment in new plant and equipment by American industry is very good indeed. And if one assumes we shall have wise and courageous fiscal management in Washington over the next year or two—an assumption which I am quite willing to make—it becomes even better than that; it is excellent.

The managers of American industry have plans for investment in new plant and equipment which, if carried out as scheduled, will sustain a high level of activity in this field through the coming year and perhaps well beyond. The chances that they will have the funds to carry out the plans, already good, have recently been strengthened by developments in the financial operations of the Federal government—more specifically by the prospect that, on a cash basis, the Federal budget will be balanced and may even generate a surplus by mid-year. I shall return to this point.

The fact that American industry has plans to go right ahead through the year at close to its record-breaking level of capital investment seems almost unbelievable to quite a few people who have considerable credentials as authorities in this field. They can scarcely believe that, after putting more than $100 billion of new industrial plant and equipment in place since the end of World War II, and about doubling manufacturing capacity in the process, American industry can still be planning to keep right on going full steam ahead.

But this is the fact. Some months ago our McGraw-Hill Department of Economics got sight of this fact by making a preliminary survey of business plans for capital expenditure in 1953. And the fact that American business plans almost no let-down from the present record-breaking rate of capital expenditure has since been confirmed through a more comprehensive survey by the Federal Department of Commerce, which is incorporated in its most valuable study of "Markets After the Defense Expansion." The Commerce Department survey discloses that the expenditures for new plant and equipment which industry plans to make are only slightly less than those of last year, which hit an all-time high of $26.9 billion per year. A study of a smaller segment of industry indicated, as have previous McGraw-Hill surveys, that there are already plans to carry on capital investment at a level not a great deal lower for several years ahead.

Capital Will Be Available

Of course, it is one thing to have plans to make capital investment; it is another and more binding thing to carry them to a conclusion. To do that the money must be available and the incentive to spend it must not be impaired. When, however, one turns to this phase of the outlook I still find it very good. Right now corporate profits after taxes, the principal source of funds for the purchase of new plant and equipment and the principal inspiration for such purchases, are running at a rate of close to $18 billion per year. Coupled with increased depreciation allowances which will be available this year (about $11.5 billion as opposed to about $10 billion in 1952) this looks to me like a level of profits sufficient to sustain the capital expenditures which are planned—even if there is no reduction of business taxes.

At this point, I seem to hear two objections being raised. One is that it is not safely to be anticipated that the present level of profits will be sustained during the year. The other objection is that even if there is a large enough total volume of profits to validate the high level of capital expenditure which is planned, there is no assurance that the total will be distributed between industries and companies as to assure this result.

While at present there is no way of knowing just how much, I think there is something in both points. I personally have misgivings about the possibility of sustaining the present level of profits through the year, although a lot of people for whose judgment I have much respect do not

Continued on page 47

*An address by Dr. Keezer to the Austin Citizens Council, Austin, Texas, Jan. 15, 1953.

INDEX

Articles and News

Regular Features

Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
Thursday, January 29, 1953
Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).
Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone STate 2-0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.
Subscription Rates
Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $45.00 per year; in Dominion of Canada, $48.00 per year. Other Countries, $52.00 per year.
Other Publications
Bank and Quotation Record — Monthly, $30.00 per year. (Foreign postage extra.)
Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Bus Business

By IRA U. COBLEIGH

Author of "Expanding Your Income"

A quick look at some leaders in bus transportation with brief comment on how the investor fares among these carriers.

It has been said that the United States is a country where people in all walks of life prefer to ride; and they do a great percentage of that riding on buses. This rubber-tired charabanc is the lineal descendant of the street car named expire. Not only has it replaced the trolley in urban transit, but in runs between cities as well. You may recall, for instance, that in 1914 you could go by trolley from Boston to Pittsfield; and that the New Haven Railroad perceived such inroads from trolley competition for passenger traffic, that it bought out whole networks of street car companies in New England; and went broke doing it! Such an ill-conceived and gradiose attempt to gain a virtual land transport monopoly was doomed to failure; more especially so because it failed to envision the future myriad of buses and private cars.

Ira U. Cobleigh

More Than Nine Billion Riders

However, let us not dwell on the myopia of history. The bus succeeded the tram; and has succeeded in a very big way. If you don't mind a few relevant statistics, here they are. Nine billion people—over four times the entire population of this planet—rode buses, within cities, or interurban, in 1951; and there were still more riders in 1952. Over 90,000 public transport buses, and 111,000 school buses make up a mighty fleet that takes 6,500,000 kids to and from school each week day; and the rest of us from Prospect Street down to the corner of Main and Church; from Portland to Palm Beach, or from Boston to Bakersfield. It's quite a business.

Bus business is really divided quite sharply into two classes: (1) transit or city service, and (2) intercity. Let's talk about transit first, because it's bigger, older and more complex. Just pick out any city with say 10,000 and over in population and (1) it had a trolley line once or (2) it has a bus line now. Many of these lines which began years ago as trolleys, were owned by the electric power company that supplied the juice. As the fast switch from trolley to bus gained momentum in the '30s, the rubber-tired transit lines were in many cases either sold to private companies; or else bought over by municipalities. There's a great deal of municipal transit ownership, and a visible trend in that direction. There are, however, some very big private corporations whose operations attract investors.

Omnibus Corporation

Take Omnibus Corp. Here's a holding company owning Fifth Ave. Coach Company which operates 81 miles of bus lines in New York; and having a 73% interest in New York City Omnibus Corp. which has 83 franchised miles in New York. At the end of 1951, Omnibus Corp. and subsidiaries owned 1,900 buses, 1,772 of them Diesel driven. That figure is less today, however, since in the Fall of 1952, Omnibus Corp. sold to the Chicago Transit Authority its wholly-owned subsidiary, Chicago Coach Company for about $16,500,000. Another private bus transit company thus went municipal. Omnibus lost $10,500,000 in gross (1951) and a lot of buses, but there's a brighter side—cash received! With this Omnibus retired $3,095,100 of high dividend ($8) preferred at $115, paid off some equipment loans and set up some reserves for possible claims and taxes. Now, apart from equipment obligations, sole capitalization of Omnibus Corp. is 647,739 common shares quoted at 10 and paying $1 currently.

From 1938-1945, earnings were good; but by 1946 powerful unionization, higher operating costs and taxes, plus higher replacement cost beset earning power. Fare increases, granted both in 1949 and 1950, helped stem the earnings ebb tide; but at this very moment we see again new wage demands (25c an hour above $1.74) and reduction of the work week to 40 hours with the 48-hour weekly pay envelope. This demand created a month long strike; and if met, suggests again a higher fare as the only defense for earning power maintenance. With the city owning some bus lines and negotiating labor rates on same, private management has to follow pretty much the same pattern when it comes to the bargaining table. For these reasons, Omnibus Corp. stock is speculative. Higher fare could mean better earnings, but how high can fares be set without repelling riders; or how can they be kept as they are, without invoking the specter of municipal ownership? Would the latter produce a capital gain for shareholders? Who knows?

Philadelphia Transportation Co.

Another big city transit enterprise is Philadelphia Transportation Company which provided across-the-board transit facilities in Philadelphia, Pa., serving a population of over 2,600,000 with assorted and diverse passenger service by street railway, trackless trolley, motor bus and subway-elevated lines. Buses are an important, and increasing, element in this extensive system; but here again earnings have been bedeviled by higher costs, labor difficulties and much needed higher fares, delayed by the standard crossfires of politics. Here again, fare rates are "sacred cow," yet the demands for an increase in the price of labor, indicate once more, the prospects of higher fares, and possibly curtailed service if private enterprise is to continue; or outright municipal absorption, with taxpayers holding the deficit bag.

Philadelphia Transportation is unique among urban transit outfits in that it runs its own lines (85% of gross), and as lessee, operates the city owned lines (14% of gross); and it also operates the Delaware Bridge Line, owned by the Delaware River Joint Commission. Altogether, Philadelphia Transportation earned $72.6 million gross for 1951, equivalent to $1.17 on each of the 717,005 common shares outstanding. On this 80c, a share was paid in 1951, and 1952; but nothing in 1949 and 1950. Ten-year price range on this common is from ½ (1942) to 9½ (1945). Current quote 5⅝. This highly volatile common follows 752,384 shares of $20 par $1 dividend preferred and funded debt of about $48 million. Here, as in other urban lines increased fares, better cost control, and stabilization of labor factors, could create a more favorable speculative climate. With these elements remaining uncertain, Philadelphia Transport common makes its appeal to the more sporting wing of the stockholding fraternity. If you could only be sure of the 80c dividend, the current price for common indicates a quite alluring yield.

Some Other Local Operators

If these urban transit equities lure you, look up Baltimore Transit Co., Twin City Rapid Transit, Dallas Railway, or possibly Public Service Co. of New Jersey, a king size utility, which owns Public Service Transportation Co., one of the titans of transit. However, when you look at all these, remember the basic overtones of municipal politics and the franchise tax. But consider also that the increasing downtown congestion, in big cities, the progressive difficulty of parking private cars, and the trend to suburban living, and population growth, creating new demands for bus service. Also consider as a source of additional revenue, card advertising in buses and even radio music and blurbs, tried (as well as litigated) in Washington, D. C. As long as rising demand for bus transport exists, ingenious management may well develop profitable techniques for meeting it.

The Interurban Carriers

The interurban or tourist bus picture is less complicated, and in this field, the modern streamlined diesel carrier has not only retired the tram, but taken over a major passenger volume from the railroads. For example, between cities, such as the run from New York and Boston, Washington and Richmond, bus lines provide almost hourly service at low-cost competition-beating rates. For the tourist or vacationer, up or down coast, or cross country, tours are offered at prices so attractive and schedules so swift, and with hotel and resort facilities so complete, that tens of thousands arrange family round-trips, covering thousands of miles, leaving their own cars at home in the garages.

Greyhound Corporation

In this billion passenger, intercity bus traffic, one company stands out as leader—Greyhound Corp. This distinguished enterprise with its subsidiaries, operates an integrated highway bus system of 90,000 miles, serving 46 states, the District of Columbia and seven Canadian provinces. Certain railroads such as Pennsylvania, New Haven, Southern Pacific and Great Northern, share the ownership in Greyhound lines in their respective areas.

In October, 1952, Greyhound secured complete ownership of Overland Greyhound Lines, by purchase of ⅔ of its outstanding shares for $2,224,700 par in $4.25 preferred and $6,341,000 in cash and notes. This investment could conceivably improve overall net by as much as ¾ million a year.

Greyhound common, of which 10,600,367 shares are listed on the N. Y. Stock Exchange, sells around 12⅞ and has paid $1 for the last five years, roughly 80% of net. Even with two regional strikes in 1952, the dividend was covered. With 6,300 buses on the road, aggressive sale of packaged tours, vacation round-trips, and special charters, in addition to regular daily traffic, Greyhound is an efficient travel merchant. Its traditional low cost fares, modern equipment and rapid roadwork are powerful competitive lures. Greyhound is providing a lot of travel satisfaction, as well as a current 7.7% yield on its common.

America is a nation of travelers and whether to avoid rasslin' with a parking problem downtown, or to avoid long concentrated hours behind the wheel en-route to Denver or Duluth, hundreds of thousands are now bus-minded. Bus business is fascinating enterprise, whether you take a long ride, or just a long position in its stocks.

1953 Dilemmas

By ROGER W. BABSON

Another inauguration is over. Dwight Eisenhower is now President of the world's most powerful nation. He is a man of sterling character, tremendous energy and marvelous contacts. So far as it is possible in a Democracy, he will be a great President. But "Democracy" is a synonym for "Dilemma." Hence, before rushing to expand plants or buy stocks, it is well to consider at least five Dilemmas which we must face in 1953.

Roger W. Babson

Korea — Dilemma No. 1: The American people want their sons back from Korea and, at the same time, don't want Korea to fall into Communist hands. This is a Dilemma with which Mr. Truman and his military aides have honestly struggled. The promise of Ike to visit Korea and try to accomplish the impossible was a great factor in electing him. Will people turn against him when he reports that 1953 will see no solution to this Dilemma, notwithstanding his hopefulness?

Communism — Dilemma No. 2: The new President this week reiterated his determination to stop Russia's spread of Communism. But he knows that Communism is not confined to Russia. It is the name for a world revolutionary movement of billions of unhappy people. Russia has seized and capitalized this great social tidal wave; while the United States has taken the side of the conservative owners of property and tried to check it. Eisenhower must be sympathetic with these downtrodden races, but he knows also if he changes our present policy he would be cursed as sympathetic to Communism. This is Dilemma No. 2 which he must face in 1953.

Foreign Imports—Dilemma No. 3: Voters are demanding a reduction in our aid to Europe and Japan. Our new President knows that this can be done only by lowering tariffs and admitting more foreign goods into our markets. But he also knows that such a program would make the U. S. business interests who elected him very angry. Such a move might also cause unemployment here at home, which would be welcomed by the Democrats. Hence, this third Dilemma. Competition during 1953 will be very severe, even among U. S. manufacturers, without being handicapped by greater imports.

Balancing the Budget—Dilemma No. 4: Our new President will operate a more honest and economical Federal Government. There will be less money spent by all departments, including the military. More efficient operations may be expected. But this deflationary program may cause unemployment and lower profits. As most Federal income is derived from taxing profits, this would mean lower tax receipts. This is a Dilemma which Eisenhower must face in 1953.

Reducing Taxes—Dilemma No. 5: The Excess-Profits Tax will end during 1953. The Capital Gains Tax could be much reduced, and investors would benefit from the reduction. It exists only as a political sop to radical labor. Perhaps a token reduction of 5% in income taxes and 50% in certain excise taxes will be granted in 1953. But if we have declining profits and dividends, as a result of Eisenhower fulfilling all his other promises, can he reduce taxes much more in 1953? Never before has any new President inherited such abnormally high taxes, upon the government's spending of which our prosperity is largely dependent. Hence, this is Dilemma No. 5.

Needed—A Spiritual Awakening

I am thankful that Dwight G. Eisenhower is now President of our country. Unless World War III comes (and if it comes Eisenhower would be needed more than ever), Inflation can be curbed. Hence, we have Confidence. This is a great step forward. But the American people—except in emergencies—are basically business and employment minded. Our marvelous growth has been due largely to this fact. We do not like to sacrifice. Eisenhower believes that what is best for the world as a whole will ultimately be best for America. But only a great spiritual awakening, brought about by some adversity, will make our voters believe and act likewise.

With Olderman, Asbeck

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Laura A. Bolger has joined the staff of Olderman, Asbeck & Co., Union Commerce Building, members of the Midwest Stock Exchange.

The State of Trade and Industry

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

Little change was noted the past week in total industrial output from the near-record level of the preceding week. However, it continued to be somewhat higher than a year earlier. Total production ranged close to 6% under the record attained in the final quarter of 1943 and close to the highest point reached since the end of the second World War. Unemployment held well below the level of a year ago.

According to the United States Bureau of Labor Statistics, factories employed more workers in December than at any time since V-J Day. Manufacturing jobs numbered 16.7 million, up 55,000 from the preceding month. At the same time, total nonfarm employment rose to a new record of 48.8 million. This was 800,000 above the November total. It was 1.2 million higher than in December, 1951. The Christmas season brought temporary increases of 500,000 in retail stores employment and of 400,000 at post offices.

Industrial production last year ran at 219% of the 1935-39 average or about equal to the 1951 output. Through a concentrated drive in the final five months of 1952, the nation's manufacturers made up nearly all the losses resulting from the 56-day steel strike in June and July. Steel out-turn itself for all last year amounted to 93 million tons—only 12 million tons less than in 1951 despite the prolonged mill shutdowns, states the Federal Reserve Board.

Industrial production in December, it disclosed, climbed to 235%, setting a new post-World War II high for the fourth successive month. As a result of the steel strike, output fell to 193% in July. But record demands from the military and civilian sectors of the economy have pushed up the index ever since. The December figure, however, was still considerably below the level of October-November, 1943, when full-scale war carried production to a record 247%.

Some steel consumers, fighting a challenging battle of procurement, may be over-playing their hands, states "The Iron Age," national metalworking weekly the current week. A careful check of the market this week shows overwhelming demand, but some of these very signs of strength may point to an uncertain future, this trade journal adds.

There is no reason to suspect the market in the next few months. Demand is far too strong. But the psychology of shortage is a powerful force that could bring on a mild case of boom and bust. The inventory correction of 1950 could be repeated in the second half of 1953, or early in 1954, states this trade authority.

An "Iron Age" survey of steel inventories in major consuming centers indicates that steel stocks are gaining, but inventories are still badly unbalanced. Juggling of stocks to get badly needed items makes steel supplies seem smaller than they are.

Industrial purchasing agents, spurred by front office races for the consumer market, are extremely aggressive in their procurement. In competitive consumer durable goods industries, such as autos and appliances, every possible pound of steel is being thrown into the race to reach the customer first. This is adding terrific pressure to the market, this trade weekly notes.

Some purchasing agents are already discounting the lifting of steel controls. In their aggressive buying, they appear to be paying little heed to Controlled Materials Plan quotas, or inventory restrictions.

Many purchasing agents are admittedly over-ordering, apparently on the theory that only part of their order can be filled anyway. In a number of instances shaving of inflated orders may have resulted in delivery of about as much steel as had been hoped for in the beginning.

Unbalance is still the keynote of the inventory picture. Many seemingly comfortable inventories are crippled by shortages of one or more items. The search to fill these troublesome holes is relentless, accounting for much additional pressure in the market. It also explains an undue number of emergency calls for "department store" delivery from warehouses, states this trade journal.

Steel producers are keenly aware of their growing production capacity. They know that current production is slowly raising inventories, as well as supporting higher manufacturing schedules. New capacity yet to come will speed the process of catching up.

When the word gets around that steel orders can be placed with promise of early delivery, they fear many consumers may

Continued on page 53

Business Man's Bookshelf

Controlling Factors in the Business and Market Outlook—Appraisal of factors likely to dominate business and market outlook during the next 12 months plus a study entitled "What Is the Best Stock Average from a Practical Standpoint" and current projections of buying levels — $5 for these special reports and weekly bulletins through March 31 — Anthony Gaubis & Co., 37 Wall Street, New York 5, N. Y.

Executive Pay Plans: 1953 — William J. Casey and J. K. Lasser —Business Reports, Inc., 225 West 34th Street, New York 1, N. Y.—fabricoid—$12.50.

Local Real Estate Taxing of Pennsylvania Railroads: Local Real Estate Tax Law Supplement to "New Tax Manual for Pennsylvania and Its Communities"—John A. McCann, Community Assistance Committee, Pennsylvania Motor Truck Association, Telegraph Building, Harrisburg, Pa.—paper.

Mortgage Loan Accounting — Booklet describing procedure of value to savings institutions—International Business Machines Corp., 590 Madison Avenue, New York 22, N. Y.

No Work Today!—The Plight of America's Migrants—Varden Fuller — Public Affairs Committee, Inc., 22 East 38th Street, New York 16, N. Y.—paper—25c.

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 marekt cycles, projected to 1990—ask for chart C).

Ontario Debentures Offered at 96.75%

Harriman Ripley & Co. Inc. and Wood, Gundy & Co. Inc. and associates are offering today 50,000,000 Province of Ontario (Canada) 22-year 3¼% debentures due Feb. 1, 1975 at 96.75% and accrued interest.

Proceeds from the sale of the debentures are to be advanced by the Province of Ontario to The Hydro-Electric Power Commission of Ontario pursuant to a request from the Commission for an advance of moneys to be used by the Commission to provide in part for its present capital construction program and to repay any temporary loans incurred for capital or other purposes.

The debentures will constitute direct obligations of the Province of Ontario and will be redeemable at the option of the Province at any time on or after Feb. 1, 1958 at prices ranging from 101% to par.

Ontario is the second largest of the Canadian provinces, covering approximately 412,000 square miles, of which about 88% is land area. Estimated population of the Province on June 1, 1952 was 4,766,000, representing about 33% of the total population of Canada. Net direct debt of the Province on Nov. 30, 1952 amounted to $577,712,561.

Other members of the offering group include The First Boston Corp.; Smith, Barney & Co.; The Dominion Securities Corp. A. E. Ames & Co. Inc.; and McLeod, Young, Weir, Inc.

Observations . . .

By A. WILFRED MAY

What Price Glory?

The importance of the "Wilson-Talbott-Stevens case," it seems to me, actually lies not at all in the legal phases with which so much of the public discussion has been occupied. Rather does its significance lie in the manner in which the overhanging duality-of-interest was faced—or rather ducked— by the cream of "Big Business" and its sponsoring Administration at this time of the launching of its "Crusade."

A. Wilfred May

Out of order have been not only the proposals for changing the law *ex post facto* to fit the designees, as well as schemes advanced for getting around the law; but equally extraneous is the widespread discussion centering the issue on the various legal phases. What Mr. Wilson and much of the public—both "pro-" and "anti-Wilson" —have lost sight of is that the law is merely a codification of the people's continuing desires according to their moral sense. In direct contrast to an unpopular ordinance of the Sunday-closing type, whose infraction is winked-at, if the statute barring the serving of two masters had not been on the statute book in some form since 1863 (and re-enacted in 1879, 1909, and 1948), such a law would have been legislated to follow the popular will long ere this.

It is within the last decade that restrictions have been enacted into law against conflicting directorial interest in companies under the aegis of the Public Utilities Holding Company Act, the Investment Companies Act, the Federal Communications Commission, the Civilian Aeronautics Board, and the Interstate Commerce Commission. An individual wanting to be a director in more than one company where there is any possibility of conflict of interest, must get the permission of the regulatory agency, which withholds it where there is an actual conflict.

Unawareness of the Real Issue

Most surprising was Mr. Wilson's complete unawareness of the basic principle that a man cannot assume a position implying the possibility of serving two masters and the kindred proprieties, before, during and after the hearings before the Senate's Armed Services Committee. He sought to create a picture of a "goat" of political skullduggery, "pushed around" by demagogues following uninformed low instincts of their constituents. "I've been clipped," he wise-cracked to the Pentagon barbershop on his arrival on his job today. Undoubtedly a major motive in the final decision to liquidate his stock was that of making a supreme sacrifice to free his Chief from unwarranted political embarrassment.

Some of the opposition voiced against compulsory divestment of stock ownership by government officials is based on its insufficiency, on the ground that there are other numerous elements, including conscious and subconscious ones, which motivate duality of interest. But opposition to a step fundamental to good practice on the ground of its incompleteness or inability to function as a cureall, seems wholly invalid. And the fact that in our "crusading" new business Administration's first and clear-cut test its representatives fell down, compels the unfortunate inference that on more diffuse tests the proprieties would more certainly have been violated. And further it implies the conclusion that discussion to effect legal changes to make the government jobs attractive for industrialists, will be abortive.

The Cost of Serving

Mr. Wilson's sacrifice in obeying the Congressional will in disposing of his General Motors shares does not seem so fabulous —apart from the question of comparison with what others have been forced to do, from similar officeholders, past and present, to the army of draftees under the aegis of that very Defense Department. Of his own 40,000 shares, he has agreed to remove completely from the family 32,000 shares, leaving his children and

Continued on page 59

Business and Finance Speaks After the Turn of the Year

HERBERT ABRAHAM

President, The Ruberoid Co.

Korea may well be the key word in any estimate of the business prospect for 1953. It is apparent that our national economy, and industrial production in particular, will be influenced to a large degree by the new Administration's decisions on defense spending.

Herbert Abraham

Under present plans, the defense program of $57 billion a year would reach its peak in the middle of 1953, with possibilities of some general business let-down thereafter. If, however, the demands of the Korean operation increase, our defense program may well be stepped up, or certainly maintained at present levels with continued high production and employment.

While it is anticipated that the construction industry will follow the general trend of business, it must be remembered that the building products industry has always exerted a strong stabilizing influence on our economy. The present outlook for this segment of American industry in 1953 is favorable, with anticipated sales and production figures approaching the high record set in 1952.

This is verified by surveys indicating that in the first half of 1953 the housing situation will remain reasonably stable, with a possible decrease in the rehabilitation of old homes and emphasis on new construction. Demand for housing may well be stimulated by smaller down payments, and easier financing methods. There are already indications that credit requirements will be relaxed along these lines.

Plant and factory construction appears to be nearing the required level, even with a big defense program. However, construction of the type which normally follows such expansion is considerably short of its peak requirements. We can look forward to a parallel community building program including the erection of stores, offices, warehouses, schools, hospitals and other structures which will contribute a great many jobs and dollars to a widespread number of cities, towns, and villages, especially those in defense production areas.

In 1953 the home purchaser will demand more for his money in better materials and workmanship, and the trend toward use of improved devices in housing is expected to continue. Development of "Duroc," a color-grained siding, by The Ruberoid Co., is just one example of this growing awareness of the need for new materials. Industry, too, reflects this trend toward higher quality constructioin for possible dual-purpose objectives—defense as well as consumer goods.

All this offers a challenge to every branch of the construction industry, which will stimulate competition to produce better products for the building products buyer.

ERNEST R. ACKER

President, Central Hudson Gas & Electric Corporation

Realizing the vital contribution of electricity and gas to America's civilian and defense needs, the privately owned business-managed utility companies will continue their vast expansion program in 1953, unmatched in industrial history. Effectiveness of this ability to serve the nation's needs is attested to by the impressive gains registered in 1952 in electric generating capability, gas consumption, power production, sales and customers.

Ernest R. Acker

It is generally recognized that the American consumer is receiving more value today for his utility dollar than for any other comparable expenditure. A number of factors have made this possible. Technical and operational improvements, the installation of efficient new plants, and constant management efforts to seek out new ways of providing better, more economical service, as well as progressive gains in power use, have been instrumental in keeping the necessity for rate increases at a minimum.

For example, in 1940, 1.34 pounds of coal were needed to generate one kilowatt-hour of electricity. The most efficient plants now produce power at about three-fourths of a pound of coal per kilowatt-hour, and plants now under design will lower that figure.

In the gas business the demand continues for the clean, efficient automatic fuel which this industry has demonstrated its ability to supply for ever-increasing customer use in home and in industry. The problem still with us is how to continue to meet this demand in a period of rising costs.

The cost of plants, equipment, materials and labor cannot be continuously increased without seriously affecting the cost of utility services to our customers. Our industry is aware of the burden that increased rates impose upon the public, already faced with inflated prices of nearly every item that enters into the cost of living and doing business.

On the other hand, sufficient earnings are necessary to attract capital and support from investors in this period of unprecedented utility construction and expansion. When and where the facts are fully and fairly presented, I am sure the public will continue to accept, and the regulatory commissions will approve, rates for gas and electricity which yield sufficient income to permit utility companies to meet the demand for their services.

Of great significance in 1952 was the founding of the Ohio Valley Electric Corporation by 15 private utilities to supply 2.2 million kilowatts of power to the Atomic Energy Commission. This organization follows the pattern established two years earlier by the five-company Electric Energy, Inc., which is installing 900,000 kilowatts to supply power to the Paducah, Kentucky, atomic installation. In addition, five New York State power companies have proposed to develop additional power from the Niagara River, scene of one of the great historical hydroelectric developments of this nation, made also by private enterprise. If and when Congress grants permission, the utility companies are prepared to construct the project.

These recent enterprises are sufficient evidence that the nation's investor-owned utility companies are prepared to meet the power requirements of our defense and civilian programs with the active cooperation of Government. The claim that private capital is unable or unwilling to undertake large-scale power development is refuted by these examples. Private capital has continuously demonstrated its willingness and ability to develop large power resources in the public interest.

The public is still in the position to determine whether utility companies will continue to provide gas and electric service or whether the trend toward Government encroachment will continue. As long as the utility companies are managed vigorously and efficiently in the public interest and the public has knowledge of their accomplishments, I am confident that the public will approve and support business management and investor ownership of the utility business.

Utility companies look forward with great anticipation to 1953 and the years following. Already experiments are underway involving the technical and economic problems of the conversion of atomic energy into electric power. The nation's utility companies have taken the first steps to entering this new and no longer elusive field.

MORE BUSINESS FORECASTS

For various reasons some of the 1953 business forecasts prepared for the CHRONICLE could not be accommodated in our ANNUAL REVIEW and OUTLOOK ISSUE of Thursday, Jan. 22. The remaining unpublished statements appear in today's issue, starting on this page.—EDITOR.

ARTHUR K. ATKINSON

President, Wabash Railroad Company

When the railroad earnings figures for 1952 are completed it is expected that the average rate of return on the net property investment of Class 1 carriers will be a little more than 4%. This will be an improvement over 1951 when the return was only 3.69% and approaches the average of 4.25% earned during the 10 years from 1941 through 1950. The railroad record is not very impressive when compared with that enjoyed by other major industries which regularly earn an average of from 7% to 18% on their net investment. It is not a record which would encourage investors to venture their funds for new issues of railroad stock. Consequently, the railroads must spend a major part of their earnings and working capital in order to make necessary improvements to their roadway and structures, as the only sources of new borrowed capital are the issues of comparatively short-term obligations on equipment acquisitions.

Arthur K. Atkinson

The railroads cannot be placed in a class with the horse and buggy. They are still the backbone of our national transportation system, carrying more commercial inter-city freight, based on tonnage moved and distances involved, than all other forms of public transport put together. The Class 1 railroads alone employ a million and a quarter Americans at average wages of about $80 a week. They represent a net investment by the general public of $25½ billion and pay more than $100 million in taxes each month to the Federal, state and local governments.

The railroads, like other business and industry, need adequate profits in order to survive and progress with the expanding national economy. They have made great strides in improving their service, efficiency and safety in almost every phase of railroad operations. In 1953 they will continue the huge program begun at the close of World War II of spending an average of more than a billion dollars annually for capital improvements. About 70% of these improvement funds will go for new locomotives and cars with the remaining 30% for rail and signal projects, new yards and shops, and other fixed installations. Many more technological improvements could be made if the financial ability were available.

In 1953 railroad traffic volume and gross revenues are expected to continue at present high levels. This is based on the forecasts for sustained activity for general business and large government spending for defense. Barring further inflation in operating costs and strikes in major industry, railroad earnings should remain about the same as they were in 1952.

Because of their vital importance to the national economy as essential common carriers of passengers and freight the railroads have been the object of Federal and state regulations for over 65 years. By attempting the worthy purpose of protecting the public from a potential railroad monopoly, government regulation and subsidy has worked to build up other forms of transportation to full grown competitors and has weakened the railroads to the point where they are struggling to maintain their financial independence. This threat to free enterprise must be recognized and corrected by prompt action. The new Congress has a job to do for the American people in revising transportation laws so that a reasonable measure of freedom is restored by the removal of unnecessary and excessive regulation. 1953 could be the year when the fate of the great railroad industry may be decided.

C. J. BACKSTRAND

President, Armstrong Cork Company

Barring all-out war in 1953, government expenditures for national defense will no longer take an increasing proportion of the total national output, although military outlays are expected to continue to rise slightly throughout the year. A new balance seems likely between the military and civilian sectors of the economy with a marked easing in the strains and pressures which have accompanied the defense build-up. Further sharp rises in consumer prices are not in prospect, and production in all probability will remain close to the average of 1952. Rising consumer incomes should expand the potential for sales, offsetting the slight decline in spending for new plant and equipment expected after mid-year. Broadly speaking, the year ahead promises to be one of relative stability at a high level for general business, but many adjustments will continue to take place among individual lines.

C. J. Backstrand

Since the outbreak of the Korean War, the nation's productive capacity has increased approximately 20%. Less than half of this gain has been for military purposes. Consequently, while the nation's efforts during the past two and one-half years have been directed primarily toward achieving greater production, the task for business managements in 1953 will be to sell in full the expanded capacity for civilian goods.

The principal uncertainty facing many individual lines of business in the year ahead can be traced to the spending behavior of consumers. With increased availability of all civilian products, it is to be expected that consumers will be even more selective in their purchases. Seller's markets will be the exception, and in most lines still greater competition can be expected.

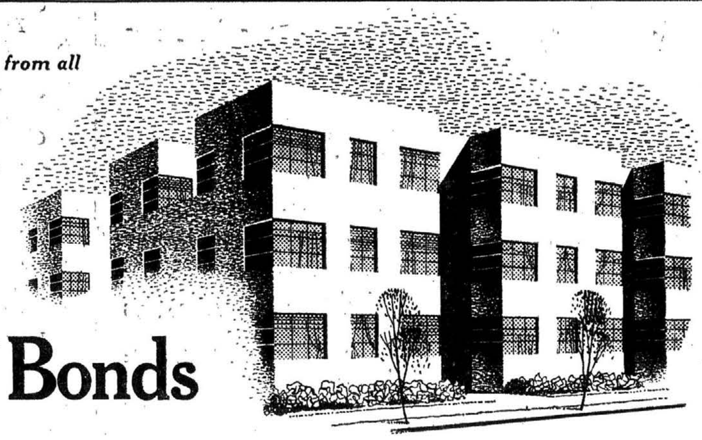
In the construction field a high over-all level of activity is anticipated. Some weakness in private building is in prospect, but this is likely to be offset by an increase in public construction. A freer supply of all building materials—especially metals—as well as the further lifting of government restrictions, should prompt an expansion of commercial building. Still rising needs for schools, churches, and many institutional structures foreshadow further growth in construction in these fields. New homebuilding promises to be moderately below the levels reached in the last three years—primarily because the most urgent housing requirements appear to have been met. Repair and modernization work, however, is expected to expand further. With limited opportunity for larger volume in new residential construction, satisfactory profits for builders and material suppliers will depend more than ever upon ability to control costs and give greater values to the consuming public.

Because of the far-reaching effects of government action in general business, the policies and programs of the new national Administration will bear close watching over the months ahead. Although it is too early to determine precisely the course which the new Administration will take in many areas, it now seems likely that a more favorable climate for business will prevail than in recent years. Greater economy in government can be anticipated, some tax relief is possible, and Federal policies can be expected to reflect the views of all groups in the economy. Much of the current optimism regarding near-term business prospects undoubtedly is based on these considerations.

While there are strong reasons to face 1953 with confidence, complacency would be dangerous. For, certainly good business this year cannot be taken for granted. Sound planning, with emphasis upon improved efficiency, redoubled selling efforts, and new product development, will be the key to successful operating results in 1953.

Continued on page 25

Interest Exempt, under the United States Housing Act of 1937, as amended, from all Taxation now or hereafter imposed by the United States



NEW ISSUES

$111,015,000

New Housing Authority Bonds

Due serially as shown below

Principal and semi-annual interest payable, at the option of the holder, at the office of the Fiscal Agent of the respective Local Housing Authorities or at the office of the Alternate Paying Agent in the City and State of New York. Coupon bonds in the denomination of $1,000, registerable as to principal only, or as to both principal and interest, with the privilege of reconversion, at the expense of the holder, into coupon bonds.

Legal Investment for National Banks, without limitation as to amount of investment, and for Commercial Banks, Savings Banks and Trust Funds in New York and many other States

These Bonds, to be issued by 43 Local Housing Authorities located in 21 States, will constitute, in the opinion of Counsel, valid and legally binding obligations of the respective Local Housing Authorities, secured by a first pledge of Annual Contributions unconditionally payable pursuant to the Annual Contributions Contract with the Public Housing Administration in an amount which, together with funds of the Local Authority actually available for such purpose, will be sufficient to pay the principal of and interest on the Bonds when due.

The United States Housing Act of 1937, as amended, solemnly pledges the faith of the United States to the payment of the Annual Contributions by the Public Housing Administration in accordance with the terms of the Annual Contributions Contract.

LOCATION OF HOUSING AUTHORITIES AND AMOUNTS

Scale 1

$7,930,000	Hartford, Conn.
1,685,000	New Haven, Conn.

Scale 1-A

$5,885,000	Chester, Pa.

Scale 2

$10,265,000	New York City, N. Y.
1,000,000	Port Chester, N. Y.
7,920,000	Richmond, Va.

Scale 3

$1,680,000	Fresno County, Calif.
3,065,000	New Albany, Ind.
2,555,000	Newport, Ky.
2,865,000	Paducah, Ky.
2,400,000	Fall River, Mass.
2,390,000	Lynn, Mass.
3,020,000	Pontiac, Michigan
3,620,000	Trenton, N. J.
$1,890,000	Charleston, S. C.
4,310,000	Columbia, S. C.
3,085,000	Austin, Tex.
1,375,000	Danville, Va.
1,440,000	Norfolk, Va.
3,025,000	Norfolk, Va.
2,990,000	Norfolk, Va.
1,045,000	Stephenson Co., Ill.

Scale 4

$ 785,000	Virginia, Minn.
2,145,000	Atlantic City, N. J.
2,305,000	Beaumont, Tex.
2,950,000	Wichita Falls, Tex.
3,980,000	El Paso, Tex.

Scale 5

$3,200,000	Huntsville, Ala.
2,520,000	Tuscaloosa, Ala.
1,230,000	Pensacola, Fla.
765,000	Buford, Ga.
705,000	Camilla, Ga.
680,000	Cartersville, Ga.
705,000	Douglas, Ga.
2,410,000	La Grange, Ga.
1,590,000	Marietta, Ga.
$1,680,000	Waycross, Ga.
910,000	New Iberia, La.
1,355,000	Biloxi, Miss.
950,000	Laurel, Miss.
805,000	Lumberton, N. C.
1,245,000	Murfreesboro, Tenn.
1,010,000	Union City, Tenn.
920,000	Borger, Tex.
730,000	Harlingen, Tex.

COUPON RATES, MATURITIES AND YIELDS

	2⅜%			2½%		
Due	Scale 1	Scale 1A	Scale 2	Scale 3	Scale 4	Scale 5
1954	1.05	1.05	1.05	1.10	1.10	1.10
1955	1.15	1.15	1.15	1.20	1.20	1.20
1956	1.25	1.25	1.25	1.30	1.30	1.30
1957	1.35	1.35	1.35	1.40	1.40	1.40
1958	1.40	1.40	1.40	1.45	1.50	1.50
1959	1.45	1.45	1.45	1.50	1.55	1.55
1960	1.50	1.50	1.50	1.55	1.60	1.60
1961	1.55	1.55	1.55	1.60	1.65	1.65
1962	1.60	1.60	1.60	1.65	1.70	1.70
1963	1.65	1.65	1.65	1.70	1.75	1.75

	2⅜%			2½%		
Due	Scale 1	Scale 1A	Scale 2	Scale 3	Scale 4	Scale 5
1964	1.70	1.70	1.75	1.80	1.85	1.85
1965	1.75	1.75	1.80	1.85	1.90	1.90
1966	1.80	1.80	1.85	1.90	1.95	1.95
1967	1.85	1.85	1.90	1.95	2.00	2.00
1968	1.90	1.90	1.95	2.00	2.05	2.10
1969	1.95	1.95	2.00	2.05	2.10	2.15
1970	2.00	2.00	2.05	2.10	2.15	2.20
1971	2.05	2.05	2.10	2.15	2.20	2.25
1972	2.10	2.10	2.15	2.20	2.25	2.30
1973	2.15	2.15	2.20	2.25	2.30	2.35

	2⅜%			2½%		
Due	Scale 1	Scale 1A	Scale 2	Scale 3	Scale 4	Scale 5
1974	2.25	2.25	2.30	2.35	2.40	2.45
1975	2.35	2.35	2.375	2.45	2.50	2.50
1976	2.375	2.40	2.45	2.50	2.55	2.60
1977	2.40	2.45	2.50	2.55	2.60	2.65
1978	2.45	2.50	2.55	2.60	2.65	2.65
1979	2.45	2.50	2.55	2.60	2.65	2.70
1980	2.45	2.50	2.55	2.60	2.70	2.70
1981	2.50	2.55	2.60	2.65	2.70	2.75
1982	2.50	2.55	2.60	2.65	2.75	2.75
1983	2.50	2.55	2.60	2.65	2.75	2.75

The Bonds of each issue will be redeemable on any interest payment date on and after ten years from date of the Bonds as a whole, or in part in inverse numerical order, at a redemption price of par and accrued interest to the date of redemption plus the following premiums: 4% if redeemed on or before 15 years from date; 3% if redeemed thereafter but on or before 20 years from date; 2½% if redeemed thereafter but on or before 25 years from date; and 2% if redeemed thereafter.

The above Bonds are offered when, as and if issued and received by us, and subject to prior sale and approval of legality by Bond Counsel.

Descriptive Circular upon request.

Chemical Bank & Trust Company · Bankers Trust Company · The Chase National Bank · The Northern Trust Company · The First National Bank of Chicago · Harris Trust and Savings Bank · Bank of America N.T. & S.A. · C. J. Devine & Co.

The Philadelphia National Bank · Mercantile Trust Company St. Louis · Kidder, Peabody & Co. · Salomon Bros. & Hutzler · Glore, Forgan & Co · Lazard Frères & Co.

American Trust Company San Francisco · Blair, Rollins & Co. Incorporated · Dick & Merle-Smith · The First National Bank Portland, Oregon · Hayden, Stone & Co. · Seattle-First National Bank · B. J. Van Ingen & Co. Inc.

Bache & Co. · The Marine Trust Company of Western New York · F. W. Craigie & Co. · W. H. Morton & Co. Incorporated · Wachovia Bank and Trust Company Winston-Salem, N. C. · Barr Brothers & Co. · Branch Banking & Trust Co. Wilson, N.C.

Dominick & Dominick · Fidelity Union Trust Company Newark · National State Bank Newark · Trust Company of Georgia · Weeden & Co. Incorporated · The First National Bank of Memphis · Carl M. Loeb, Rhoades & Co. · R. L. Day & Co.

Shearson, Hammill & Co. · Swiss American Corporation · Brown Brothers Harriman & Co. · Bartow Leeds & Co. · Blunt Ellis & Simmons · Boettcher and Company · City National Bank & Trust Co. Kansas City, Mo.

Commerce Trust Company Kansas City, Mo. · Glickenhaus & Lembo · A. M. Kidder & Co. · Mercantile Trust Company of Baltimore · New York Hanseatic Corporation · The Public National Bank and Trust Company of New York · Stifel, Nicolaus & Company Incorporated

Citizens Fidelity Bank & Trust Co. Louisville · Baker, Watts & Co. · The First National Bank of Birmingham · First National Bank in Dallas · Fulton, Reid & Co. · Laird, Bissell & Meeds · National Bank of Commerce of Seattle · The Ohio Company

The Robinson-Humphrey Company, Inc. · J. S. Strauss & Co. · Bacon, Whipple & Co. · Dempsey-Tegeler & Co. · Foster & Marshall · Hannahs, Ballin & Lee · M. A. Schapiro & Co., Inc.

Scott, Horner & Mason, Inc. · G. H. Walker & Co. · Ernst & Company · Fahey, Clark & Co. · First-Citizens Bank & Trust Company Smithfield, N. C. · The First Cleveland Corporation · First National Bank of Minneapolis

The First National Bank of Saint Paul · Harvey Fisk & Sons · The Illinois Company · Johnson, Lane, Space and Co. Incorporated · Merrill, Turben & Co. · New Rochelle Trust Company · Northwestern National Bank of Minneapolis

The Provident Savings Bank & Trust Company Cincinnati · D. W. Rich & Company Incorporated · Chas. W Scranton & Co. · Third National Bank Nashville · Union Trust Company of Maryland Baltimore · Watkins, Morrow & Co. · A. G. Edwards & Sons

Robert W. Baird & Co., Incorporated · Ball, Burge & Kraus · A. Webster Dougherty & Co. · First American National Bank Nashville · Janney & Co. · Marine National Exchange Bank of Milwaukee · The Milwaukee Company · Model, Roland & Stone

Schmidt, Poole & Co. · W. R. Stephens Investment Co. Incorporated · Thayer, Baker & Co. · The White-Phillips Company, Inc. · Wood, Gundy & Co., Inc.

New York, N. Y., January 22, 1953.

Dealer-Broker Investment Recommendations & Literature

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

Bank Stocks—Analysis of 1952 year-end reports—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

Chilean Copper Situation—Special Report—Bache & Co., 36 Wall Street, New York 5, N. Y.

Common Stocks For Investors—Selected list—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Controlling Factors in the Business and Market Outlook—Appraisal of factors likely to dominate business and market outlook during the next 12 months plus a study entitled "What is the Best Stock Average from a Practical Standpoint" and current projections of buying levels—$5 for these special reports and weekly bulletins through March 31—Anthony Gaubis & Company, 37 Wall Street, New York 5, N. Y.

High Yield Risk Equities—Bulletin—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Intermountain Area—Survey—J. A. Hogle & Co., 507 West Sixth Street, Los Angeles 14, Calif.

Investment Facts About Common Stocks and Cash Dividends—Booklet—New York Stock Exchange, New York 5, N. Y.

New York Bank Stocks—83rd quarterly comparison of leading banks and trust companies of New York—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

New York City Bank Stocks—Year-end comparison and analysis of 17 New York City Bank Stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

1952 Bank Stock Analysis—Booklet—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y. Also available is a bulletin on **Guaranty Trust Company.**

Outlook for Common Stocks in 1953—Survey—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a survey of **Tobacco Stocks.**

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.

Pace Setters for 1953—Bulletin—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Stock Market Deviations — Stock market trend indicator — weekly service—$25.00 per year by first class mail; $26.50 per year by airmail—Marc de Goumois, 7-03 154th Street, Whitestone 57, N. Y.

Stocks to Own in 1953 — Brochure — Goodbody & Co., 115 Broadway, New York 6, N. Y. Also available is a memorandum on **Foremost Dairies.**

What's Ahead—Analysis of the market for 1953—Freehling, Meyerhoff & Co., 120 South La Salle Street, Chicago 3, Ill.

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).

* * *

Anchor, Hocking Glass Corp.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **Central & South West Corp.**

Armco Steel Corp.—Bulletin—J. R. Williston, Bruce & Co., 115 Broadway, New York 6, N. Y. Also available are bulletins on **St. Louis San Francisco Railway** and **Willys-Overland Motors, Inc.**

Attapulgus Minerals & Chemicals Corp. — Analysis — Kalb, Voorhis & Co., 25 Broad St., New York 4, N. Y.

Audio Devices, Inc.—Analysis—Peter Morgan & Co., 31 Nassau Street, New York 5, N. Y.

B & P Bridge Company of Weslaco, Tex.—Analysis—Garrett and Company, Inc., Praetorian Building, Dallas 1, Texas.

Baker-Raulang Co. — Memorandum — Hemphill, Noyes & Co., 14 Wall Street, New York 5, N. Y.

Baltimore Transit Company—Analysis—J. V. Manganaro Co., 50 Broad Street, New York 4, N. Y.

Canada Southern Oils Limited—Report—Leason & Co., Incorporated, 39 South La Salle Street, Chicago 3, Ill.

Central Louisiana Electric Co. — Memorandum — Rauscher, Pierce & Co., Mercantile Bank Building, Dallas 1, Texas. Also available is a memorandum on **Southwesten Electric Service Co.**

Central Maine Power Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Central Public Utility—Special study (ask for Highlights No. 19)—Troster, Singer & Co., 74 Trinity Place, New York 6, New York.

Commonwealth of Massachusetts—45th edition of booklet of up-to-date financial statistics of Massachusetts, its counties, cities, towns and district—Tyler & Company, Inc., 11 High Street, Boston 10, Mass.

Delaware and Hudson Company—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Delta Air Lines-Chicago and Southern Air Lines—Review of merger—John H. Lewis & Co., 63 Wall Street, New York 5, New York.

Fiduciary Management, Inc.—Report—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

General Petroleums of Canada—Review—Ross, Knowles & Co., 330 Bay Street, Toronto 1, Ont., Canada. Also available is a bulletin on **Canadian Natural Gas.**

International Harvester Co.—Analysis—Sincere and Company, 231 South La Salle Street, Chicago 4, Ill.

Miller Manufacturing Co.—Analysis—Aetna Securities Corp., 111 Broadway, New York 6, N. Y.

Mississippi River Fuel — Analysis — Sutro & Co., 407 Montgomery Street, San Francisco 4, Calif.

Mountain Fuel Supply—Memorandum—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Pacific Power & Light Company—Analysis—Straus, Blosser & McDowell, 135 South La Salle Street, Chicago 3, Ill.

Packard-Bell Company—Bulletin—J. R. Williston, Bruce & Co., 530 West Sixth Street, Los Angeles 14, Calif. Also available is a bulletin on **Title Guarantee and Trust Company.**

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

Rohr Aircraft Corporation — Analysis — Walston, Hoffman & Goodwin, 35 Wall Street, New York 5, N. Y.

Rye National Bank—Circular—Homer O'Connell & Co., Inc., 120 Broadway, New York 5, N. Y.

U. S. Vitamin Corporation—Data in current issue of "Business and Financial Digest"—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also in the same issue is a discussion of **Wisconsin Bankshares Corporation.**

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League standing as of Jan. 22, 1953 is as follows:

Team—	Points
Hunter (Capt.), Klein, Weissman, Sullivan, Murphy, Searight	9
Krisam (Capt.) Ghegan, Jacobs, Gannon, Cohen	9
Leone (Capt.), Greenberg, Tisch, Werkmeister, Leinhard Corby	9
Meyer (Capt.), Kaiser, Swenson, Frankel, Wechsler, Barker	6
Burian (Capt.), G. Montanye, Voccolli, Siegel, Reid	5
Murphy (Capt.), Manson, D. Montanye, O'Mara, Pollack, Gavin	4
Mewing (Capt.), Bradley, Weseman, Hunt, Gronick, Huff	4
Bean (Capt.), Frankel, Strauss, Nieman, Bass, Krassowich	4
Donadio (Capt.), Demaye, Whiting, O'Connor, Rappa, Seigas	4
Growney (Capt.), Craig, Fredericks, Bies, McGovern	3
Goodman (Capt.), Smith, Valentine, Meyer, Farell, Brown	3
Serlen (Capt.), Gersten, Krumholz, Rogers, Gold	0

200 Point Club

Hoy Meyer	223-208
Walt Mewing	216
Ernie Lienhard	213
Walt Bradley	212
Abe Strauss	202
Art Burian	200

5 Point Club

Duke Hunter
Hoy Meyer
Will Krisam
George Leone

Kuhn, Loeb & Co. Offer Utility Bonds

Kuhn, Loeb & Co. is offering today (Thursday) $8,000,000 Iowa-Illinois Gas & Electric Co. first mortgage bonds, 3⅜% series due 1983, at 102.384% and accrued interest, to yield 3.25%. The firm, bidding alone, won award of the issue at competitive sale on Tuesday on its bid of 101.79%.

Net proceeds from the sale of the bonds, together with proceeds from the sale of 60,000 cumulative preferred shares, will be applied by the company to the retirement of $6,000,000 of bank loans incurred in connection with expenditures under its 1952 construction program, and to the financing of part of the 1953 construction program.

Iowa-Illinois Gas & Electric Co. is engaged principally in the business of generating, transmitting, distributing and selling electric energy and distributing and selling natural gas. Electric energy is distributed in Rock Island, Moline and East Moline, Ill.; and Davenport, Fort Dodge and Iowa City, Iowa; and in portions of surrounding territories. Natural gas is distributed in the foregoing communities, in Cedar Rapids and Ottumwa, Iowa, and in several smaller communities. The company also sells electric appliances in its electric service territory and gas appliances where gas is distributed. On the basis of the 1950 census, the population of the company's electric service area is estimated at 291,810, and for its gas service area is estimated at 351,468.

Total operating revenues of Iowa-Illinois Gas & Electric Co. for the 12 months ended Oct. 31, 1952 were $25,178,964, and net income for the period was $4,125,200.

With First California

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Edwin A. Davis is now afifliated with First California Company Incorporated, 647 South Spring Street.

COMING EVENTS

In Investment Field

Jan. 29, 1953 (New York City)
Purchases and Sales-Tabulating Division of Wall Street Association of Stock Exchange Firms, annual President's dinner at Leone's Restaurant.

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. 11, 1953 (Chicago, Ill.)
Bond Club of Chicago annual meeting at the Mid-Day Club.

Feb. 11, 1953 (Boston, Mass.)
Boston Securities Traders Association 29th annual Winter Dinner at the Sheraton Plaza Hotel.

Feb. 11, 1953 (Detroit, Mich.)
Detroit Stock Exchange annual dinner at the Hotel Statler.

Feb. 13, 1953 (Milwaukee, Wis.)
Milwaukee Bond Club Mid-Winter party at the East Room of the Hotel Schroeder.

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

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

April 12-15, 1953 (Phila., Pa.)
National Federation of Financial Analysts Societies sixth annual convention at the Bellevue-Stratford Hotel.

April 30-May 1, 1953 (St. Louis, Mo.)
St. Louis Municipal Dealers Group annual outing.

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.

Vital Aspects Of Gold Price

By HAROLD KING, Ph.D.

Dr. King, commenting on rumors of impending increase in gold price, lists arguments supporting this move, and concludes these arguments "are very impressive, but wide of the mark." Holds it of interest to U. S. that world market for gold adjust itself to nation's monetary needs and "not to current price of gold in Macao"

Rumors abound that the price of gold is to be increased this year. In some quarters this is virtually considered a foregone conclusion, and the argument now centers around the question "how much?". The circles in which these rumors travel are not New Dealish, but conservative. And surely, the type of appointments made by President Eisenhower do not lend weight to an assumption that the nation is about to embark on another funny money spree. Paradoxically, it is the idea that we are to adopt a sound monetary system, which supports these reports.

Harold J. King

What Underlies These Rumors?

(1) Our money has been cheapened so much during the past two decades that some hold it would be merely consonant with the facts to recognize same by redefining downward the dollar in terms of gold content. Those who adhere to this view contend that such redefinition would not be inflationary, but merely an acknowledgment of the dollar deterioration which has already taken place.

(2) Since our dollar has been allowed to depreciate, it is "unrealistic," so the contention runs, for the Treasury to offer as much as 1/35 of an ounce of gold for each dollar presented, and the adoption of domestic convertibility at this price would immediately threaten dissipation of our gold reserve. Without domestic convertibility, of course, we cannot have sound money for several reasons, not the least of which is that as long as their money is irredeemable, the stranglehold of the government on the personal affairs of the citizens is not broken.

(3) Reports have it that gold is selling on the "grey" markets of the Hong Kong-Macao area, and elsewhere, upwards of $52 per ounce. This, it is argued, is indicative of the "real" worth of the metal.

(4) The gold stock of the United States declined each of the last five months of 1952, and stocks of gold earmarked for foreign accounts went down five consecutive months, starting last July, indicating a possible flight (?) of the precious metal.

These arguments are very impressive, but they fall wide of the mark. The points which require recognition are the following:

(1) The greatest contribution gold can make to the destiny of mankind lies within its monetary functions. For this reason, it is not necessary that its price be reset with mathematical precision from time to time, in line with its assumed "real" value. On the contrary, it cannot function efficiently in its monetary role *except as its price is held constant.* Top performance of gold in this respect demands that its production, not price, be the dependent variable.

(2) At this stage of history, it is to the interest of the United States, and the citizens of other countries, that the world market for gold adjust itself to the monetary needs of this country, not that our monetary policies be made subordinate to the price of gold in Macao. Circumstances being such as they are, prices prevailing on such markets shed about as much light on gold's actual economic worth, as Nevada's realty values do on those of Manhattan. Its industrial leadership, and gold hoard, place the United States in a position virtually to determine what the actual economic value of gold shall be. This, for the reason that demand is a value determinant. As the United States determines the monetary role gold is to play, it so determines, essentially, its intrinsic worth—all "grey" market quotations notwithstanding.

(3) At present our gold stock is in excess of $23 billion, and demand deposits stand at about $111 billion. Under our system of banking, and the reserve percentages with which we have had experience, it is ridiculous to assume that this ratio is not much more than adequate to support domestic, as well as external, convertibility at $35 per ounce. And for those who prefer to compare our gold stock to the money in circulation, the latter exceeds the former by only about $7 billion.

(4) The "flight" of gold has not been of an order of magnitude sufficient to warrant consternation. The decline of $350.1 million in our gold stock during the last five months of 1952 compares to an increase of $663.7 million for the first seven months of the year. The reduction in earmarked gold for the five months starting last July amounted to only $199.2 million.

Two With du Pont Homsey

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Mildred K. Corey and Robert C. Foye have become associated with du Pont, Homsey & Co., 31 Milk Street, members of the New York and Boston Stock Exchanges. Miss Corey was previously with Irving D. LeBeau. Mr. Foy was with Richard J. Buck & Co. and R. H. Johnson & Co.

Remington Heads Dep't. Of Woodcock, Hess

PHILADELPHIA, Pa. — Woodcock, Hess, & Co., Inc., 123 South Broad Street, members of the Philadelphia-Baltimore Stock Exchange, announce that Clifford G. Remington has acquired an interest in the corporation.

The corporation also announced that Mr. Remington has been appointed manager of the trading department.

Two With Metropolitan St. Louis

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Theodore C. Dickman and Bertram V. Jones have become associated with Metropolitan St. Louis Co., 718 Locust Street, members of the Midwest Stock Exchange. Mr. Jones in the past was in the investment business in Chicago and Denver.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

JERSEYVILLE, Ill.—William E. Green is with Waddell & Reed, Incorporated.

Joins Howard, Weil Staff

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Kent H. Courtney is now affiliated with Howard, Weil, Labouisse, Friedrichs & Co., 222 Carondelet St., members of the New Orleans and Midwest Stock Exchanges.

Two With Davies & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—George F. Carson and Wiliam G. Wilson have become associated with Davies & Co., 425 Montgomery Street, members of the New York and San Francisco Stock Exchange. Mr. Carson was previously with Raggio, Reed & Co.

Two With Renyx, Field

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Thomas B. Patterson and F. A. Puissegur are now with Renyx, Field & Co., Incorporated.

Estabrook Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Russell E. Andrew is now affiliated with Estabrook & Co., 15 State Street, members of the New York and Boston Stock Exchanges.

The Investor Looks at 1953

By S. B. LURIE

Market Analyst, Paine, Webber, Jackson and Curtis
Members, New York Stock Exchange

Industrial and market analyst maintains an accelerated arms program could deflate the confidence boom. States an extremely competitive era has been started, with new favorites highlighting market scene. As individual industries with special promise for 1953, he cites: air lines, aircraft, automobiles, building, electrical equipment, metal, and steel.

In the stock market, as in life, the future belongs to those who prepare for it. Thus, perspective —an understanding of the background forces at work—is a requisite for success. Once the nature of the "beast" is understood, half the speculative battle is won.

S. B. Lurie

Today, the Wall Street-Eisenhower honeymoon is in its tender stages. Our 34th President has taken office with the benefit of an open line of credit from the American people. But unanimity of opinion in itself is dangerous. Just because everyone has stopped crying "wolf" — doesn't mean that the business wolf isn't lurking around the corner. Just because we now have an Administration dedicated to responsibility and respectability in government doesn't mean a permanent era of investor good feeling.

Confidence can be a fickle, transitory, state of mind—in which connection two points deserve emphasis: (1) With the Eisenhower Administration having inherited a guns and butter boom which has left the nation short of full military preparedness, a pick-up in defense spending—an accelerated arms program—is a distinct possibility. (2) If this materializes, it could deflate the confidence boom—make some of today's hopes tomorrow's disappointments—even though it conversely would point to a longer than anticipated business boom.

Market Pattern and the Popular View

In short, the realistic investor looks at 1953 with the knowledge that the business and market pattern — the timetable of coming events—is likely to differ from the currently popular view. And he applies this background thought to the stock market with the knowledge that even though today's prices probably will *not* be the 1953 lows—any time, is a good time, to buy a good stock Furthermore, he recognizes the fact that styles in speculation change —which means new favorites will highlight the 1953 market scene. In this connection, one point stands out: With the business prospect *not* one of boom-on-top-boom, an extremely competitive era has started. And competition means survival of the fittest in industry—selectivity in the market.

Question of which industries—which companies—can capture favor must bear in mind two additional guide posts: (1) No one industry has a monopoly on the magic element of growth; it can be found in the least expected places. Today in particular, growth can stem from the new normal of demand reflecting our increased population—the redistribution of national income — the revolution in America's living habits. (2) It's an ill wind that doesn't blow somebody some good. For example, while lower farm implement sales reflect the fact that agriculture is one of the weak spots in our economy, lower commodity prices conversely spell better profit margins for the food companies, grocery chain stores, etc.

Capsule comments on some of the industries which offer special promise for 1953 follow:

Air Lines: The American public is more travel conscious than ever before and coach traffic is widening the potential market. . . . New traffic peaks are in prospect, for the industry has achieved a new high in consumer acceptance. . . . Prospect that jets will have only limited use, and not before late 1950's, markedly lessens the need for new capital. . . . Profit margin squeeze as a result of risings costs ended last year.

Aircraft: The production build-up took place last year and the shipment increase now will occur. . . . Big order backlogs, plus normal lag between government appropriations and expenditures, assure continuing high volume even if "cold war" becomes luke-warm. . . . Post-defense shipments likely to be well above the pre-Korea level, for industry has a new maturity.

Automobiles: Will benefit from the new normal of demand resulting from increased number of cars on the road and trend to suburban living. . . . Parts makers will capitalize on increased unit output plus growing "gadetry": power steering, power braking, heavier ignition systems ,etc. . . . More cars mean more tires; rubber companies also will be helped by growth trend in nontire lines heavier ignition systems, etc. . . .

Building: Total construction should equal or exceed 1952. . . . Increased road building and public works place cement producers in a particularly favorable position. Local shortages of cement many be witnessed. . . . Other building products makers will benefit by a continuing high, but below peak, level of construction. . . . The trend away from cities—repair and maintenance—growing families—point to a new normal of demand.

Electrical Equipment: TV the bright star, with years of high output ahead; impact of color, which will obsolete sets in use, yet to be felt. . . . Also, new stations spell new markets. . . . Parts makers will benefit from TV growth plus industrial electronics applications, a market with a tremendous future. . . . Capacity production in prospect for heavy electrical equipment in view of the utility industry's big expansion program.

Metal: With defense output continuing high and outlook for normal consuming channels good, copper is likely to remain in short supply in 1953. . . . Some upward change in government price policy may occur even if controls are not removed. . . . Fabricators as well as miners should do well. . . . More will be heard about the new metals required by our atomic age such as titanium and zirconium.

Steel: Current demand is excellent. . . . Any drop later in the year can be offset profitswise by the more efficient operations which will accompany slightly lower production rates. . . . Improved steel-making techniques and extensive plant rehabilitation are paying off in the form of lower break-even points. . . . Quality of steel-earning power has been vastly improved, and as goes steel—so goes the nation.

In applying this premise to individual issues, two rules of thumb can be advantageously followed: (1) Look for the issues which can provide the speculative surprises. (2) The stock market is no different from life; it doesn't offer security, but it does offer opportunity.

Joins Goodbody Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Lawrence M. Ripley is now connected with Goodbody & Co., 140 Federal St. He was previously with Shields & Company.

With Minot, Kendall Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John P. Gardiner has become affiliated with Minot, Kendall & Co., Inc., 15 Congress Street, members of the Boston Stock Exchange.

Dempsey-Tegeler Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Bernard J. Kniest has become associated with Dempsey-Tegeler & Co., 407 North Eighth Street, members of the New York and Midwest Stock Exchanges.

M. C. Powell

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Ralph S. Wilford has become affiliated with Milton C. Powell Co., Security Building. He was formerly [illegible] ache Sims & Co.

Economic Outlook for Equities

By BRADBURY K. THURLOW

Partner, Talmage & Co., New York City
Members of the New York Stock Exchange

Stock market analyst, in reviewing some implications of the return of optimism, holds, regardless of what specific causes public may invent for rising equity prices, there must be some "new idea" to replace current fears of business collapse.

The new Eisenhower Administration, voted into power by an overwhelming majority scarcely two months ago, is about to enter its honeymoon. In the securities markets a glance at the course of prices since the Election would force even the gloomiest observer to admit that optimism is now beginning to show itself in quarters from which it has been conspicuously absent for many years. There is little doubt that this return of optimism derives primarily from the election results, notwithstanding opinions expressed by a large number of clear thinking individuals prior to the election that 1953 would be a year of optimism anyway — a psychological pendulum swing away from the extreme pessimism which prevailed during most of 1951-52.

B. K. Thurlow

Anyone who has gone against the crowd in advocating an aggressive attitude toward equities during this recent period must be fully aware that the economic outlook has been and still is far from rosy. American industry produces enough goods to supply the world, but the world can only buy American surpluses by competing successfully for the same markets. If they succeed, we lose our markets; if they fail, they have no purchasing power, leaving us with no legitimate markets. The choice seems to be either to continue playing Santa Claus or have an industrial collapse.

The "economic solution" as of now seems to lie in building a super-garrison state at home and maintaining a military engagement abroad, which is neither popular nor morally sound, but which, at the same time, can be expanded or contracted according to the exigencies of general business. Following a similar line of thought, even some of our more conservative economists are now promoting the idea that a deliberate policy of steady but slow inflation can bolster up business cycle depressions and maintain a high plateau of production and consumption indefinitely.

As optimism begins to replace pessimism in popular financial thinking, it is not too much to expect a sort of "new era" philosophy to revive, perhaps along the above lines, replacing recent convictions that collapse is inevitable and imminent. As we see it, it doesn't much matter what specific causes the public may invent for rising equity prices. It is only necessary that some new idea replace current fears of business collapse in order to bring about drastic changes in equity prices. If this occurs, then the important factor is the possibility that by the time the rank and file investor has made up his mind to be aggressive, the stocks he wants to own will have advanced sharply in price as a result of earlier buying by clever people who foresaw the coming demand.

There is still a strong inclination to view the present flush of optimism as a temporary ray of sunshine similar to that of the spring of 1948 or the winter of 1950-51, to be followed by a return to the long period of gloom we have lived in more or less continuously since late 1946. Certainly recent experiences with upturns in sentiment would lead one to be wary. But this time may be different. The current of dissatisfaction with the Truman regime was proven to have run deep. There are many investors whose judgment, rightly or wrongly, was pessimistically influenced by antagonism against the forces in power.

This antagonism is now dead. The Administration we are about to receive is an unknown quantity but is popularly believed to be friendly to business and the capitalistic system. The effect of such a political change on investment thinking should be far more profound than a temporary alteration in the business outlook. For it conditions the thinking of long-term investors whose capital in the aggregate is many times greater (and consequently more influential in determining prices) than that of the short-term investor or speculator. It will repay the spectacular and conservative investor alike to give careful consideration to these new basic factors before assuming that 1953 market sentiments will follow the same pattern as 1952.

Hodson & Company 60th Anniversary

Charles H. Dowd

Hodson & Co., Inc., 165 Broadway, New York City, is this year celebrating the 60th anniversary of the firm's founding in 1893.

Officers of the firm are Charles H. Dowd, President; George R. Brown, Vice-President, Treasurer and Secretary; and George J. Springer, Vice-President.

Harris Upham Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—George G. Cumming is now connected with Harris, Upham & Co., 232 Montgomery Street.

With Inv. Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—J. Boyd Henri is now associated with Investment Service Corporation, 444 Sherman Street.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Norman Tower, Jr. is now with Merrill Lynch, Pierce, Fenner & Beane, First National Bank Building.

Joins A. C. Allyn Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William B. Patrick is now affiliated with A. C. Allyn & Co., 100 West Monroe Street.

Major Issues of 1953

By CHARLES B. SHUMAN*
President, Illinois Agricultural Association

Citing recent downward price trends in agricultural products, Illinois farmer's spokesman looks for agricultural groups to renew efforts to secure legislation on national programs. Lists as issues on the national scene: (1) government controls; (2) labor union monopoly powers; (3) world trade; (4) a new farm program; and (5) elimination of Big Government. Decries false god of security for farmers and urges more dependence on efficient production and individual initiative. Concludes agricultural prosperity is more closely related to general prosperity than to governmental action.

By now, all of us are conscious of the fact that changes in economic conditions result in changes in demands for political action. Big government with all of its attendant problems is a reality. The major question which faces all of us in America today is "what will be our decision on the proper function of government in our daily lives, in our homes, our businesses, and our factories." Farmers, through their organizations, can, and I believe will, play a deciding role in helping to make this decision on the side of increasing individual freedom, rather than going in the direction of more and more dependence upon a big Federal government.

C. B. Shuman

Price Drops in Agricultural Products

Let us look first upon the economic picture as it affects agriculture in this the first month of 1953. According to the Bureau of Agricultural Economics, the parity price ratio dropped last month to 96, which is the lowest level since April, 1950. Prices received by farmers fell eight points in December to a level 36 points below December, 1951. On the other hand, prices paid by farmers remain steady at 281% of the 1910-14 average. This was only three points lower than the December, 1951, ratio. Farm prices have declined for four consecutive months. In all probability, the agricultural scene in 1953 will be dominated by farmers' efforts to cope with an increasingly unfavorable phase of the price cycle. Historically, farm prices rise faster than other prices during periods of inflation and also go down more quickly and drop further than other prices during deflationary periods. Whether or not the present downward trend in farm prices has any long time significance of interest to you, as credit men, is for you and the economists to determine. Declining farm prices, together with stable or even increasing costs of operation, will result in farmers renewing and increasing their efforts to secure legislative action on the national programs that they have formed for the guidance of their national leadership.

I think it may be of interest for this group of business leaders to look for a moment at this program of agriculture for America. However, before examining this program, I would like to establish two premises that I believe are essential for our understanding of agricultural problems and the importance of the proposals of organized agriculture. The first of these premises is that farming today is a highly competitive business having all of the business factors that are operative in any other business in America. Commercial agriculture of 1953 is entirely different from the way-of-life agriculture of 50 or 60 years ago. In 1850, approximately 85% of the population of the United States was engaged in agriculture and directly related services, while only 15% was in other occupations. In 1953, these percentages are almost exactly reversed, with 15% in agriculture supplying the food and fibre for 85% in other occupations. Farming is indeed a modern, competitive, highly technical business. There has been a very rapid improvement in the agricultural production efficiency in the United States. In terms of percentage of disposable income spent for food or in terms of the working time required to buy a given quantity of food, the price of food in the United States is lower than in any other country in the world and lower than any other time in the history of America. This is a result of the dramatic increase in agricultural efficiency during recent years. Farming is a business, not a way of life.

The second premise that I would like to develop is that the things and factors that adversely affect agriculture are also bad for the rest of America. In the same way, those factors and proposals which are good for American business, generally are also good for agriculture. I believe that the few exceptions that you can think of serve to prove this rule. While the numbers of farm operators have decreased very rapidly, the importance of agriculture as a consumer of the products of labor and industry has increased. Modern agriculture is a very substantial user of modern, industrial products. Chicago is the agricultural capital of America and the world. A high percentage of the commerce and industry of the city of Chicago depends directly or indirectly upon agriculture. We cannot have long-sustained national economic health unless all major segments, including agriculture, are in relatively good balance with the rest of the economy.

Issues Facing America

Let us now look at some of the great issues which today face America and must be decided in 1953 or soon thereafter. These issues have great economic significance not only to agriculture but to our entire nation. The manner in which these issues is decided will also, to a considerable extent, determine the future of our free enterprise system in this country. Many people assume that the recent national elections decided these issues. This is a dangerous assumption. The change in national Administration merely gives us the opportunity to decide these important questions. Long delay in meeting the issue and making a decision would result in possible continuation of the policies of recent years which have led down the road toward a nationalistic state and a destruction of our freedom.

As organized agriculture views the national scene, what are the major issues?

Government Controls

The onward march of communism throughout the world can be halted if we succeed in demonstrating to the world that our system, based on freedom, does work. During recent years, we have followed a path which has indicated to other nations that we were not confident that our free-choice system was workable and sound. It is useless to attempt to convince other people that they should adopt our democratic pattern while we are, at the same time, moving toward greater centralization of power in the Federal Government through continually increasing controls and regulations. The new Congress should give its early attention to elimination of all useless governmental controls and all governmental activities which have been pointing toward a nationalistic type of government in America.

The best example of this type of thing is the O.P.S. price and wage control system. These controls have been a fraud and delusion. They are not now and never can be effective in controlling peacetime price and wage levels. Their only apparent purpose is to conceal inflation and to condition the American people to a controlled economy. This one Federal agency has approximately 11,000 employees and has had practically no effect upon the cost of living or the cost of labor. In fact, there is considerable evidence to indicate that many prices are higher today because of the O.P.S. price ceiling which tends to also serve as a price floor.

One of the great continuing needs of our nation is for ample production. O.P.S. controls hamper production and should be completely eliminated. One of the principal planks in Farm Bureau's program for America has been to check the increase in size and power of the Federal Government. Farmers believe that many functions of government should be eliminated and others now performed at the national level should be transferred to the states. In other words, we believe that there is danger in an extremely strong central government.

Monopoly Power

There are other powers that threaten our freedom in America. Traditionally, farmers have fought monopoly power. Ordinarily, we think of great financial institutions or business corporations when we think of monopoly. However, the greatest monopoly power in America today is that power exercised by the great labor monopolies. Farmers certainly believe in the right of labor to organize, but they do not believe in the monopoly practices exercised by a few men who control some of the great industrywide national organizations. Through this domination, a few men now have the power to control the production of practically all of the essential goods and services for our 150,000,000 citizens. These men can and do shut down the steel, coal, petroleum, and other vital industries without regard for the national welfare.

There is only one practical answer. The present exemption of labor organizations from the anti-trust laws should be removed. Legislation should be enacted to outlaw industrywide bargaining. Only in this way can we protect our nation from the domination of monopolistic labor groups. Agriculture is an industry of small businessmen whose welfare depends upon a relatively free movement of prices in response to changes in supply and demand. We cannot tolerate monopoly controls in industry, agriculture, or labor.

World Trade

The American Farm Bureau Federation has been one of the leading supporters of the reciprocal trade legislation which has encouraged a substantial increase in foreign trade. I am convinced that world peace depends, to a great extent, upon whether or not we succeed in establishing a healthy world trade among all nations. We should continue to assist other nations in developing improved methods of production so that they can gradually raise their standards of living. However, as they increase production, they must have the opportunity to sell excess production in the world market.

We, in America, are also in need of foreign markets. This is particularly true of many of our agricultural products such as wheat and cotton. If we are to sell these products in the world market, we must be willing to buy some foreign goods so that we can sell our excess production to them. Agriculture and other business should, of course, be protected from serious damage by use of the escape clause rather than attempting to avoid its application. While the reciprocal trade treaties have resulted in some improvement in international trade, we have a long way to go to repair the damage done by the trade barriers which were erected by all nations following World War I. Farmers have much to gain by developing plans to increase our international trade.

Farm Program

For more than 20 years, we have experimented with various kinds of farm programs designed to bring economic equality to agriculture. This is a worthwhile objective and should be kept in mind as we examine the relative merits of the various governmental programs with which we have experimented. These programs have included the Federal Farm Board's storage and stabilization efforts, the acreage control programs of the thirties, the ever normal granary, price supports and marketing agreements. The

Continued on page 45

*An address by Mr. Shuman before the National Credit Conference of the American Bankers Association, Chicago, Ill., January 28, 1953.

No Immediate Rise in Interest Rates in Offing

By MARCUS NADLER*
Professor of Finance, New York University

Dr. Nadler foresees no rise in demand for capital in 1953, but says funds seeking investment outlet will increase. Looks for no expansion of inventories, and concludes interest rates will not be materially different from present in first-half of year.

Notwithstanding the great demand for capital during 1952 the increase in long-term rates was moderate indeed. Thus at the end of 1952 the yield on long-term ineligible bonds, i.e., the 2½s of 1962-67, was 2.79% as compared with 2.74% the previous year. The yield on AAA corporates actually was a trifle lower at the end of 1952 than at the end of 1951. Price fluctuations in long-term Government obligations were greater than in the other high-grade corporate bond sector. The greatest increase in yields occurred in tax-exempt obligations.


Marcus Nadler

The demand for capital in 1953 is not likely to be as large as in 1952 whereas the supply of funds seeking an outlet in long-term obligations and in mortgages is bound to increase. Capital expenditures by corporations during 1953 are estimated to be slightly lower than during the past year. Corporations will continue to rely primarily on internal resources, namely, plowing back of earnings as well as depreciation. The latter item is bound to rise.

Unless the international political situation should deteriorate the sellers' market in all lines will come to an end. Competition will be keener, commodtiy prices will either remain level or will witness a moderate decline, and under these circumstances there should be no increase in the volume of inventories; if anything, a decline may take place. If this is the case the demand for bank credit by business concerns should not be much larger in 1953 than in 1952.

The demand for mortgage money is also likely to reach the level of 1952. The number of new homes erected is likely to be smaller than in 1951 and 1952 partly because the great pent-up demand for housing has already been met, undoubling of families has gone as far as possible and family formations in 1953 will be smaller than in 1952. Moreover, private mortgage indebtedness is not likely to rise at the same rapid rate as has been the case since the end of the war. Commercial, industrial and other construction, however, is likely to increase.

There will be a larger supply of tax-exempt securities—how large, it is, of course, impossible to predict. The greatest unknown factor in the trend of interest rates is the position of the Federal Treasury and the type of refunding that may be carried out by the new Administration. It is fairly evident that the Treasury will need no new money during the next six months. The second half of the current fiscal year will show an excess of revenue over expenditure and in fact the Treasury may be in a position to repay some indebtedness. Similarly it is doubtful whether the Treasury will offer long-term high-coupon-bearing securities in the first half of the year in exchange for matured short-term obligations such as certificates of indebtedness.

In the second half of 1953 the situation may be different. However, if the Treasury offers long-term obligations in exchange for matured securities it will be only because institutional investors will want them. One may therefore conclude that in spite of the uncertainties that prevail at present the demand for long-term capital on the whole is not likely to be greater than during last year and may be even smaller.

The supply of funds seeking an outlet in long-term obligations is bound to increase. The volume of life insurance written during the past few years has been very large and hence the sums accruing to insurance companies will continue to rise. The same applies to pension funds, the number of which is increasing. Individual savings through mutual savings banks, savings and loan associations and the commercial banks will also continue at a high level partly because of the satisfactory volume of business activity and partly because the great pent-up demand for many durable consumer goods has already been met. It is doubtful whether the volume of consumer loans will increase at the same rate as in 1952. The contractual savings of the people will play a more important role in the future than in the past. On the basis of the above analysis therefore one may conclude that the supply of funds seeking an outlet in long-term bonds and in mortgages will be equal to or larger than that of 1952.

Experience of the past has shown that in periods of high business activity the dynamic economy of the United States generates large savings. During the past few years these savings were absorbed by the expansion of industry and by the huge building activity which set in immediately after the war. The savings will continue; however, capital expenditures by corporations and home construction cannot continue at the levels which have prevailed during the past few years. Under these circumstances the supply of funds in the not distant future is bound to be equal to and maybe larger than the demand and hence institutional investors may again, as in the past, find an outlet for their funds in long-term Government obligations. The supply of these will be increasing since at the proper time the new Administration will endeavor to convert a portion of the short-term debt into long-term obligations.

The final conclusion that one may reach is that in the first half of the year or thereabouts the level of interest rates will not be materially different from the present. Toward the end of the year long-term rates ought to witness a moderate decline. Under no circumstances, however, can one expect a decline in long-term rates to the levels which prevailed prior to the unpegging of Government obligations by the Federal Reserve authorities.

*Summary of an address delivered by Dr. Nadler before the Mortgage Bankers Conference conducted by New York University, New York City, Jan. 28, 1953.

Look for Higher Interest Rates

By HUBERT F. ATWATER
Gammack & Co., New York City

Mr. Atwater, noting recent rise in Federal rediscount rate, gives reasons why current interest rates will go higher, and "the fixed interest investor is about to enjoy the rewards of patience."

In the month when we all pay our annual homage to the memory of Benjamin Franklin as the outstanding exponent of the value of "thrift," it is fitting that attention also be given to the debt we owe Cosimo Medici.


Hubert F. Atwater

Legend has it that this Florentine financier of the 15th Century was the first to hang up the three gold balls over his personal loan office and credits him with having invented or discovered "interest."

I was first taught and then learned that the objective of sound investment is a return on the capital loaned and the return of the original capital intact to the lender. The experienced investor frequently finds employment for a part of his funds in equity securities but the bulk of all savings is regularly invested for a fixed return without expectation of a speculative profit.

In a free economy the rate of interest paid for borrowed capital finds its level based on the laws of supply and demand and it is only when, by artificial means, interest rates are held at unusually low, if not non-compensatory levels that investing for income takes on many of the aspects of speculation. Royalty has always endeavored to borrow for its extravagances without just payment of interest to the lender and we now know that Constitutional Governments can at times do the same.

The year 1935 saw the start of an era of refunding which, in rotation as interest rates declined, took most of the higher coupon first grade investments from investors, replacing or increasing the debt at lower rates until many holders of 5s found they had only 2¾s and 3s. This in itself was trouble enough but the problem of protecting capital that had to earn interest was aggravated by increased borrowing by the Treasury largely for war, to give away or for other unproductive purposes.

To keep the cost of rising debt from becoming too evident to the public much credit was taken for the fact that a great deal of such debt cost very little to carry because it was of early maturity. Reliance on this specious policy has so long continued that now 10% of the Federal debt is due in less than two years and nearly $20 billion must be refunded in 1953.

The fixed interest investor is now about to enjoy the rewards of his patience, if he was experienced enough to resist the insufficient return afforded by long-term issues created in the last few years. If he has not avoided the bait his problem is magnified.

One month before a large maturity of U. S. debt, the rediscount rate has been advanced to 2% and at this level all other borrowers will stand in line. Coming at a time when business loans were at peak levels and Federal funds had been tight for many weeks, there are certain to be substantially higher interest costs to all new applicants.

Can we avoid:

(1) A 3% call money rate.

(2) A 3% rate on such part of the Federal debt that can be placed on a 20-year basis or 2¾% on a ten-year basis.

(3) A decline equal to three or four years' interest in the best regarded long-term corporate bonds.

(4) An absence of any market for State and Municipal issues bearing 1% or 1½% and having 25 to 50 years to run. Even if the coupon is tax-free the discount would have to be great to tempt anyone.

While this great debt, Federal, community and private was building up and borrowers were enjoying absurdly low rates there were some experienced buyers who believed that the longer the course the surer the turn. They will be the buyers in the coming market for their 1-5-year-term policy will be bringing back capital at a time when rates are rising. A little self-denial during the period of declining interest, avoidance of long-term investments which offered only a modest increase in annual return, and concentration on investments having some of the characteristics of the commercial paper of bygone days will continue to pay off.

We owe a great debt to Don Cosimo for having invented interest, since it has been the objective of all our investing. We also owe something to those reactionary bankers and investment managers who have stuck to a short-term lending policy and we may not find in their statements large items marked "Reserve for Decline in Government Bonds."

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Elizabeth M. Williams is now connected with Waddell & Reed, Inc.

L. J. Wilson Opens

MARSHALL, Tex.—L. M. Wilson is engaging in a securities business from offices at 311 North Franklin Street.

Joins Betts, Borland

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Tom G. Forney has joined the staff of Betts, Borland & Co., 111 South La Salle Street, members of the New York and Midwest Stock Exchange.

With Slayton & Co. Inc.

(Special to THE FINANCIAL CHRONICLE)

QUINCY, Ill. — Kenneth M. James has become connected with Slayton & Company, Inc., of St. Louis.

Joins Caunter Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Frank D. Trebisky has become connected with L. H. Caunter & Co., Park Building.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

AUGUSTA, Ga.—Roy P. Herring, Jr. is with King Merritt & Co., Inc.

Herman E. Jurgens

Herman E. Jurgens, member of the New York Stock Exchange, passed away Jan. 21.

Banks Should Build Up Their Net Worth

By JOHN J. ROWE*

President, Fifth Third Union Trust Co., Cincinnati, Ohio

Mid-western banker discusses developments of recent years and contends the astounding mounting deposits in whole banking system is due not only to government debt holdings and to rising tide of business dollar volume, but to higher costs and taxes, which lead business concerns to keep large bank balances. Blames inordinate increase in government bureaucracy for causing sky-rocketing prices and says only cure is "less government." Urges banks to strengthen their positions by increasing net worth. Says, this should be measure of bank size, and forecasts continued heavy corporate borrowing in immediate future.

Very naturally, during the first month of any given year, men in the banking business try to look forward and focus their attention upon the trend of interest rates as, by and large, interest income is our major source of revenue. Incidentally, having been an active bank officer for over 40 years, I feel at least that I can speak with authority when I make the statement that the outlook for interest rates is the major normal question at the beginning of each calendar year when attempting to set a goal, earnings-wise, for the year ahead.

John J. Rowe

I feel that it is a fair statement to make that, when looking at forecasts in the past, one reaches the conclusion that most forecasters are wrong! So, I will try to confine myself to an effort to appraise where we are, and then let each person do his own forecasting for himself, which can be done with complete serenity, if he discloses his forecast to no one else.

I had intended to elaborate rather extensively upon the astounding miracle engineering-wise and inventive-wise, of the last two decades, but as I was collecting facts and figures, a friend of mine, Mr. Fenton B. Turck, of Turck, Hill and Company, New York City, sent me a paper of his, entitled "The American Explosion." I refer you all to that article because he handled the subject so extremely cleverly that I felt it foolish to try and labor the subject myself.

No one can add up the exact impact of radio, television, plastics, glass fibre, and literally hundreds of other completely new inventions and products. Its title "The American Explosion" tells the story.

In my very early days of banking, I was told by my father, who had been in the business all of his business life, that money rates are a state of mind; supplementing it, with an effort of humor, that when the borrower came into the office with his hat in his hand, and threw his cigar away before he came in, that money was very tight, but if he kept his hat on and kept his cigar while talking, that money rates were very, very low.

Total Deposits Restrain Lending

I have a feeling that the opinion that money rates are a state of mind was based consciously, or unconsciously, upon the fact that when banks lend, they promptly manufacture money by crediting the account of the customer; and if, on the average, a bank lends no more than its proportion of the total lending that day or week, done by all banks, that each given bank will retain its share of the new deposits thus created. Obviously, a great deal of the new revolving money reaches hands of people or companies who owe money, and susbtantial payment down on other debts occurs almost instantaneously after new loans are put on the books; thus, it seems quite apparent that each bank is restrained in its lending policy by the present or expected total of its deposits.

Of course, this is not the only restraint, because each bank will set its own standards as to the proper ratio between its own net worth and its total of loans.

What will the demand for loans be, and what form will they take in the reasonably near future? Further mechanization is *imperative*. Our Research Laboratories will, in my opinion grow in number, and their horizons for the future I believe to be simply enormous.

With high taxes, which may be lowered a bit, but can be counted on to be with us for a long, long time, new machinery and new products will require capital, probably in substantial excess over the amounts ploughed back from earnings and depreciation. Competition is apt to be severe, which may restrain increased earnings. This seems to me to add up to a substantial demand for both short and long term money —possibly the word "requirement" for more money than the word "demand" for more money is a better way to phrase it.

We have gone through an astounding era of mounting deposits in the whole banking system, and there seems to me to be a strong relationship between the total dollar volume of business done in the country, and the total amount of bank deposits, about which I will give additional mention further on.

Deposits Rise and Fall With Level of Business

At the moment, I want to stress the fact that deposits have mounted in a remarkably close ratio to the mounting dollar volume of business, which leads me to make the statement that we banks are an integral part of the industrial life of this great nation, and that our deposits rise and fall with an advancing or receding economy.

With the advent of a universally large holding of government securities by all banks, deposits were naturally created in the first instance, and then that endless, and never-ending process of checking against the new deposits in an endless chain has resulted in the astounding fact that we all have, in very round figures indeed, loaned about as much money to the United States Government as we have to all of our other borrowers put together. Of course, some banks have more governments than loans, and others have more loans than governments but, by and large, it is a striking fact that we have roughly, lent the government about as much money as we have to all corporations and individuals in the entire country and, obviously, this was only possible by reason of that miraculous and little understood invention, namely, double-entry bookkeeping. We have built up a deposit liability to roughly correspond to our total money lent, including in this category all of our government securities, because, in essence, that's what they are—Loans.

Larger Cash Balances Being Kept in Banks

There seems to me to be a direct relationship between personal or corporation bank balances, and the actual needs or fancied needs for keeping a bigger balance than the individual or company had previously kept. Companies, roughly, keep 10% of annual sales in banks; obviously, when sales treble, bank balances tend to increase to—say two and one-half times. Similarly, individuals with four tax dates per annum facing them, with higher wages and salaries, obviously keep larger balances than formerly.

If this is true, bank loans and total investment securities must be and are that much higher. This seems to me to spell out the fact that higher bank deposits and larger loan portfolios, and much higher Government bond accounts are the result of both higher prices and higher tonnage volume of business, rather than being considered the prime cause.

I have very little doubt that the banks would be owning many more corporate bonds and also have higher loans, even though the Government debt had, by some miracle, remained low. In other words, I am querying the statement that it is inflationary for banks to own Government bonds. What *is* inflationary is for the Government to withdraw more and more people from private payrolls and put them on public payrolls, thereby assisting the wage spiral increases. Higher costs make higher prices for borrowed money as well as for commodities.

By and large, it strikes me that banks can only hold more Governments permanently because deposits increase, despite the fact that under that little-understood double-entry bookkeeping system, we do actually create deposits as we buy them from the Government, or as we buy them from previous owners, but the deposits only remain with us because our depositors need, or think they need balances.

"Printing Press" Money

Just a word about "printing press" money. The word "credit" stems from the word "credo," meaning *complete* belief. Consider for a moment what is meant when a serious-minded person begins the statement, "I believe in—." To print on a piece of paper "This is $5," with no guarantee as to exchange value, is completely departing from what I believe to be a fundamental factor in the word "credit." In other words, a promise must have a fulfillment. In the long run, coined paper is an absurdity. It has no value across national boundaries, and the function that gold has played in the past to enable countries to have a fluctuating balance of trade within reasonable limits, settled from time to time by the movement of gold, has been broken with severe consequences.

As the number of people on the Federal payroll increases, in comparison with people on private industry payrolls, the increasing costs of doing business, both taxwise and through the resulting urge for higher wages as the floating supply of labor diminishes, force prices up. Obviously this is much more marked when we go through a period of increasing inventive genius, producing more and more chattels which become the equivalent of a necessity in the average American home and factory.

This all seems to me to add up to the fact that as Government bureaucracy increases inordinately, prices skyrocket, and the *only* cure, it seems to me, is "less Government."

I have another pet opinion that during the few years after the 1929 panic, the borrowers suddenly wanted to get rid of debt, banks lowered interest rates, and in some cases charged no interest to help a sour loan work out; interest on demand deposits was stopped, and interest on savings accounts was generally lowered to 1%—a colossal reduction in the expense account of the average bank. Shortly thereafter, to encourage new borrowers, interest rates and the prime rate plummeted downward. In other words, the borrowers could name the rate—and they did.

In the case of our own bank, we paid $1,832,000 in interest on deposits in 1930, and would have paid $4,200,000 in 1952 at the same average rate, had we paid interest on deposits. That sum would be more than our profits plus taxes!

"Net Worth" Should Measure Size of Bank

At the present moment, there appears to be a marked trend to pay more interest on savings and time deposits by some few banks, presumably in an effort to attract more deposits. My own conviction is that banks should concentrate on building up their net worth, and that the size of a bank should be measured by its net worth rather than by its liabilities.

It is quite interesting to note that the 4th Liberty Loan Bonds, which were offered in October, 1918, sold down to a yield of 5.875% in May, 1920. It took two years for this issue to regain a par quotation, below par in 1923, back to par in 1924, and above par until the fall of 1929.

We know that great stress was played upon "Borrow and Buy" when the issue was offered; therefore, the issue was in a badly undigested state for a long time, and a lesson was learned from the effects of this obvious danger.

It does appear to me that today a large amount of the long-term issues are owned by trusts and funds of various nature. Insurance companies have reduced their total of long-term bonds owned. I have a feeling that managers of these various holdings for others are more and more recognizing the fact that the yield is very low, when taking into account the increased cost of living and the inadequacy of incomes of this kind, after taxes, for the widow and orphan, and low for

Continued on page 43

*An address by Mr. Rowe before the National Credit Conference of the American Bankers Association, Chicago, Ill., January 26, 1953.

Eisenhower Regime's Policy For Defeating Communism

By HON. JOHN FOSTER DULLES*
Secretary of State

Pointing to "a deadly serious threat of encirclement" by Soviet Russia, Secretary Dulles outlines policy to encourage and cultivate desire for freedom among Communist-controlled people. Says action will be taken by Administration to make foes in Far East want peace, and calls for erecting a common bulwark against Communists by united effort of ourselves and our allies. Admits allied unity in Western Europe has "stalled," and, if our efforts ultimately prove ineffective, our Western Europe policy will be re-examined.

It has been now just six days that I have been Secretary of State and I can assure you that they have been very, very busy days. They have been a perfect mass of accumulated problems, but I hope never to be too busy to talk with the Congress and with the people of the United States so that they will know what it is we're thinking about and what our purposes and intentions are.

John F. Dulles

I've already met with two Congressional committees that deal primarily with foreign affairs and now I want to have a chance to talk with you. Of course, it's obvious that after six days I haven't got the answers to all the problems. It would be ridiculous if I pretended that I did have, but I do think it's worth while to tell you what our position in the world is and the spirit with which we approach the solution of these problems.

Now, the first thing that I want to make clear—and I want to make it abundantly clear—is that I consider that it is my job to work for the people of the United States. I am part of your Government; it's you that have hired me and pay me and you're entitled to have me do the best that I can for you. And that is going to be the spirit of the State Department and of our ambassadors. You needn't be afraid that we're working against you and for others.

*An address by Secy. Dulles broadcast and transcribed by the State Department, Jan. 27, 1953.

President Eisenhower has often used a phrase; it's the phrase "enlightened self-interest." That is going to be the guide as we go on to make our foreign policy. Now in our own interest, our enlightened self-interest, we have to pay close attention to what is going on in the rest of the world. And the reason for that is that we have enemies who are plotting our destruction. These enemies are the Russian Communists and their allies in other countries.

Now you may ask, how do we know that they are really trying to destroy us? Well, the answer to that one is that their leaders teach it openly and have been teaching it for many years, and everything that they do fits into that teaching. And in this country our courts have had to look into the question and they've found, most recently, only last week, that the Communist party in this country is part of a gigantic conspiracy designed to overthrow our Government by violence.

A Deadly Serious Threat

Well, you may say, do we need to take this threat seriously, and the answer to that is that the threat is a deadly serious one. President Eisenhower recently said this nation stands in greater peril than at any time in our history. Any American who isn't awake to that fact is like a soldier who's asleep at his post. We must be awake, all of us awake, to that danger.

Now already our proclaimed enemies control one-third of all the people of the world. I've here behind me a map which shows the vast area which stretches from Kamchatka, near Alaska, the northern islands of Japan and right on to Germany in the center of Europe. That's an area which the Russian Communists completely dominate. In that area are 800,000,000 people and they are being forged into a vast weapon of fighting power backed by industrial production and modern weapons that include atomic bombs.

If this block of 800,000,000 people is compared with our population, about 150,000,000 people, it means that if we were alone against them, the population odds against us and in their favor would be 7 to 1. Now in the case of the First World War and the Second World War there was a big coalition on our side against the despots so that the manpower ration then was about 7 to 1 in our favor. It wouldn't be pleasant to have a war in which the odds against us were 7 to 1.

And another important fact is that this vast area of Asia-Europe, which our enemies control, has within it all of the natural resources which they need. On the other hand, we are largely dependent on overseas goods. For example, our steel industry, which is of course basic, in peace production and war production, depends very largely upon importations of manganese from overseas. So, if we were alone, not only would the manpower odds be terrifically against us, but we would be at a great disadvantage in the production of the weapons that we needed.

There are some of the reasons why the enlightened self-interest of the United States compels that we should have friends and allies in the world. At the present time, the Soviet Communists are carrying out a policy which they call encirclement. That means they want to get control of the different areas around them and around us so they will keep growing in strength and we're more and more cut off and isolated. They said they don't want to start an open war against us until they have got such overwhelming power that the result would not be in doubt. So that strategy has been to pick up one country after another by getting control of its government, by political warfare, and indirect aggression. And they have been making very great progress.

At the end of the Second World War, only a little over seven years ago, they only controlled about 200,000,000 people, and today, as I say, they control 800,000,000 people, and they're hard at work to get control of other parts of the world.

High Spots of Trouble

Let me now, with a map before me, pick out some of the high spots of trouble. Let's start with Korea, which naturally comes first to our minds because of the cruel and bloody war going on there. What's that all about? Well, one thing that it's about is Japan. You see, the Soviet Union has already moved into the northern islands, which are very close to Japan—in fact they are within two miles of northern Japan—and their planes are reported daily almost as flying across the northern part of Japan.

And you can see from this map that if they had not only this area up to the north of Japan, but also had all of Korea, then Japan would be within the Communist pincers. And if the Russians or Chinese Communists got control of Japan with its great industrial power then they could use that to process the raw materials which come from Asia, from Manchuria, and from China, and to process them into arms and weapons for the vast manpower of China.

And that, if it happened, would be a very unfortunate thing for us. It was hard enough for us to win the war against Japan in the Pacific when Japan was alone, when China was our ally and the Soviet Union was neutral. If Russia, China, and Japan all combined, it would be pretty tough

Continued on page 50

Growth Company Shares—A Basis For Savings Bank Investment

By MAURICE MOES
Erdman & Co., Members New York Stock Exchange

Mr. Moes contends that higher yield on equity investments is not sufficient to warrant commitments by savings banks, and it is a mistake to over emphasize current returns to exclusion of benefits to be gained from long-term partnership in growth industries. Gives tables showing prices, yields, and earnings of "growth companies."

With the recently enacted legislation enabling savings banks in New York State to enter the common stock field, a responsibility is thrust upon the savings bank management as to the philosophy they will embrace in their approach to the new field of investment. The bill permits the purchase of common and preferred stocks up to 5% of assets, or 50% of surplus fund and undivided profits, whichever is smaller. The stocks would have to be listed on a national securities exchange and to have paid cash dividends for the preceding 10 years.

Maurice N. Moes

Everything I have read relative to savings banks investments in equities indicates that the primary object is to increase the earning power of the banks. As I see it, the approach most commonly envisioned is to take advantage of relatively higher yields of common stocks as compared with the going yields on bonds and mortgages. According to a recent address by William A. Lyon, State Superintendent of Banks, 52 savings institutions had entered the equity field, with 57% of the buying in public utility commons and preferred, 33% in industrials and about 10% in rails. American Telephone and Telegraph common alone made up more than a third of the total common purchased.

I think it would be a mistake to over emphasize current returns to the exclusion of the benfits to be gained from long-term partnership in growth situations. If one enters into common stock commitments I believe one must hold the basic tenet that ours is an expanding, dynamic economy, not matured and static. If this is not an acceptable assumption, then I sincerely believe the banks should not enter the equity market, but stay in their own back yard of bonds, mortgages, and loans, foregoing the benefits and risks of ownership. I believe I can demonstrate that taking the aggressive dynamic attitude, putting less emphasis upon current income, can lead to much greater long-term income and appreciation.

The maximum returns which could be obtained from a list of common stocks acceptable to the banks is 6%. If we assume that 5% of the banks' funds might go into common stocks, and the other 95% of assets yield 3%, then the conversion of 5% of assets from a 3% return to a 6% return would increase the overall earnings by .15%. To the extent that earnings from other assets exceed 3%, the overall benefits from the equity portfolio are proportionately less. It does not appear realistic for savings institutions to accept the risks inherent in common stocks for an increased earning power of .15%. If they assume the risks of partnership, why not look for its benefits? If they are to reap the real benefits of an equity position,

GROWTH LIST

	Aver. Price 1942*	Aver. Price 1952	% Incr. '42-'52	Div. Paid 1942*	Div. Paid 1952	1942 Yield	1952 Yield	Y'd. 1952 Bsd. on '42-Cst.
Amer. G. & Elec.__	17	62	265	$1.70	$3.00	10.00	4.84	17.65
Dow Chemical __	10	39	280	.25	.80	2.50	2.11	8.00
du Pont DeNmrs.	31	88	184	1.06	3.55	3.43	4.03	11.45
Fd. Mch. & Chm.	14	47	235	.70	2.00	5.00	4.26	14.28
Gen. Elec. ________	26	63	142	1.40	3.00	5.38	4.76	11.54
Gen. Motors ____	19	59	211	1.00	4.00	5.26	6.78	21.05
Inter. Bus. Mch.__	43	211	391	2.00	4.00	4.65	1.89	9.30
Minn. Mng. & Mfg.	5	43	760	.17½	1.00	3.50	2.38	20.00
Monsanto Chem.__	26	95	265	.75	2.50	2.88	2.63	9.61
Phillips Petrol. __	19	55	189	1.00	2.40	5.26	4.36	12.63
Scott Paper _____	16	54	237	.97½	2.40	6.10	4.44	15.00
Stand. Oil (N.J.)	20	78	290	1.00	4.25	5.00	5.45	21.25
Aver. 12 stocks___			287			4.91	3.99	14.31

*Adjusted.

While the adjustments in price and dividends for 1942 have been made to provide comparison with 1952, no attempt has been made to take into consideration minor changes in capitalization, which may have occurred.

INCOME LIST

	Aver. Price 1942*	Aver. Price 1952	% Incr. '42-'52	Div. Paid 1942*	Div. Paid 1952	1942 Yield	1952 Yield	Yld. 1952 Bsd. on '42-Cst.
Air Reduction ___	36	26	—28	$2.00	$1.40	5.56	5.39	3.88
Amer. Chicle ____	29	47	62	1.66	2.50	5.72	5.32	8.62
Amer. Tel. & Tel.	118	156	32	9.00	9.00	7.63	5.77	7.63
Amer. Tobacco __	42	60	43	3.25	4.00	7.74	6.67	9.52
Consol. Edison __	15	36	140	1.60	2.00	10.67	5.56	13.33
Corn Prod. Rfg.__	50	69	38	2.90	3.60	5.80	5.22	7.20
General Foods___	32	47	47	1.70	2.40	5.31	5.10	7.50
National Biscuit _	15	32	113	1.40	2.00	9.33	6.25	13.33
Safeway Stores _	12	32	167	1.00	2.40	8.13	7.50	20.00
Sterling Drugs __	29	37	27	1.70	2.00	5.86	5.41	6.90
United Fruit ____	20	58	190	1.25	4.00	6.25	6.90	20.00
F. W. Woolworth	26	44	69	1.60	2.50	6.15	5.68	9.62
Aver. 12 stocks___			75			7.01	5.89	10.63

*Adjusted.

While the adjustments in price and dividends for 1942 have been made to provide comparison with 1952, no attempt has been made to take into consideration minor changes in capitalization, which may have occurred from year to year.

they should be foresighted enough to forego larger current return, and strive for the better overall results which will accrue from the purchase of growth situations. It has been true in the past, and I believe it will be as true in the future. Research, aggressiveness, inventiveness, and competitive ability have a successful record.

I have prepared two lists of securities both containing names that would satisfy the most prudent investor. One list contains growth companies, the other, liberal dividend payers. One will note that the growth list, if purchased at the mean price of 1942, would have yielded 4.91%, while the second list could have been purchased on a 7.01% basis. The interesting thing is that the growth list based on the mean price of 1952 would yield 3.99%, with the return on the other group now 5.89%. In other words, practically the same spread exists today as existed 10 years ago.

Now let us look at the advantages which the growth situations have to offer. By sacrificing an annual return of 2% (worth less than 10 basis points to overall bank earnings) the 10-year period shows the growth list now paying better than a 14% return on original cost, while the second list yields 10.63% on cost. The growth list has appreciated roughly 287% from its original value, versus 75% for the second group.

I appreciate that it is far easier to look back 10 years and point out the companies which grew substantially, than to look ahead and accurately forecast what the next decade will produce. To my mind, this is the challenge to the savings banks, and their recently established Mutual Fund. It would seem clear that if the challenge is to be accepted, the first step must be the adoption of an investment policy which subordinates the easy road of higher current income, to the painstaking search for the growth of tomorrow. Then, and only then, will the savings banks justify placing depositors' funds in equities, when they can pass on to them the real rewards of successful partnership — enhancement in principal and a substantial income return based on original cost.

Reserve Inv. Co. Formed

(Special to The Financial Chronicle)

CINCINNATI, Ohio — Richard H. Keys has formed The Reserve Investment Company, with offices in the Dixie Terminal Building, to engage in the securities business. Mr. Keys was previously with Clair S. Hall & Co.

Joins Paine, Webber

(Special to The Financial Chronicle)

AKRON, Ohio—Robert H. Noah is now affiliated with Paine, Webber, Jackson & Curtis, Ohio Building. Mr. Noah was formerly with Thomson & McKinnon.

H. B. Cohle Adds

(Special to The Financial Chronicle)

CINCINNATI, Ohio — W. Carl Roop has been added to the staff of H. B. Cohle & Co., Union Trust Building, members of the Cincinnati and Midwest Stock Exchanges.

Joins J. Lee Peeler

(Special to The Financial Chronicle)

DURHAM, N. C. — Olin C. Peeler has joined the staff of J. Lee Peeler & Company, Trust Building.

King Merritt Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Evelyn Anderson is now with King Merritt & Company, Inc., 1151 South Broadway.

Waddell & Reed Add

(Special to The Financial Chronicle)

LOUISVILLE, Ky—Stephen L. Swift has been added to the staff of Waddell & Reed, Inc.

A Balance Sheet of America's Strength

By L. L. COLBERT*

President, Chrysler Corporation

Asserting there is evidence we still possess all ingredients to make future just as dynamic as best of our past, prominent auto executive points to persistence of nation's vitality and its ability to carry defense burden along with high level civilian production. Lays this to individual incentives of people, but warns our foreign aid and our prodigious consumption has heavily drained stock of raw materials. Calls for removal of obstructions to international commerce. Says we are on threshold of new technological revolutions. Concludes with understanding men heading government, business and labor can strengthen our economic staying power.

Not as an expert, but as an observer, I should like to discuss with you some of the things that I believe are on people's minds these days — things that concern businessmen, because they affect the future of our country and the lives of every one of us.

L. L. Colbert

And as a preface, let me say that if you think in terms of a sort of balance sheet of our nation's strengths and weaknesses, you will find heartening evidence that we still possess all the ingredients to make a future just as dynamic as the best of our past.

Vitality of Nation Persists

One of our most precious assets, it seems to me, is the fact that the real strength of our nation is not so much its material resources as it is the vitality, the integrity, the industry and the good common sense of our people. Never before last November fourth did our people look more critically at a superficially prosperous "today" and vote so overwhelmingly for a more solidly based "tomorrow."

Efforts to foresee what lies ahead of us are being made on all sides. That is an interesting exercise. I believe, however, that the nation's attitude toward the responsibilities and problems we face together was aptly summed up by President Eisenhower in his inaugural address last Tuesday when he said:

"Recognizing economic health as an indispensable basis of military strength and the free world's peace, we shall strive to foster everywhere, and to practice ourselves, policies that encourage productivity and profitable trade."

President Eisenhower has recognized the need for strong and effective leadership for the days ahead, in the care and promptness with which he has chosen a cabinet of men well qualified by experience to help him.

With this kind of team and with a new dedication of the American people to our country's best ideals, there is a challenging opportunity to set an example of united effort that could well lead to a more peaceful world.

The most pressing problems today naturally are linked with our concern for our national defense. As a nation we seek an end to the Korean War and to the vast defense effort that has been imposed upon us by the cold war. However, it seems clear that we shall have to maintain a large defense set-up for an indefinite time. Ultimate victory demands a solvent economy and strong allies.

It is costing our people a great deal for world-wide defense. The gravest cost, of course, is more than 127,000 casualties that our own forces already have suffered in Korea. On top of that dreadful toll, our defense expenditures currently are running at the annual rate of more than $50 billion. That is about 16% of our total gross national product—all of the goods and services produced in our country.

While our demonstrated ability to carry this heavy burden of defense and at the same time maintain a high level of civilian production emphasizes the strength of our productive enterprise, it is not a condition that we should embrace as a necessary one for all time.

The record of our productive achievements is an impressive one. Our gross national product in 1949—the year before Korea—was $258 billion. As 1952 came to an end we were producing at an annual rate of $340-odd billion. To get a better perspective of this record, consider that only 13 years ago our national gross product amounted to just $91 billions.

Just how well our country's material needs have been met by our productive machine was indicated in the report issued last summer by the President's Materials Policy Commission. It showed that we are producing and consuming at a terrific rate. Some of the figures, as you know, are staggering.

What Makes High Productive Level Possible

What makes this productive might possible is the significant thing—not the quantities of guns and tanks and planes that it turns out. I believe it happened, for one thing, because we have more than four million individual business firms in America, competing in a traditionally free market for what you and I need or want to make our lives better for ourselves and our children.

It happened, for another thing, because in the seven years from 1946 through 1952, American industry, excluding agriculture, spent a record total of more than $150 billion on new plants and equipment, so that today American manufacturing companies have added around 50% more productive capacity than we had in 1945.

It happened because we had the incentives inherent in our competitive enterprise system to do a better job, to keep on increasing the productivity of our farms and factories.

But most of all it happened because our country has the kind of people in it who can make the most of new processes, new ideas and new opportunities. They understand the importance of these incentives and believe profoundly in our better way of getting things done.

Such assets as these have enabled our nation for the third time in little more than a single generation to shoulder the burden of world leadership and supply against an imperialistic foe.

Since the end of World War II we have provided countries abroad a net assistance of more than $36 billions in the hope that this aid would make them self-supporting and self-reliant. However, such astute observers of international affairs as our own Joe Dodge caution that continued aid of this kind can be self-defeating, can create dependency among the receivers, and presents the danger of weakening ourselves without providing permanent help to our allies.

Limits to Our Foreign Aid

Even the wealth of America cannot indefinitely support the economic and military structures of our allies without eventually weakening our own. This situation is directly related to foreign trade.

Our foreign aid, though measured in dollars, has been delivered in the form of goods, paid for with dollars provided by our taxes. The result is a widening gap in the balance of trade, with its related problem of dollar shortage abroad. Allies that would prefer to meet their balance-of-payment problems by selling us goods instead of receiving our aid are, to some extent at least, frustrated by the international complexity of restrictive tariffs, export quotas, blocked currencies and in many cases by their own self-imposed inflationary fiscal policies.

Foreign aid goods shipped abroad, coupled with our own prodigious consumption, put a heavy drain on our shrinking stock of raw materials. Today we are a "have-not" nation in many critical areas of raw materials. Our people use up more than two and a half billion tons of materials each year. We now look to imports for some part of our supply of such vital items as copper, aluminum, nickel, natural rubber and tin.

If the free world, in a sense of common destiny, is determined to preserve its freedom, a profound change is called for in the approach to international trade problems.

To assure ourselves a continuing supply of raw materials, it is important that we foster a realistic international trade among friendly nations. A healthy two-way flow of trade is essential to our own welfare and to that of all countries allied with us against the inroads of Communism.

It apparently falls to the United States to take the lead in seeking removal of obstructions to international commerce that are not absolutely essential to our national defense; obstructions that stifle economic development and abet economic conditions abroad upon which Communism breeds and thrives.

Through a freer flow of exports and imports we can realize a substantial growth of total free world commerce. More important, it should result in higher living standards abroad, and this would mean better markets for American products. Development of an

Continued on page 42

*An address by Mr. Colbert before the Economic Club of Detroit, Detroit, Mich., January 26, 1953.

The Mutual Fund—The Modern Investment

By SAMUEL M. GORDON*

Ira Haupt & Co., Members N. Y. S. E. and Other Exchanges

Mr. Gordon explains Funds' functions, types, cost, and how to judge them. As advantages, he cites diversification, continuous supervision by professional management, reasonable dividends, freedom from bother, and liquidity. Lists following disadvantages: Chance of loss; irregularity of dividends, and mistakes by even professional managers. Describes ways to purchase and redeem their shares.

What are Mutual Funds?—A Mutual Fund is an investing company that provides a convenient way for investors to combine their resources for the mutual advantage of all. If all of us in this assembly hall were to place our personal checks for X amount of dollars into a large basket, and then employed experienced professional investment managers to invest our money in securities, we would have a Mutual Investment Fund.

Samuel M. Gordon

How Do They Function?—The monies would be invested as though it were a single account. The company would operate under a charter prescribing the investment objectives of the Fund and whether their resources should be invested in common stocks, preferred stocks, bonds, or a combination of two or more. The interest and dividends received from the many securities in the portfolio would be paid out to the shareholders every three months after expenses and management fees were deducted. This averages from ½ to 1% annually. If there are realized profits from the buying and selling of their securities, these also are distributed and are called security profits. Under the Investment Company Act of 1940 which is administered by the SEC all regulated Mutual Investment Funds must pay out at least 90% of their income to remain tax exempt. In usual practice they pay out 100%.

*A talk by Mr. Gordon before the City College of New York, School of Business, Adult Division, Dec. 2, 1952.

In the older and larger Mutual Investment Funds the management works like a team. It is made up of industry specialists, men experienced in research, statisticians, economists, security analysts, officers and board of directors and finally the investment committee.

An entire industry is analyzed. Are its prospects favorable? The individual companies in that industry are analyzed and compared with their competitors. The industry specialists pay periodic visits to individual companies and discuss their products, their problems, their progress with the top brass.

Their findings influence the rest of the team in whether an investment should be made in the company.

Right here an example is in order. A research man in one of the well managed Mutual Funds was intrigued several years ago by the new unbreakable bottle. He saw its possibilities—checked into it—watched it for two years—with the result that his company purchased a large block of stock in the most progressive company. They have a fabulous profit in it now.

In their every day operation they base their investment program on the three foundation stones of investment success. Those three stones are informed selection, broad diversification and continuous and informed supervision. Let's look at them one by one.

Informed Selection almost defines itself. As I explained before, it means the purchase of securities only after careful analysis by people trained to make such analyses. Past records, management reputation, profit margins, tax position, the outlook for business in that particular industry, for business in general, are only some of the things which must be considered in appraising future prospects for a security. It is distinctly a job for specialists who work full time at the job.

Diversification is simply the application to investments, of the insurance principle of spreading the risk or the savings bank practice that spreads the risk over many mortgages. No insurance company would insure just one or a few lives or one or a few buildings. One death or one fire would mean a crippling loss. No savings bank would mortgage just a few properties. One bad mortgage could ruin them; similarly, no investor of sufficient means will risk his capital in one security or a few securities. He, too, spreads the risk by investing in a broad list of securities, so that damage in one has no substantial effect on the whole.

Continuous Supervision is also a job for those same specialists. It means, of course, constant watchfulness over securities owned. Stocks and bonds cannot safely be put away and forgotten. The economic picture changes. Demand for a product falls off. A change in the tax structure can vitally affect the profits of a business. World politics can cause an upheaval in an industry. Only men who have the facts and figures and know how to interpret them can do a good job of continuous supervision.

Right here another example is in order. When the Korean War broke out, in June, 1950, one of the Mutual Investment Funds managements were meeting by 6 o'clock that evening. They worked all through the night. Their plan of action was ready for the following week before the market opened on Monday morning. They moved out of their defensive equities into which they had been moving prior to Korea, and bought stocks that would benefit by a wartime inflationary economy.

How many Mutual Funds are there and how many types?

There are various types of Mutual Funds among the 105 registered. Each classification is designed to meet specific investment objectives. Balanced Funds invest in common stocks, preferred stocks and bonds. They are concerned primarily with stability and adjust their portfolio between bonds and stocks according to the economic outlook.

The largest number of Mutual Funds are Common Stock Funds. Here there is a high degree of variation in management policies. Some invest only in securities which their managers consider to have good dividend records in the past, while others may hold highly speculative issues or a combination of both. Some Funds are fully invested at all times, while others attempt in part to catch cyclical swings. Certain Funds are always diversified among many industries, and others concentrate more intensely in those industries which the management regard best. Some Funds favor growth stocks at the expense of dividend return. Some common stock funds may also invest in bonds and preferreds if management thinks the business situation demands it.

Then there are Bond Funds and Preferred Stock Funds. These are for people and institutional investors concerned with a steady income. There is very little appreciation in this type of Fund.

Another type of Mutual Fund is the Specialty Fund. They confine their investments to one or two industries. Their appeal is primarily to those investors who are sold on the prospects for a particular industry. For example, a specialty fund may concentrate on securities of the tobacco industry, the utility, automobile, steel, railroad or insurance companies.

How do we distinguish the good ones? The business yardstick in measuring success is to look at

Continued on page 47

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

In a circular dated **Jan. 13**, the Federal Reserve Bank of New York says:

"Marion B. Folsom, who was last elected by member banks in Group 2 as a class B director of this Bank for the three-year term beginning Jan. 1, 1951, has resigned from that office effective Jan. 19, 1953, to accept appointment as Under Secretary of the Treasury.

"W. Randolph Burgess, who was elected by member banks in Group 1 as a class A director of this Bank for the three-year term beginning Jan. 1, 1953, will not assume that office because he is to accept appointment as Consultant and Special Deputy to the Secretary of the Treasury on Debt Management and Monetary Policies.

"A special election, involving banks in all groups, will be held to elect class A and class B directors to fill the unexpired portions of the respective terms of office for which Messrs. Burgess, Crane and Folsom were elected. Details of the election procedure will be sent to member banks in the near future."

In our issue of **Jan. 22**, page 296, reference was made to the appointment of Jay E. Crane as a class C director of the Reserve Bank and his designation as Chairman and Federal Reserve Agent of the New York Reserve Bank.

* * *

Arthur P. Ringler has been elected Vice-President and Comptroller of **Chemical Bank & Trust Company, of New York** it was announced on Jan. 24 by N. Baxter Jackson, Chairman. Mr. Ringler, formerly Treasurer, succeeds Leonard E. Livingstone who has occupied the position of Comptroller since 1929 and who has been elected to serve as Vice-President until his retirement later this year. George A. Peer, Vice-President, has been elected Vice-President and Treasurer.

Arthur P. Ringler

* * *

Guaranty Trust Company of New York announces the appointment of Guido F. Verbeck, Jr., to be a Vice-President, banking department. He is identified with the bank's relationships in the Pacific Coast territory. Other Guaranty promotions are those of Clifford R. Rohrberg, Frank R. Schaumberg, and Corwin S. Scott to be Second Vice-Presidents; William C. Eiseman, John P. Glorieux, Clinton J. Gregory, and Randall B. Tucker to be Assistant Treasurers, and Robert M. Hill to be an Assistant Secretary. At the Company's Kingsway Office, London, R. Greville Steel has been appointed Assistant Manager and Alfred D. Anderson Assistant Secretary.

Guaranty Trust Company of New York also announces that at the annual meeting of its stockholders held on Jan. 21, the proposal to increase the number of authorized shares from 1,000,000 to 5,000,000 and to change each of the outstanding shares of $100 par value into five shares of $20 par value was approved. The split became effective Jan. 22, and the certificates for the old $100 par value shares may now be exchanged at its Corporate Trust Division for the new $20 par value shares. An item bearing on this proposal appeared in our issue of Dec. 4, page 2134.

* * *

D. Mallory Stephens was elected Chairman of the Board of Directors of the **Commercial State Bank & Trust Company of New York City**, it was announced on Jan. 28 by Jacob Leichtman, President. For 27 years, Mr. Stephens has been a member of the New York State Assembly. During this time, he has served as Chairman of the Banking Committee and Chairman of the Ways & Means Committee, and also in an ex-officio capacity of all State Legislative Committees and Commissions.

D. Mallory Stephens

* * *

Election of George Pankin as Vice-President of **Commercial State Bank and Trust Company of New York**, was announced on Jan. 15, by Jacob Leichtman, President. Mr. Pankin started his business career on the New York "Times," later joining the staff of the New York "American." After leaving the newspaper field, he engaged in banking, textile and the garment industry. He was Secretary and General Manager of the Darling Stores Corp., and Assistant Vice-President of the Sterling National Bank & Trust Company and the Public National Bank and Trust Company. As noted in our issue of Dec. 25, page 2518, the conversion of the **Modern Industrial Bank of New York**, to the Commercial State Bank and Trust Company was approved by Superintendent Lyons of the New York State Banking Department on Jan. 2.

* * *

COLONIAL TRUST COMPANY, NEW YORK

	Dec. 31, '52	June 30, '52
Total resources	$67,258,000	$66,406,000
Deposits	62,956,000	61,879,000
Cash & due fr. bks.	21,130,000	19,466,000
U. S. Government security holdings	17,425,000	16,555,000
Loans & discounts	27,441,000	29,006,000
Surplus and undivided profits	1,341,000	1,336,000

* * *

At the Annual Meeting of Stockholders of **Savings Banks Trust Company of New York**, held Jan. 21, William Bryson, President of the Cayuga County Savings Bank, Charles W. Carson, President of The Community Savings Bank of Rochester, J. Wilbur Lewis, President of the Union Dime savings Bank, John I. Millet, President of The Troy Savings Bank, George O. Nodyne, President of the East River Savings Bank, and Daniel T. Rowe, President of the Kings Highway Savings Bank, were elected directors.

* * *

The Personal Loan Department of **Manufacturers Trust Company of New York** was moved over the weekend from its former location at 29 Broadway to larger quarters at 67 Broad Street, where it opened for business on Jan. 26 according to an announcement by the Company. At its new location, the department will occupy the entire 13th and 14th floors and a portion of the 15th floor of 67 Broad Street. This area is almost twice as great as the space at the former quarters. Growth of the department is indicated by the fact that its operating personnel has increased from less than 100 six years ago to 380 at present.

Manufacturers Trust Company announced on Jan. 28 the follow-

Continued on page 45

Investment Dicta

By CLYDE OLIN FISHER
Professor of Economics and Social Science
Wesleyan University, Middletown, Conn.

Prof. Fisher, commenting on the shift from the "Caveat Emptor" to the "Caveat Venditor" philosophy in investment transactions, contends this change does not indicate that it is no longer incumbent on investor to beware in selecting investments. Points out how small investor has advantages under our system of progressive taxation, compared with investor, with income in high tax brackets. Reviews comparative merits of preferred and common stocks and bonds.

The following observations probably represent a shift from the consideration of the sublime to an analysis of the mundane. But at least a portion of life involves the mundane.


Prof. C. O. Fisher

At the time of enactment of the Securities Act of 1933 the late President Roosevelt said the new law represented a change of philosophy implicit in the common law reflected by the motto *Caveat Emptor* to a philosophy of *Caveat Venditor*. I know of no more appropriate language by which to characterize the revolutionary change in governmental attitude toward investment problems, a change growing out of the distressing financial and economic debacle of the 1930's. Despite Mr. Roosevelt's characterization, I am not at all persuaded that we have arrived at a point when it no longer is incumbent upon the investor to beware or to give serious thought to his financial opportunities. What I shall attempt at this time is a cursory discussion of some of the generalizations which stem from current economic policies, with especial significance deriving from taxation policy. Perhaps it would be no over-statement to say that every financial problem at the present time, whether it be corporate or personal, must be approached with due consideration to the impact of taxation.

I shall attempt to generalize, perhaps in a manner that is more dogmatic than warranted, on a number of items in the field of finance, particularly with reference to investment.

I
Home Ownership

Traditionally home ownership has been justified more on psychological and emotional grounds than on those of cost in a monetary sense. Stated in another way, in general it has been much more economical to rent a house than it has been to own a house. If the house owner, with his home completely paid for, is to receive a net return of 5% on his purchase price, the gross rental, including depreciation, maintenance, insurance and taxes, must aggregate approximately 10%. This means that the home owner, living in an $18,000 house, pays himself a rental of $150 monthly. But in the past it has been possible ordinarily to occupy a rented house, valued at $18,000, for something less than $150 a month.

I think the explanation for this disparity between house valuation and house rentals has been true in the past primarily because of the willingness of people to build and to buy houses with the expectation that a rise in valuation will compensate in some measure for the inadequate income derived as rental. At any rate, the facts indicate that, as related to house valuation, rentals have usually been too low. But the tax situation has changed this. Every home owner is a beneficiary of a concealed tax subsidy. This can be illustrated by using the figures mentioned above, namely, an $18,000 house and $150 monthly rental. The income tax laws do not include as taxable income the implicit rental which the home owned pays to himself. If, therefore, the college professor pays a tax of 33⅓% on his marginal income, the exemption of an implicit income of $150 a month represents a net cost to him of only $100 a month when the tax saving is taken into account.

Furthermore, if the home owner has a $12,000 mortgage on his house and pays interest on his loan at the rate of 5%, another $600 is deducted from taxable income. Assuming again the marginal tax rate of 33⅓%, the net cost of this money to the home owner is $400. This again represents a reduction of approximately $33 a month in the cost of home ownership. The two reductions, therefore, mean that the rental which one pays one's self by occupying one's own home falls from a gross of $150 a month to a net of about $66 per month. In short, home ownership, thanks to the concealed tax subsidy, may be no more costly at the present time than is the rental of a house owned by someone else.

From the figures given it is obvious that the saving increases both with an increase in the tax rate applicable to marginal income and also with an increase in the valuation of the house owner-occupied. One can probably defend this subsidy on the theory that home ownership makes for good citizenship and the creation of intangible values. That theory I am not interested in developing at the present time, as I wish merely to call attention to the fact that home ownership becomes increasingly desirable under the tax program currently in operation.

II
The Little Man and Ownership Of Stock

Traditionally most stock in most corporations has been owned by a relatively small number of people. This does not mean that the number of stockholders is insignificant but it does mean that the amount of stock owned by the mass of stockholders is relatively small whereas the amount owned by the small minority in the upper income groups has been relatively large. The impact of the graduated income tax has been effective, in a manner indicated herein below, in modifying somewhat the traditional pattern of ownership and also in the creation of a situation in which the ownership of stock in a given corporation is worth more to the little man, measured by take-home, than to the big man. The present tax law is graduated steeply as to income, the 48% bracket beginning at $12,000, the 75% bracket at $44,000, the 80% bracket at $60,000, etc. up to a top of 92% on income in excess of $200,000 a year. Perhaps it would be valid to classify income recipients in such manner as to put all those with $44,000 of taxable income in the so-called rich category.

Recalling that the major portion of investment in stocks has come from the people with the larger incomes, it is a matter of simple arithmetic that these people no longer have the abundance of funds available for investment as was the case in the past. Consequently, the demand for equities reflects the smaller volume of investment funds controlled by the rich, the market price for common stock fails to reach the level which otherwise it would attain, and the small man is in a position to buy stock at prices more favorable than would exist had the rich continued the strong monetary demand which would have obtained had the government not syphoned off a substantial portion of their purchasing power.

From another point of view ownership of stock is worth more to the little man than to the big man. For illustration, assume that the man in the 75% tax bracket receives a gross income of $8 or 8% on the market value of his stock. The net take-home for this man, after the 75% tax impact, is only $2.00 or 2% of the market value of the stock in question. On the other hand, the little man who gets into the tax bracket up to $4,000 would pay approximately 25% tax on his marginal income. This man then has a take-home of $6.00 or 6%.

In other words, the take-home for the little man is three times that for the big man. Little wonder, therefore, that the big man seeks a haven of refuge in the ownership of municipal and state securities, the income from which is deductible from gross income in computing Federal taxable income. The shift of the demand by the big man from equities of tax exempt securities results in a price for equities all the more attractive to the little man.

Without attempting an appraisal of this situation from the point of view of social welfare and economic policy, the fact remains that the current tax program inevitably tends toward a redistribution of the ownership of stock in such manner as to reflect the value of such ownership respectively to people in different income categories. It must be observed in passing, that this redistribution may be offset in some measure by the slender margin between income and the cost of living to the little man, a margin so small in many cases as to force the little fellow to forego the opportunities to buy what he ought to buy when he ought to buy it.

A corollary from the above analysis points to the desirability of the ownership of so called "growth stock" by the big man rather than by the little man. A good illustration of this can be found in the case of some of the insurance stocks at the present time. I shall use Aetna Life as an illustration. Aetna Life has been paying for the last few years a dividend at the rate of $2.50 annually. The stock has been selling, in the latter part of 1952 (before announcement of a stock dividend of 50%) at a price of around $80 a share. While it is difficult to estimate the earnings of a life insurance company, chiefly because of the setting aside of contingency reserves which may or may not be needed, it is a safe guess that Aetna Life has been earning approximately $10.00 a share. Should the $10.00 of earnings be distributed to the big man in the 75% bracket his take-home, following taxes, would be $2.50 per year. If, however, $7.50 annually are reinvested the tax payer does not pay currently an income tax upon this reinvestment.

But in due course the company may be expected to declare a stock dividend (which means no more nor less than the shifting of surplus to the capital account and the issuance of claim checks against it) and subsequently the owner of the stock, if he needs money, can sell his securities with the result that he pays an income tax of 26% on his capital gain. This process, or sleight of hand, enables the big man to substitute a 26% tax for a tax at the rate of 75% or more. It follows that the tax gain from a substitution of capital gains for current dividends makes this type of stock more valuable to the rich man and consequently his demand for it may push the price up to a figure above that warranted from the point of view of the little man. If this were the whole story one would have to conclude that the little man, in the ownership of this stock, pays a prohibitive price for the so-called "growth."

But, on further observation, this conclusion is probably subject to some qualification. As already indicated the rich man, following tax payment, may not have all the money he wants to invest in this type of stock and, furthermore, what investment funds he does have might be invested more advantageously in tax exempt securities. How strong this factor is, and to what extent it constitutes an offset to the advantage accruing to the rich man in the purchase of "growth" stock, does not lend itself to statistical measurement and must remain a matter of conjecture.

A second corollary, as applied to the big man, derives from the tax impact. In general, taxation forces the big man to purchase high grade riskless securities rather than securities in the field of business pioneering. Assume, for example, that the appraisal of the risk attendant upon the purchase of stock, as opposed to that implicit in the purchase of bonds, is represented by a premium of $2.00 on a $100 investment. To get this residue of $2.00 which represents the compensation for risk, the rich man subject to a tax of 75%, must get a gross spread of $8.00, because the $8.00 gross spread following the impact of taxes becomes $2.00. This situation prompts the rich man to commit his funds to the so-called safe investments rather than to those that are characterized as venture commitments. Query: Does the economy pay an excessive price for the discouragement to venture in pioneer fields?

III
Preferred Stock

Preferred stock is a bad investment for individuals. This generalization must be appraised in the light of certain qualifications easily understood. First, it is obvious that preferred stock represents a hybrid investment. The owner has neither the security of a bond owner nor does he have what Dr. Johnson called the "potentiality of growing rich beyond the dreams of avarice" of the common stockholders. Should a corporation fail, the preferred stockholders (this was true for example in the case of the New Haven Railroad) may find themselves with a prior claim on nothing. And the first claim on nothing is not substantially better than is the tenth claim on nothing.

Normally, when a corporation is in difficulty it will resort to various measures to prolong its life and with the result that, when failure finally comes, there is little or nothing left after the payment of bonds with which to pay the preferred stockholders. Also, if a corporation becomes extremely prosperous, the preferred stockholder finds himself as a poor

Continued on page 44

Pension Funds as a Market for Mortgages

By ROGER F. MURRAY*
Vice-President, Bankers Trust Company, New York

Pointing out that corporate pension funds now aggregate \$10 billion, and are growing at rate \$1¼ billion a year, Mr. Murray decries lack of investment in mortgages by these funds. Lays chief cause to refusal of Treasury to authorize pension funds to accumulate reserves for losses on this type of investment. Says FHA and VA mortgages represent logical fields for pension funds because of: (1) limitations of possible losses; (2) liquidity resulting from amortization; (3) ease of valuations, and (4) relatively good rate of return.

We estimate that trusteed corporate pension funds now aggregate about \$10 billion and that they are growing at the rate of \$1¼ billion a year. While not large in relation to life insurance companies, mutual savings banks, or savings and loan associations, these trust funds nevertheless might appear to represent a substantial potential market for real estate mortgages. After all, even a few hundred million dollars a year of new money make a difference in the mortgage market. It is quite appropriate, therefore, to include private pension funds on this morning's panel discussion of the institutional sources of demand for mortgages.


Roger F. Murray

It is my function on this panel, however, to strike a distinctly negative note. In this uncertain world there are few topics on which we are jusified in making dogmatic predictions. Nevertheless, I feel no hesitancy whatever in predicting that the demand for mortgages from pension funds in 1953 will be negligible. If I were a mortgage banker I would not count on any significant volume of funds going into real estate mortgages. I would assume that pension funds would invest less than \$100 million in mortgages, perhaps substantially less than that amount.

In presenting such a negative conclusion to you, I am obviously under an obligation to give some substantial reasons. Otherwise you might gain the impression that pension fund managers have a prejudice against mortgages, or simply have not considered them adequately as a possible outlet for funds. I can assure you that pension fund trustees have given careful thought to real estate mortgages and that their present policy of not being substantial lenders is based on a thoughtful consideration of the comparative advantages and disadvantages.

One general point should be recognized at the outset because of its bearing on the appropriateness of mortgage loans: whereas most mortgage lenders use some kind of a mortgage experience reserve on their conventional loans, to date the Treasury has been unwilling to authorize pension funds to accumulate reserves for losses on any type of investment. As a consequence, there is a natural tendency for pension funds to make mortgage loans only in cases where the owner or the tenant has an exceptionally strong credit standing. The volume of such loans is limited, and often the financing is handled through a sale and leaseback arrangement or term lending in which the pledge of property is not employed. Thus, the interest of pension funds in conventional mortgages is quite small and usually restricted to selected types of commercial and industrial property.

*An address by Mr. Murray at the Eighth Annual Conference of the Mortgage Bankers Association and New York University, New York City, Jan. 28, 1953.

I assume, however, that you are more interested in the question of FHA and VA mortgages since they are the ones for which a shortage of funds has been apparent from time to time. The insured and guaranteed mortgage fields, moreover, represent logical fields for pension funds because they offer opportunities for nationwide lending and important economies in handling. I shall deal primarily with FHA and VA loans, therefore, in discussing the appeal to pension fund managers of four major characteristics of these types of investments.

Limitation of Possible Losses

The insurance and guarantee features limit the possible capital losses of a lender to nominal amounts. This naturally appeals to any investor. However, a pension trust is a very long term investor, and immunity from loss at any particular time is not the controlling consideration. Pension fund trustees feel satisfied to purchase good quality corporate bonds with justifiable confidence that they will be paid at maturity. Fluctuations in price during the intervening years are not important, and experience has shown that with a careful selection of credits and with attention to changing conditions, a well diversified corporate bond portfolio will give a very good performance.

The willingness of pension fund trustees to invest substantial amounts in common stocks also shows that they are seeking to accomplish considerably more than simply a limitation of losses. A pension fund is justified in making these equity investments for the favorable return which can be obtained over a long period of years. Again, market fluctuations are not of primary importance because the pension fund is in a position to act as a true long term investor. Not having demand liabilities as do most other institutional investors, the pension fund can well afford to go through periods of stress without too much concern over price fluctuations because it does not have to sell securities in order to meet current payments.

Liquidity Resulting from Amortization

One of the desirable features of insured and guaranteed mortgages to many investors is the contractual amortization which provides a steady return flow of funds each year. This provides a degree of liquidity to the portfolio to meet any demands which may be made upon the investor and also makes available new money for investment under varying conditions.

While important to most institutional investors, the amortization feature is not very significant to a pension fund. The typical fund is growing rapidly and has no need for liquidity. Furthermore, its rapid rate of growth, often amounting to 15% or more per annum, makes the return flow of funds for investment of little advantage. In fact, where the rate of growth is high, it may be preferable to acquire good quality, long-term securities with no repayment feature in order to ease the problem of investing funds at any one time. The pension fund trustee must put the money to work as soon as possible if he is to keep up the earnings rate. Even when current contributions are received in large amounts, he must still be selective in the choice of outlets. The problem is only aggravated by having heavy receipts from amortization.

Ease of Valuation

Any mortgage investment has an advantage for valuation purposes because of the custom of carrying it at the face amount as long as it is in good standing. The same investor in 1946 might have made a 3½% conventional mortgage loan and also bought a 2⅝% public utility bond of high quality at par. His public utility bond shows him a ten-point loss while he can still carry the 3½% mortgage at par, even though the whole world knows that the 3½% rate is entirely out of line in the present market. The fiction of carrying mortgage investments at par, however, is helpful for statement purposes and for presenting a good surplus when the investing institution is being examined.

The pension fund trustee, on the other hand, has no surplus account to worry about, does not have to adjust his book values to market values on any particular date, and accounts only to the corporation for whom the pension plan is administered. The presence or absence of fluctuations in market prices at any particular period is, therefore, relatively unimportant. The results of an invesment program for a pension trust are not measured by months or years but literally by decades. Realized capital gains and losses, together with earnings over a long period of years, constitute the performance of a pension fund. Fluctuations in prices which result from changes in money rates are relatively unimportant, and obtaining immunity from them by the technicalities of valuation procedures has little or no appeal.

Rate of Return

The final advantage in making mortgage loans is the relatively good rate of return for comparatively short average maturities. We are probably all in agreement on the necessity or at least the desirability of an increase in rates on FHA and VA loans, but even without these increases we must concede that for intermediate term securities the rate of return presently provided is fairly good once servicing and handling charges have been reduced. When we start to consider handling costs, we enter a very broad field which I can cover this morning only very briefly. However, I should like to mention two major factors which prevent us from taking advantage of the full savings in cost which are afforded by the latest improvements in mortgage servicing techniques. These special problems are as follows:

(1) We act as trustee not for a large pool of funds but for many individual trust accounts varying widely as to size. Large FHA loans on multi-family projects would be appropriate in a surprisingly small number of funds. If we were to take a block of FHA or VA home mortgage loans in a certain housing development, we would have to split up our commitment into perhaps 40 or 50 accounts. In taking this step we would immediately lose most of the very important advantages of simplified bookkeeping by the servicing agent.

(2) I am sure you all appreciate the difference between lending money in your own portfolio and making loans in a fiduciary capacity. We are accustomed to omitting some frills and even some of the less important safeguards when we calculate that they would cost us more to perform than we could possibly suffer in the way of losses. We conclude under these circumstances that we will take the business risks and save the operating expense. This same conclusion may not be reached, however, when we are acting as fiduciaries. We cannot very well have our customer take the risks, however small, so that we can save the expenses. My point is simply that as a conscientious fiduciary, a pension fund trustee feels called upon to incur certain servicing and handling expenses which he could avoid if he were making the same loans for his own account.

In the final analysis, handling costs must come out of the yield and, as a consequence, the differential between FHA and VA mortgages and good quality corporate bonds becomes very small. Under prevailing market conditions with an ample supply of corporate bonds and with the broad field of common stocks available, pension funds are simply not attracted to FHA and VA loans.

Thus, we conclude that the rate of return at this time does not exert a sufficiently strong pull to overcome a certain reluctance to enter the mortgage field. Contributing to this reluctance on the part of many corporations is the distaste for having any part in a foreclosure action, even though the corporation may be several steps removed from the actual event. I have in mind the case of the XYZ Company which offers a highly advertised service or consumer product. Let us assume that for good reasons the bank acting as trustee of its pension plan is unwilling to waive amortization on a group of VA loans during a period of adversity. The servicing agent is so informed and he takes the necessary steps under the guarantee. It would be most extraordinary if in the course of subsequent developments the name of the pension plan did not somehow become known. If so, the XYZ Company in that area may have destroyed the goodwill for which it is spending large advertising appropriations. Just for the sake of a moderately higher yield on its pension plan, why should the XYZ Company run the risk of finding itself in that position? Why should it not confine itself to corporate obligations and equities?

Summary and Conclusions

To summarize the point of view which I have outlined in the hope of giving some of the principal reasons for the absence of pension funds from the mortgage market, I trust that I have explained why mortgages make only a limited appeal, with the result that prevailing yields do not attract any significant portion of the present large flow of funds. Most of these reasons are fairly basic, and I doubt that they can be easily changed. Nevertheless, the newly formed committee of the Mortgage Bankers Association of America appointed to study pension fund characteristics and problems will find portfolio managers interested and cooperative. I am confident that pension fund trustees value highly the flexibility of their activities and are always eager to explore new fields of investment which may be suitable for their purposes. I would be considerably less than frank with you, however, if I did not reiterate my earlier prediction that at least during 1953, pension funds will be a factor of very little importance in the real estate mortgage market.

Arthur M. Idler Now With G. H. Walker & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Arthur M. Idler has become associated with G. H. Walker & Co., 503 Locust Street, members of the New York and Midwest Stock Exchanges. Mr. Idler for many years was with the St. Louis Union Trust Company.

A Year of Decision

By WARREN LEE PIERSON*
Chairman of Trans World Airlines and
Chairman of the United States Council of the
International Chamber of Commerce

Mr. Pierson declares new Administration must formulate foreign economic policy which is bold and dynamic, which contains elements of permanency and which is understood by entire world as well as American people. Notes changed position of British, Dutch and French Empires, observing independence has not brought peace or prosperity. Maintains our businessmen must receive same protection abroad which foreign investors receive here. Holds we must encourage currency convertibility.

Six weeks ago I was on a plane flying from Honolulu to the United States mainland. This was the last lap of a special TWA survey flight which circled the globe. A few minutes before *our* departure, General Eisenhower had taken off from a Hawaiian air base on *his* return flight from Korea. While I was day-dreaming high above the waters of the Pacific Ocean, I began to think about some of the terrific tasks faced by our new President. Korea, the European Defense Community, Indo-China and Tunisia are among the problems faced in this Year of Decision by the new Federal Administration.

Warren Lee Pierson

Definitive Foreign Economic Policy Needed

This week the attention of our people has been focused on Washington. They are waiting anxiously and eargerly for the new Administration to tell them what w' ' be done about their many prob ems. The situation is awe-inspiring in its tremendous responsibilities. At the same time, simply because the new Administration *is* new, it has a great opportunity to review past policies and to formulate new programs with a fresh perspective. This is a great advantage.

For the past 20 years our government has had no definitive foreign economic policy. Important — and costly — moves have been made. Generally speaking, these actions were taken to meet immediate emergencies at home or abroad. Perhaps the times themselves made such an expedient, stop-gap approach necessary. During this period the United States faced everything from domestic depression to participation in a world-wide war, followed by something new in international relations—the Cold War—which to many has been as tragic as the conflict which preceded it.

It is important that we now formulate a foreign economic policy which contains elements of permanency and which is understood not only by the American people but by the *rest* of the world.

I have stressed the word foreign *economic* policy. It seems hardly necessary to point out to this group that it is not possible entirely to divorce *economic* policy from *political* policy and vice versa.

Only a few years ago most citizens of the United States had little interest in any aspect of foreign policy. They considered it something abstract, uninteresting, and of little practical significance.

Today, in 1953, we have no choice. As the most powerful nation on earth, we have been pushed reluctantly to the center of the world's stage. The decisions which the United States will make this year will strongly influence the pattern of the world in which we live; whether there will be peace or war, prosperity or poverty, freedom or slavery, hunger or abundance.

Past Gives Perspective

I speculated to myself as to why these problems had arisen—and what we can do to solve them—and I concluded that it was necessary to look into the past if we are to view the present in proper perspective.

While we were gaining our own independence, Russia was ruled (from 1762 to 1796) by an extraordinary woman, Catherine II. Although by birth a princess of a petty German State, she became, upon her marriage to Peter III, more Russian than the Russians. Catherine ranks with Peter the Great (Czar from 1689 to 1725) as founder of the Russian—now the Soviet—Empire.

Peter had sought access to the sea and had built St. Petersburg (now Leningrad) on the Gulf of Finland. Catherine II also understood the importance to her adopted country of expanding geographically towards the Baltic and Black Seas—and sought to make them both Russian lakes. It is interesting to recall, in passing, that it was while Catherine was Empress that Poland was first partitioned (in 1772)—thus for the first time making Russia a European instead of essentially an Asiatic monarchy.

Results of French Revolution

Another landmark we must not overlook was the French Revolution. Many things we know today flowed from this extraordinary clash of social forces—such as the recognition of individual liberty; the doctrine of the sovereignty of the people; and the stimulation of the principle of Nationality.

These developments would warrant further comment, but for our purpose today, I wish rather to stress another result of the French Revolution. That was the definite introduction of Russia into European affairs. Because of the leading role played by Russia in overthrowing Napoleon, her place as a European power became unassailable.

Unhappily for the world, Russia had experienced no Reformation, no Renaissance and no awakening of the idea of personal and political liberty. So, since the beginning of the Nineteenth Century, we have a powerful country actually adjoining Europe and partcipating in European decisions, whose people were almost completely untouched by modern political beliefs. The succession of the Soviet Dictator to the throne of Peter the Great, of Catherine II and the later Romanoff Czars has brought even less freedom to the people of Russia.

I have dipped pretty far into the past, but I feel that the historical background I have recalled must be kept in mind if we are to understand a few major political developments which have occurred within the lifetime of many of us present. Whether any of them could—or should—have been avoided can be left to future historians. The major task for us is to ensure that we understand the world as it now exists; and that we act upon our understanding realistically and forcefully.

Destruction of Balance of Power

The first great modern development which we must reckon with is the destruction of the European balance of power. Ever since the Congress of Vienna which followed Napoleon's defeat, the military strength in Europe was so balanced that the British were in position to prevent any one power from becoming dominant. To preserve ths balance was the keystone of British foreign policy from the Nineteenth Century into the present era.

Our own foreign policy throughout this period rested principally upon the Monroe Doctrine. We had no political interests in Europe, and because there was no dominant European power, we could depend upon the Atlantc Ocean, the British fleet and our own modest military establishment to prevent foreign encroachments in the Western Hemisphere. We were safe and snug in "splendid isolation."

Toward the end of the Nineteenth Century there were stirrings in Asia which made the United States begin to feel the need for a Pacific policy. We bought Alaska from Russia, developed a respectable navy of our own, and established bases—such as Pearl Harbor. We led the Philippines toward independence and encouraged a strong Japan and a free China as bulwarks against Russian ambitions in Asia. Thus, a sort of balance of power was reached in the Far East.

The first World War might well have resulted in a stalemate had not the United States thrown its men and resources on the side of the Allies. But our country became involved, and furnished the margin of power by which Germany, with her allies, was defeated.

At the same time Russia, ravaged by the germs of Bolshevism which Germany had smuggled into her borders, was forced to give up many of the European territories she had swallowed up since the time of Peter the Great and Catherine II.

Once again, in 1939 Britain went to war—nominally to defend the independence of Poland, but actually because the balance of power in Europe was threatened. For the second time the United States was drawn in, and the war spread to all the continents of the globe.

A military victory was won, but peace in any real meaning of the word has not resulted. The balance of power in both Europe and Asia was completely destroyed. Poland, Eastern Germany, parts of Austria, most of the Balkan area and the Baltic states came under Russian rule or domination. Japan was disarmed, her island empire broken up, and China also fell under the Soviet yoke.

The Atlantic and Pacific oceans still surround us, but the modern airplane reduces their effectiveness as barriers. Meanwhile, the powerful nations on either side which once served as our shields have been reduced to impotence.

Colonial Restiveness

The second development is more nebulous, but certainly of great consequence. I refer to the changing position of the British, Dutch and French Empires, and the resulting restiveness of great colonial populations. Independence in many places has not brought peace or prosperity. Too often, in fact, the new freedoms have been followed by serious internal disturbances.

But the fact remains that millions of human beings who are ready, willing and anxious to work are now seeking greater economic rewards. If their energies can be directed toward peaceful pursuits and the great resources of the areas in which they live brought into production, great benefits for all of mankind will follow.

Communist Propaganda

A third development of our times has been the unleashing—through the central direction of the Soviet Government — of so-called "Communist" propaganda carefully designed to play upon the real or fancied injuries of racial and national minority groups.

This campaign, with its myriads of dupes and covert agents all over the world, is not intended to confer upon anyone the dubious benefits of Communist ideology. It is intended to disrupt the economies and governments of so-called "capitalist" countries and to confuse their people. As an instrument of subversion it has proved uniquely effective, and when the time is ripe it has been followed up by force and the most brutal ruthlessness.

In meeting this development, we must be careful to recognize it for what it is — the smokescreen by which an enemy hopes to confuse us, and not the enemy itself. The Russian rulers are dominated only by two motives:

First, the same aggressive and expanionist dreams to which the Czars aspired; and

Second, the *necessity* for an Iron Curtain, the suppression of all intercourse with their neighbors, and a constant atmosphere of tension and distrust in order to preserve their own uneasy rule.

Modern Weapons

To these three major *political* developments must be added a very significant *technical* development—the invention and perfection of modern weapons which have potentialities of terrible destruction but at the same time are so complicated that they can be produced only by nations of huge industrial capacity.

Our Disarmament

When World War II ended, the United States — acting upon the assumption that the Soviet Union was motivated by the same peaceful aims as ourselves—demobilized the army, navy and air force which had won the victory. We even scrapped a great part of our military supplies.

The Soviet Government, on the other hand, continued its armament program and promptly moved by a combination of force and subversion into the vacuum created by the peace.

Suddenly we realized that unless opposed, the Russian dictatorship soon would control all of Europe and Asia. The United States began to grope about for situations of strength with which to meet this threat. Unfortunately, the countries of Western Europe which had just endured the ravages of war were exhausted. Their factories, communications and transport had been wrecked. Their people lacked food, clothing and shelter. Their governments were weak, their treasuries empty and their currencies debauched.

At this point in our foreign economic policy we applied quick emergency measures. We moved in successive stages from UNRRA, to the Turkish-Greek Aid Program, to the Marshall Plan, to Mutual Security and the Point Four program. Each of these activities was a stop-gap effort to cope with the weaknesses which had developed in the political and economic armor of our Allies. Generally speaking, they were successful in meeting the immediate need. They have restored the Western European countries to a reasonable level of prosperity and a standard of living in most cases better than that which existed before World War II.

However, they have not accomplished any long-term solution of the basic problem. We are still faced with the fact that these countries are militarily weak and the Soviet is strong. We have increased our own military power and have encouraged our Allies to restore theirs. In recent months we have encountered a great deal of disappointment in this program, and that is one of the most pressing problems facing the new Administration .

Our Allies have urged that they lack the economic means to support armaments on the scale required to meet the Soviet threat. Furthermore, the present economic levels in these countries are somewhat artificial, being based on aid which constitutes a heavy drain on the resources of the United States. Since the end of World War II, we have spent more than $40 billion in loans or gifts to our Allies and to our recent enemies, Germany, Italy, and Japan.

We in the United States do not want to carry on this burden indefinitely. Indeed, we feel that we cannot without facing internal bankruptcy. On the other hand, the recipients themselves are tired of being on the dole. An obvious question arises at this point:

"These nations were self-supporting in the past and had great military forces. Why, if their economies are back to prewar level, can they not support themselves and their armies now?"

The answer is that the world's system of trade has suffered the same breakdown as its political system.

Some of the major factors responsible for this breakdown are:

First and foremost, the establishment of rigid barriers to trade between the countries behind the Iron Curtain and those outside it.

Second: the loss by European countries and Japan of colonial possessions in Asia.

Third: extreme nationalistic and inflationary policies by some Latin American countries which have taken them largely out of the world markets. For example, Argentina once furnished grain to Italy and beef to Britain in return for manufactured articles, but now is hardly able to feed her own population.

Fourth: general abandonment of the gold standard and resort to "managed" currencies, with resultant lack of convertibility from one currency to another.

Fifth: indulgence by governments all over the world in an orgy of living beyond their means, causing continual debasement and lack of confidence in their currencies.

Sixth: an epidemic of expropriations and restrictive measures toward foreign investors, with the result that the flow of foreign investments has dwindled to a trickle.

Seventh: the enormous increase in productivity of United States industry without equivalent progress by other major trading countries.

These are by no means all the economic ills from which the world suffers, but they will serve to illustrate why things are not as they used to be. However much we might like to do so, we cannot turn back the clock to the 19th Century, when isolationism and protectionism were logical policies for the United States.

What we do want—and should be able to achieve—is a world in which we can live at peace. We want strong and friendly neighbors who are able to protect themselves, support themselves and respect themselves. We alone cannot accomplish these aims, but with a clearly understood policy and a firmly carried-out program

Continued on page 40

*An address by Mr. Pierson before the Council on World Affairs of Greater Kansas City, Kansas City, Missouri, January 24, 1953.

Strategic Factors and Investment Analysis

By HAROLD C. BAILEY

Investment Counsel, West Hartford, Conn.

Noting possibilities of real atomic attacks in vulnerable areas, Mr. Bailey sees in this a problem for the alert investor to distribute his commitments to secure geographical diversification. Holds life insurance shares will be principal sufferers in cases of disastrous bombing attacks, and feels concerns which have large assets underground "have an exceptional appeal." Avers "atomic age" requires proper evaluation of all investment factors, and decries fact there is little general attention being paid to strategic factors in investment decisions.

Since the hazards of intercontinental atomic war have become very real, how can we analysts take them into account for the safeguarding of the interests of investors? It would require too much space to demonstrate beyond question the proposition that these hazards have become real. Accordingly, the situation must be summarized very briefly. As it became imperative for the Japanese to neutralize the Pacific Fleet at Pearl Harbor before proceeding to the conquest of Southeast Asia, so it has become imperative for the Soviets to try to neutralize the whole American war potential before proceeding to world conquest. For what other purpose have the Soviets given absolute priority to the expansion of their long-range atomic carriers and their territorial air defenses? Here in the United States we have given some thought and effort to the building of an offensive air force for its deterrent effect but too little to adequate home defenses to meet assault.[1] In his swan-song President Truman gave tacit recognition to this situation.

Harold C. Bailey

By the same token no extended discussion of the nature and location of probable strategic targets in this country is possible. We may be sure that they will include our inter-continental air bases, our ports, our major industrial cities as well as a whole series of "special situations" where unique and especially valuable activities are going on.

Problem of Investor Commitment in Vulnerable Areas

Obviously the alert investor will seek to immunize himself to the utmost against over-commitment in areas and activities which he deems most vulnerable to attack. He will particularly endeavor to secure geographical diversification as in the past he has sought to secure enterprise diversification. Where are his plants—exclusively in those concentrated industrial areas predominantly occupied in defense work? If that should prove the case, he might well switch some of these investments into other stocks in companies whose plants are located in smaller and more isolated communities.

A good many New England investors insist on investment in nothing but "locals" because they want to be able to see what their money is in. In consequence some accounts have every dollar committed to a single State or even a single county. If that State or county should prove a strategic target, he would suffer a concentrated loss in the same way that he would suffer a concentrated loss if every nickel had been staked on an enterprise headed for bankruptcy.

How far, for example, are the big-city utilities vulnerable? Except for the generating plants, usually in the outskirts, installations are under ground and probably relatively safe from damage from air and heat blast. Here the determining factor is likely to be the extent to which the area itself is destroyed or rendered inoperative. The smaller rural utility companies should come through all right. Railroads sometimes depend for the bulk of their revenue upon strategic areas or have terminals expensive to construct and maintain in such areas. Other systems run through the wide open spaces for thousands of miles.

Effect of Disastrous Bombing on Life Insurance Companies

Some thought might also be given to the nature of the enterprise owned. The life insurance company stocks at long last are more widely appreciated for their long-term growth factor. But life stocks would not benefit from a host of catastrophe claims. The life companies themselves explored steps to reinsure any exceptional losses they might suffer but found no practicable means of doing so. But this would not help the stockholder too much in conceivable circumstances. Connecticut investors occasionally fail to diversify adequately their ancestral holdings. They may not be unique in this failure of adaptation to the facts of present-day international relations.

In the atomic age, underground assets have exceptional appeal. Among them the metals, oil, natural gas at once come to mind. True, elaborate refining and processing plants may still be destroyed but the value of these artificial structures is relatively slight compared to the reserves. Furthermore some of these structures are isolated enough to be safe. Finally this type of asset suffers less from the inflation inseparable from war's aftermath.

Of course, "inflation" has ceased to be a popular word and one using it today plainly "dates" himself. The environment visualized here, however, is not only one of inconceivable horror but of a national debt which might well exceed one trillion dollars. Given even tight financing, expansion of the money supply could hardly fail to be considerable.

Needed: Proper Evaluation of All Investment Factors

At this point it should be made clear that even in the atomic age there is no substitute for balance and proper evaluation of all the factors in investment decisions. It is to be hoped that atomic warfare can be averted. Some stocks should be held on the assumption that it can. Even if the country suffered devastation exceeding that of the Ruhr Valley many times, some adjustment might be forced between property-owners who had escaped unscathed and others who had lost all. This very equalization is of course being attempted in West Germany today. It might nevertheless be imprudent to gamble upon it.

There is little indication in market action that any general attention is being paid to strategic factors in investment decisions. This may follow from the fact that not since the middle 1860's has any portion of the continental United States suffered from armed strife and the greater portion never to the extent of any appreciable impact upon property interests. But what we have seen happen abroad so recently could now happen here on a transcendent scale. Among the unfavorable elements impinging upon an investment opportunity under review this is clearly one. At the very least it might be the determining factor between two stocks otherwise equally attractive on more conventional grounds. At the most it might mean the difference between total loss and comparative immunity.

1 See "A New Strategy for NATO" by Charles J. V. Murphy p. 84 column 1 of the January issue of "Fortune." Despite the general excellence of this article I dissent from the conclusions he draws because I give a different weight to the factors upon which his conclusions are based.

Boston Securities Traders Association

The Boston Securities Traders Association will hold their 29th annual Winter Dinner at the Sheraton Plaza Hotel on Wednesday, February 11 at 6 p.m.

John J. D'Arcy

J. Fred. Underwood

Richard M. Barnes

Leslie B. Swan

John J. D'Arcy of F. L. Putnam & Company, Inc., is Chairman of the Committee which includes: Robert R. Blair, Harris, Upham & Co.; William J. Burke, Jr., May & Gannon, Inc., President of the Association; Leon E. Day, Jr., Chas. A. Day & Co., Inc.; Alan C. Leland, Geyer & Co., Incorporated; Warren A. Lewis, Weeden & Co.; John McCue, May & Gannon, Inc.; J. Russell Potter, Arthur W. Wood Company.

James F. McCormick of A. C. Allyn & Co. is in charge of ticket reservations, and James E. Moynihan of J. B. Maguire & Co., Inc., is in charge of room reservations.

J. Fred. Underwood of Boenning & Co., is handling out of town reservations for Philadelphia; Richard M. Barnes of A. M. Kidder & Co., reservations for New York, and Leslie B. Swan of Charles W. Scranton & Co., reservations for Hartford and New Haven.

New Marshall Branch

CHICAGO, Ill. — The Marshall Company of Milwaukee has opened a branch at 30 North La Salle Street under the management of Lorraine L. Blair. Miss Blair's association with the firm was previously reported in the "Chronicle" of Jan. 22.

From Washington Ahead of the News

By CARLISLE BARGERON

Charles E. Wilson is destined to be the Andy Mellon of the new Republican Administration. He will be the man the Democrats will bark about for political purposes just as they barked about Andy Mellon. I don't know just how Mr. Wilson will like the role he is to play. Andy Mellon reveled in it. Andy Mellon reduced the post-World War I debt by $16 billion. Under him, too, such taxes as excess profits were removed, and the Democrats used to scream about how he reduced taxes in favor of the rich and against the poor. But it all fell on deaf ears and the Democrats, themselves, secretly liked the old man and did what they did against him in the spirit of good clean fun.

Carlisle Bargeron

Andy Mellon was Jack Garner's favorite whipping boy. Garner was ranking member of the House Ways and Means Committee, and it delighted him to bear upon Andy and how he was favoring the rich in taxes every time Congress met and the Treasury recommendations concerning fiscal affairs came up to Captiol Hill. But there was the late Ogden Mills in the House, later to become Undersecretary of the Treasury and, when Andy went off to London as Ambassador, became the Secretary of the Treasury, who was always able to hold his own with Garner. He wasn't as funny as Garner or as demogogically entertaining, but he had the inescapable logic and he always won.

What the Democrats said about Andy never cost the Republicans a vote. And what they say about Charlie Wilson will never cost the Republicans a vote—as long as conditions are as good as they were in Andy's days. Millionaires were made in Andy's days out of men who had never graduated from grade schools. That's been many years ago but our wage earners went to work in automobiles; and country clubs were built to accommodate our *nouveau riche* as they were called. Young stenographers, by placing a bet on a stock recommended by their boss, made enough to take vacation cruises to Europe and the South Seas. The damned plumbers and carpenters were making too much; something had to be done about them but wasn't.

As a young reporter, I rated the privilege of buying two World Series tickets when the Washington "Nats" won the pennant and I sold them to Andy for $45 and attended the games on a pass. Andy always attended the dinners of our then burgeoning White House Correspondents' Assocation, and one time when I was presiding at a dinner and sitting next to him, a girl friend called Paul Mallon, one of us, later to become a celebrated columnist and now dead, and we misunderstood her to say she wanted Mr. Mellon and we sent him to the phone, and he came back and said graciously that it was Paul she wanted.

Well sir, those were the days. The Democrats would keep croaking about Andy and how he favored the rich but the country loved Andy. When the stock market slowed down he would either say something about there being no end to our prosperity or get Coolidge to say it. The wage earners were being caricatured as going to work in high hats and tail coats and nobody paid any attention to what the Democrats were saying.

It will be that way now about Charlie Wilson as long as the good times keep up. He will become more famous than he ever realized he would become. He will become a household word as a symbol of how the Republicans favor the rich. He will have to change his outlook and when he does, as Andy did, he will come secretly to like it.

If a bust should come, God help him. He will have had nothing to do with it. That will make no difference. Old Andy had left the Treasury and gone to London as Ambassador before Roosevelt came in. But the Roosevelt crowd tried to put him in jail—for alleged evasion of income taxes.

It is rather interesting now to hear the outgoing Democrats, New Dealers or whatever you want to call them, bewail the "witch-hunting" which they say is coming under the Republicans. They do this while at the same time setting up another whipping boy in the person of Charlie Wilson.

There are indications that Mr. Wilson is quite annoyed with the experience he has had. If he will just look back over some very recent history he should become quite philosophical and in time, as did Andy, come thoroughly to enjoy it. The pay is not as well but it's a lot more fun than the daily hum drum of making money, and you meet such interesting people, particularly the foreign Ambassadors.

Capital Inv. Co. Formed

LITTLE ROCK, Ark. — Capital Investment Co. has been formed with offices in the Pyramid Life Building to engage in the securities business. Principals are J. R. Roberts, who was formerly with Hill, Crawford & Lanford, Inc., P. K. Roberts and H. F. Chastain.

Henry, Franc to Admit

ST. LOUIS, Mo.—Henry, Franc & Co., 308 North Eighth Street, members of the New York and Midwest Stock Exchanges, will admit Morris Stone to partnership March 1. Mr. Stone has been associated with the firm for many years.

In Investment Business

Nancy Dillon is engaging in a securities business from offices at 220 East 74th Street, New York City.

Opens Office

HAMILTON, Ohio — Louise B. Joyce has opened offices at 350 South D Street to engage in the securities business.

Study of Federal Home Financing Essential!

Holman D. Pettibone, President of the Chicago Title and Trust Company, calling government aid in mortgage field "a habit forming drug," says it has curtailed opportunity for private enterprise.

A thorough reexamination of the Federal Government's participation in housing and real estate financing was urged by Holman D. Pettibone, President of Chicago Title and Trust Company, in an address at the 32nd annual meeting of the Chicago Mortgage Bankers Association on Jan. 20 in Chicago.

Holman D. Pettibone

Stating that every instance of Federal entry into the housing and mortgage fields has resulted in curtailment of opportunity for private enterprise, Mr. Pettibone pointed out that the Federal Government had been invited into the mortgage business when that business, in common with many others during the economic collapse of the early '30s, needed help.

"But government aid seems to have certain attributes of a habit-forming drug," he stated. "First, it is not easy to stop the habit; second, in extreme cases sound treatment requires not an abrupt stop but a tapering off. When and how do we stop or begin to taper off, our demands on government?"

Continuing, the Chicago banker added:

"Uncle Sam has been rescuing, resuscitating and stimulating housing and real estate financing in a big way during the past twenty years. True, he seems to thrive on it; he has grown oh so big! But, how much reserve strength does he have? Do we know how he will perform under less favorable conditions? Ought he now to begin to retrench; to save something for a pinch?"

Mr. Pettibone proposed that a committee of Congress, or a commission appointed by the President, under authority from Congress, should be created to make a thorough study on a nation-wide basis of the whole government program with respect to housing and real estate financing, making its findings and recommendations public. He urged that mortgage bankers take an active part and render full aid to such a study.

Mr. Pettibone reviewed seven events or so-called "emergencies" which constituted the historical background of the present situation of increasing government participation in a field previously occupied by private enterprise. These were:

(1) The difficulty into which farmers fell in 1916 when they were unable to obtain mortgage funds, resulting in the creation of 12 Federal Land Banks and 49 regional Joint Stock Land Banks.

(2) Inability of home owners to make mortgage payments in 1933, with accompanying distress of mortgage lenders, which led to the formation of Home Owners Loan Corporation.

(3) The plight of holders of defaulted real estate bonds in the 1930s, which called for aid from the Reconstruction Finance Corporation.

(4) Problems arising in connection with real estate bond financing and foreclosure and reorganization of properties standing as security for such bonds, which brought about extensive investigations and regulations by the Securities and Exchange Commission in the early '30s, and the famous Section 77b of the Federal Bankruptcy Act in 1934. Under an entirely new concept of reorganization instead of liquidation, Federal laws and Federal courts and Federal agencies supplanted state laws and state courts in thousands of cases involving mortgage defaults.

(5) In 1937 a new social philosophy introduced the United States Housing Authority. In this philosophy, a welfare objective was recognized as outweighing considerations of mortgage credit or self-sustaining economic elements. The major purpose of this Authority was to supply good living accommodations for persons unable to pay full economic rent. It involved continuing subsidy from public funds for housing.

(6) Shortage of housing (real and artificially produced through rent control) during and after World War II increased the use or brought about the creation of numerous Federal agencies including Federal Housing Administration, Veterans Administration, etc.

(7) Today's pressure to broaden and maintain a market for mortgages, with the question of who shall provide this market.

Pettibone, summarizing these developments, declared: "We citizens invited Uncle Sam into housing and real estate financing. He came in a very small way at first —just to help supply mortgage funds for farmers. But as financial and business catastrophe followed financial calamity from 1929 on, further mortgage loans couldn't save the farmer. Widespread unemployment produced a succession of crises affecting every business and every citizen. Mortgages and the mortgage business toppled with the rest. Those citizens concerned with housing and real estate financing turned to government.

"As government, in response to citizen pressure, stepped in, did any one step out? Yes—many citizens stepped away from managing their own affairs in the manner of earlier days. Included among those stepping away were some free enterprisers known as mortgage bankers.

"One of the results of government participation in real estate financing has been to remove important segments of the business from the domain of the mortgage banker.

"Notwithstanding, indeed in a large measure because of government activities, many mortgage bankers have had good earnings during the past five years. The source of these earnings and the techniques employed by the mortgage bankers have undergone great change. We must admit that we are not the same kind of free enterprisers we once were. We must confess that we are leaning on Uncle Sam. That is today's fashion.

"Each one of us finds it easy to say that Federal activities should be curtailed or discontinued. But we seem to favor doing that to the other fellow's business," Mr. Pettibone stated.

In making his recommendation that there be a current and fresh impartial evaluation of the whole government program with respect to housing and real estate financing, Mr. Pettibone stated:

"Government participation in this field thus far may be classified into (a) operations designed primarily to rescue or to aid either a lender or a borrower or both, (b) efforts to stimulate building construction, thereby supplying needed housing and helping to energize the whole economy, (c) social or welfare objectives.

"It is now a fair question," he said, "to ask if government has adequately separated its credit and its welfare functions? Credit functions of government cannot continuously ignore the market; welfare functions can completely disregard the mortgage market so long as Federal funds are available to perform a given task. Interest rates, mortgage insurance, secondary credit, all of which are today matters of government concern, should be determined in terms of the market place and not by government edict in which the welfare aspects or political pressures of powerful groups prevail over sound business methods.

"We know that government activities in real estate financing can be highly inflationary. What about government policies which may be deflationary? It would seem wise for us to consider how we meet a deflating phase of an economic cycle in real estate financing and building construction. Surely we know that over-inflation sets the stage for over-deflation.

"Excessive competition between lenders in the 1920s greatly augmented the mortgage debacle in the 1930s. Are there unhappy results brewing in today's competition between lenders for mortgages?"

Additional questions raised by the President of Chicago Title and Trust Company which he believed need to be answered included:

"If 80% unguaranteed loans are not suitable for institutional purchase then should we not consider why and to what extent government should continue to assume the extra risk?

"If mortgage defaults occur in volume, what will Uncle Sam do? We are now dealing with very large commitments. At a time of economic distress, will government be harsh with a distraught home owner?

"Should Uncle Sam now discontinue new commitments for public housing and slum clearance? Should Federal funds for such purposes be allocated only against matching local funds?"

He concluded by declaring: "As a final reason to support the need for an authoritative nationwide study we must remember that real estate financing and housing do not stand alone and apart from the total economy of the country. The basic support of rental or mortgage payments for housing is employment. A high level of employment at good wages or the opposite conditions are vital elements in determination of long range governmental policies for real estate financing and housing.

"The changing relations of the Federal government to housing and real estate financing are not peculiar to this one area of our economic and social and political life. They are typical of a trend—national, even world-wide in scope. But we need to reexamine and re-appraise our program in this area—now."

P. & S. Group to Hold Annual Pres. Dinner

Richard H. Stewart, of Lehman Bros., President of the Purchases and Sales-Tabulating Division of Wall Street, Association of Stock Exchange Firms, has announced that the annual President's dinner of the Division will be held on Thursday, Jan. 29, 1953, at Leone's Restaurant.

Among the invited guests are the following: Richard M. Crooks, Chairman, New York Stock Exchange; G. Keith Funston, President, New York Stock Exchange; John J. Mann, Chairman, American Stock Exchange; Edward T. McCormick, President, American Stock Exchange; Roscoe C. Ingalls, President, Association of Stock Exchange Firms.

The presidents of all the Divisions of Wall Street have also been invited to the dinner.

The Business Outlook— A Depression Coming

By W. W. TOWNSEND*

President, Townsend-Skinner & Co.
Investment Counsellors, New York

Drawing on experience of 1929, Mr. Townsend contends we are much closer to end of the boom than most will admit. Says change will be precipitated by mounting inverted pyramid of private debt, so it is wise for savings associations to prepare for a recession "soon."

The newspapers, the magazines, the air waves and the television screens are all proclaiming a continuation of the "boom," each for a different period of time but none for more than a year or two. Every single prognosticator believes we are approaching its end. The only differences of opinion have to do with the period it still has to run.

W. W. Townsend

Remembering what happened in 1929 as a result of debt expansion, noting that this item is now nearly twice as great as it was then or has been at any time since, and noting, also, that the situation is getting worse because almost no one believes it to be bad, we come up with some opinions of our own:

(1) We are much closer to the end of the boom than almost anyone is willing to admit.

(2) It will be precipitated—or accompanied—by the collapse of today's huge and mounting inverted pyramid of private debt, particularly consumer debt.

(3) The duration and extent of the readjustment are problematical. But, thereafter, we should have a protracted period of sound and not synthetic prosperity.

Therefore, in spite of all the "favorable" indications, we believe it to be the part of wisdom to prepare for a recession soon, and to hope that it will not carry over into a depression later on.

This does not mean that savings and loan executives should begin looking for the storm cellar. There is much work to be done today if yesterday's profits are to survive tomorrow's probable or even possible pressures.

If the savings and loan association is to perform its full function in its community, it should be prepared to make the mortgage loans on homes, now free and clear, which may be the only source of funds for those who are pressed for cash to pay emergency expenses. The willingness and ability of such associations to do just that, in previous periods of stress and strain, is one of the reasons why they enjoy so large a measure of public good will.

Savings and loan associations have been riding the crest of a prosperous wave which has carried them a long way. If, now, they become bemused by the prevailing belief that this can never end; if they, too, are overextended; if they, too, are making commitments based on estimates of tomorrow's improvements over today, then they can help no one else—because they will be needing help themselves.

The time for the savings and loan executive to be bolder than almost any other banker has passed. The time has come for him to be more cautious than the others. It will require that extra amount of caution to put him in a safer, sounder and more liquid position than anyone else. That is where he should be—and there is still plenty of time and opportunity for him to get there. Neither is inexhaustible.

*Excerpts from an address by Mr. Townsend at the 1953 Management Conference of the Savings Association League of New York State, New York City, Jan. 23, 1953.

Miniature Ships on Display at Bowl'g Green

A miniature flotilla of Navy ships of war, led by a 45 ft. model of the aircraft carrier Quonset Point, is now on display at Bowling Green Park (opposite 25 Broadway).

Charles Weber

With the Navy's cooperation, this display launches and dramatizes the start of a Red Cross Blood Drive in the business area of New York for the boys in Korea. Charles M. Weber, President of Weber-Millican Co., Chairman of the Investment Brokers' and Underwriters' Red Cross Blood Drive, officiated at the opening day ceremonies, which were highlighted by presentation of a 45 inch scale model of the U. S. S. Missouri, made by Thomas Sallume, to Navy Admiral R. H. Hillenkoetter, Commandant of the 3rd Naval District, in appreciation for the Navy's outstanding contributions to the blood program.

Other model ships now on display in that area include four sets of various British and French ships, both merchant and battle. Authentic scale models, property of the U. S. Navy, are also being exhibited in the window of 7 Broadway. Also, a six foot model of the U. S. S. Missouri is on display in the lobby of the Underwriters Trust Co., at 50 Broadway.

Milwaukee Bond Club Mid-Winter Party

MILWAUKEE, Wis.—The Milwaukee Bond Club will hold its annual Mid-Winter Party on Friday, Feb. 13, in the East Room of the Hotel Schroeder. Cocktails will be served starting at 5 p.m., with dinner at 7 p.m.

New officers of the Club are J. P. Lewis, J. P. Lewis & Co., President; and G. M. Vonier, Paine, Webber, Jackson & Curtis, Vice-President. The Secretary-Treasurer of the group will be appointed by the incoming President.

Firm Name to Be Changed to Bendix Co.

Following the retirement from the firm of David P. Currey and J. C. Luitweiler on Jan. 31, on Feb. 1 the firm name of Bendix, Luitweiler & Co., 52 Wall Street, New York City, will be changed to Bendix & Co. George R. Cooley, Jr., member of the New York Stock Exchange, on Feb. 1 becomes a partner in the firm.

Sterling Convertibility and Recent U. S. Gold Outflow

By PAUL EINZIG

Dr. Einzig calls attention to recent gold outflow from U. S. and ascribes it to rumors of dollar revaluation. Sees no change in fundamental international economic situation, and notes recent book by Professor Robbins, British economic authority, in which sterling convertibility is strenuously opposed.

LONDON, Eng.—The last three-quarters of 1952 witnessed a remarkable reversal of the trend of the flow of gold. The heavy inflow to the United States which was an outstanding feature of the international economic situation during the greater part of 1951 and the first quarter of 1952, came to a halt and even became reversed to some extent. The newly mined gold found its way to a large extent to the gold reserves of countries other than the United States and the United States suffered some loss of gold. To some extent this loss was due to the conversion of foreign dollar holdings into gold. This was the result of speculation on the possibility of an increase in the official American buying price of gold. Although it was obvious that the chances of such a change were very remote, several Governments and Central Banks saw no reason why they should take even an infinitesimal risk of suffering a loss on their dollar reserves.

Dr. Paul Einzig

Foremost among those who prefer to play for safety were the Dutch authorities. Presumably the experience of 1931, when they suffered a substantial loss on the depreciation of their sterling reserve, is still well remembered. At the time many Dutch people felt very bitter about it, so much so that they adapted Canning's famous epigram to suit the occasion:

"In matters of Sterling the fault of the Dutch
Is caring too little and trusting too much."

They do not want to repeat that experience, and feel that, even if the chance of an increase of the American price of gold were only one to a million, they would prefer to avoid it.

The movement has been, however, of negligible dimensions compared with the size of the gold stock of the United States. Nevertheless, it provided a necessary reminder of the fact that the accumulation of foreign balances cuts both ways. It is easy to visualize a situation in which a large-scale conversion of foreign dollar reserves into gold might prove embarrassing if it coincides with large-scale losses of gold through an adverse balance of payments. In the present instance, however, such losses were very moderate and the whole gold outflow was not on a sufficiently large scale to give cause to concern to the United States.

Dollar Shortage Still Remains

Nor were the net gains of Britain, the Netherlands, Western Germany, Japan and other countries on a sufficiently large scale to make a fundamental difference in the international economic situation. For one thing they were largely the result of curtailments of imports from the United States so that they originated through weakness and not through strength. Fundamentally the situation has not changed. The scarcity of dollars continues to prevail and is the basic factor in the situation. The reversal of the trend has been barely noticeable and it has certainly not been on a sufficiently large scale to enable Britain and other countries to think seriously about an immediate resumption of convertibility.

Convertibility Opposed by Robbins

In this connection the publication of a recent article by Professor Lionel Robbins in which he emphatically rejected the idea of convertibility in the near future has aroused much attention. Professor Robbins has always been one of the outstanding exponents of orthodox monetary principles. He is one of the architects of the Bretton Woods system aiming at international exchange stability and convertibility. If in spite of this he openly advocates postponement of convertibility it is because he has come to the conclusion that the improvement of the Sterling Area balance of payments and the accumulation of the gold reserve will have to go much further before convertibility could safely be undertaken. There is every reason to believe that Professor Robbins' views carry considerable weight in official circles and are liable to influence British official policy. In particular, his views have access to Mr. Churchill himself through the intermediary of Sir Arthur Salter and Lord Cherwell. The latter's influence on Mr. Churchill's attitude towards major questions of economic policy is known to be very strong and he is known to be opposed to early convertibility.

U. S. Trade Balance Key Factor

Should the present trend of the American balance of payments become accentuated the countries with a favorable trade balance in relation to the United States will have some reason to be grateful for the unwillingness of the United States to raise the official price of gold. So long as the United States has an export surplus, refusal to raise the price of gold means that the United States have to pay fewer dollars for the gold imported in settlement of the export surplus. If, however, the United States have an import surplus the low price of gold means that the United States get fewer dollars for the gold they sell in settlement of that surplus. In other words, so long as there is an American export surplus, foreign countries will get less American goods for the same amount of gold with which they have parted. On the other hand, when the American balance of payments is unfavorable to the United States, foreign countries have to export less goods to the United States to receive the same amount of gold. It is considered conceivable, therefore, that should the adverse balance of payments continue on a large scale it might influence American opinion in favor of raising the price of gold. We are, however, very far from approaching that stage.

GOP Foreign Aid Policy

What is believed to be well on the cards is that the attitude of the Republican majority in Congress towards military and economic aid to Europe will unintentionally contribute towards the accentuation of the adverse trade balance of the United States. Its inevitable consequence will be a material reduction of the rearmament production of Europe. In order to maintain the existing balance of power the United States would have to step up their rearmament effort. The result would be a repetition of the situation that followed immediately after the outbreak of the war in Korea when for many months the United States was losing gold heavily in consequence of the one-sided character of the American rearmament drive. It was only when Britain and other countries began to follow the American example and embarked on a rearmament drive beyond their means that the balance of payments changed once more in favor of the United States. In all probability the reversal of the trend will not be so sharp in 1953 as it was in 1950. Nevertheless, it is safe to assume that it will follow in due course the decision of Congress to eliminate or substantially reduce foreign aid.

Kennedy Asst. V.-P. Of Coffin & Burr

Walter V. Kennedy

Walter V. Kennedy, associated with the New York office of Coffin & Burr, Inc., 70 Pine Street, New York City, has been appointed Assistant Vice-President of the firm.

Peter W. Spiess Co. Offer Permachem Stock

Peter W. Spiess Co., of New York City, is offering 300,000 shares of Permachem Corporation, common stock, as a speculation at $1 per share.

The company, headed by Sigmund Janas, Sr., former President of Colonial Airlines, Inc., has developed the product known as "Permachem" which, according to laboratory tests, imparts long-lasting self-sterilization properties to the textiles out of which such items as clothing, bandages and surgical dressings, towels, and numerous other products are made. The company contemplates that its product will be used extensively for large scale disease prevention and germ-killing measures.

With additional research, the company believes that its process can also be successfully used in connection with paints, floor wax, plastics and rubber goods (including children's toys), cosmetics and dentifrices. An application of Permachem to commercial and home laundering has also been developed which, due to the product's powerful germ-killing or inhibiting properties, offers further commercial possibilities.

Proceeds from the public offering will be used for the commercial introduction of Permachem, for further development and research of the company's product and process, the acquisition and introduction of the additional products, and for working capital.

Kinnard Adds Two

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Caleb D. Mende and Richard R. Risebrook are now connected with John G. Kinnard & Co., 135 South Seventh Street.

Boston Banker Advocates Gold Convertibility

H. Frederick Hagemann, Jr., President of Rockland-Atlas National Bank of Boston, tells shareholders it is hoped Congress will soon take steps to restore gold convertibility of currency.

Addressing shareholders of the Rockland-Atlas National Bank on Jan. 20, H. Frederick Hagemann, Jr., President of the institution, strongly advocated an early return to gold convertibility.

H. F. Hagemann, Jr.

"Gold for thousands of years has proved to be the best money," Mr. Hagemann stated, adding "it is to be hoped that the Congress, as part of an overall program, will, at an early date, take steps to make the currency of the people again convertible into gold. General acceptance of the gold standard requires acknowledgment of the truth that true prosperity cannot be created by printing money."

Concerning the economic situation, Mr. Hagemann remarked:

"The outlook for our economy depends in large measure upon the steps which the new Administration takes as it embarks upon its four year term in office. The Administration has been elected on a platform calling for balanced budgets, strict economy, tax reduction, sound money, the independence of the Federal Reserve Board, and the improvement of foreign trade through the elimination of trade restrictions and unnecessarily high tariff barriers.

"The implementation of this program will require calling a halt to the continued expansion of credit. This expansion can best be controlled at its source; namely, by the government living within its income and by the Federal Reserve Banks not continually increasing the amount of Federal Reserve Bank credit outstanding.

"An important step in the control of credit expansion was taken in March of 1951 when government bonds were unpegged. A further step was the increase in the Federal Reserve Bank rediscount rate last Thursday from 1¾% to 2%, the first increase since August, 1950.

"Returning to sound fiscal policies, however, will create many problems and it will be a delicate operation at best. The cutting of expenditures will not be popular and the fact that such cuts are absolutely necessary for the general welfare will have to be explained to the public.

"The road back to orthodox finance will make the bankers' job more difficult, but sound moves by the Administration are imperative and should receive our support. Whatever sacrifices are necessary should be accepted by all segments of our economic society, for increased world trade and sound money based on gold are the cornerstones of true prosperity and lasting peace."

S. F. Stock Exch. Appoints Committees

SAN FRANCISCO, Calif. — Mark C. Elworthy, Elworthy & Co., Chairman of the Board of Governors of the San Francisco Stock Exchange, has announced the following appointments to Standing Committees of the Exchange for the current year:

Ethics and Business Conduct: William H. Agnew, Shuman, Agnew & Co., Chairman; Warren H. Berl, Edwin D. Berl & Son; George Davis, Davis, Skaggs & Co.; Richard Lawson, Lawson, Levy & Williams; and Stanley E. Symons, Sutro & Co.

Finance: Robert F. Mulvaney, Irving Lundborg & Co., Chairman; H. T. Birr, Jr., First California Company; R. R. Hodge, Frank C. Shaughnessy & Co.; Palmer MacAuley, Hooker & Fay; and Berwyn E. Stewart, J. Barth & Co.

Floor Trading: Douglas G. Atkinson, Dean Witter & Co., Chairman; John I. Dakin, J. Barth & Co.; Richard P. Gross, Stone & Youngberg; Harry Meyerson, Stewart, Eubanks, Meyerson & York; Elwin E. Purrington, F. B. Keyston Co.; and Robert H. Willard, McNear & Willard.

Listing: Stanley R. Dickover, Elworthy & Co., Chairman; Leo B. Babich, Hill Richards & Co.; Ernest E. Blum, Brush, Slocumb & Co.; M. J. Duncan, Calvin E. Duncan & Co.; Charles W. Fay, Jr., Hooker & Fay; Edwin R. Foley, Kaiser & Co.; Arthur Gambarasi, Shaw, Hooker & Co.; and Paul F. Stewart, Stewart, Eubanks, Meyerson & York.

Public Relations: Paul A. Pflueger, Pfleuger & Baerwald, Chairman; Edwin D. Berl, Edwin D. Berl & Son; R. William Bias, Jr., Shuman, Agnew & Co.; Daniel J. Collins, Holt & Collins; H. H. Davidson, Bailey & Davidson; Jesse M. Levy, Jr., Lawson, Levy & Williams; Arthur R. Mejia, Harris, Upham & Co.; and Albert Schwabacher, Jr., Schwabacher & Co.

To Give Course for Small Investor

A practical evening course in the fundamentals of security investment, entitled "The Small Investor," will be given at Columbia University by the Institute of Arts and Sciences, beginning in early February. The aim of the course is to tell the individual investor what to look for as a good investment, and what to avoid as unsound.

Throughout the course the whole investment field will be surveyed, always with emphasis on the present situation and possible trends and tendencies. Bonds, preferred stocks, and tax-exempt securities are considered, but attention is concentrated on common stocks as the type of security investment which meets the need of a much larger proportion of general investors. The course will cover industrials, railroads, public utilities, oils, chemicals, etc.

Carl T. Hyder, Manager of the Fifth Avenue Office of Pyne, Kendall and Hollister, will give the course. After graduating from Columbia College, he spent a year and a half in the Law School before going into business. For more than 20 years he has dealt in the general investment field, specializing in the handling of individual portfolios. Recognized specialists and authorities in different fields will appear as guest speakers.

Meetings will be held on Thursday evenings for 10 weeks beginning on Feb. 5. The fee for the course is $15.

Rees, Bray Promoted By Trust Co. of Ga.

ATLANTA, Ga. — Arthur F. Rees III and Robert M. Bray, associated with the Trust Company of Georgia in their Bond Department, have been promoted to the position of Assistant Secretaries.

Business and Finance Speaks After the Turn of the Year

Continued from page 6

A. E. BARIT

President, Hudson Motor Car Company

The Hudson Motor Car Company has just completed another successful year. The sale of Hudson products has been most satisfactory and the performance of our cars on the highways as well as in stock car competition has again proved them to be outstanding.

A. E. Barit

The amazing record established by the Hudson Hornet on stock car tracks throughout the country in 1952 speaks for itself. Hudson Hornets placed first in 47 out of 55 stock car races. In 31 of those races Hudson Hornets placed first and second. In 12 of those races Hudson Hornets placed first, second, third. In five of these races Hudson Hornets made the amazing record of winning the first four places. These stock car events are open to all comers in standard stock cars just like you can buy from the dealers and are held on all types of tracks, from tight one-half mile circles, to oval tracks of over a mile. These stock car events are a public testing ground for the very qualities of durable, quick and safe transportation that are so important to all motorists.

In addition to winning most of the stock car races Hudsons captured every national record in public stock car competition sanctioned by the American Automobile Association; Hudsons won almost three times as many points in the National Association for Stock Car Racing circuit as their closest competitor and they also had more points in the Pacific Coast Racing Association circuit than any other car.

The record of Hudson products in stock car competition proved conclusively to the motor car buyer that our products have performance, roadability, safety and durability to an unusual degree. As a result, our sales were such that it gave us a most successful selling year.

Satisfaction of our owners is the source of much pride and optimism. The Hudson Hornet and its companion car, the Hudson Wasp, gained wide public acceptance during the year just past and with the many new improvements which have been added to both these models for 1953, we are certain that they will gain even wider public acceptance during the coming year.

Because of the unusual durability and long life of our cars, there has developed a great demand in the used car market for Hornets and Wasps. In fact, there is a shortage of Hornets and Wasps in the open used car market today. This, of course, speaks extremely well for the acceptance of our cars and again reflects the public's appraisal of their quality.

1953 should be a most successful year for Hudson. National employment is heavy with good prospects of remaining so. Payrolls are at an all-time high. The production of defense material is scheduled to increase in volume as the year goes on. The public has been in a buying mood in recent months, and should improve in that direction because we start this year in a new area of governmental policies. I believe there will be an easier and more optimistic state of mind on the part of the majority of the buying public because they feel that a new national program in which they can be more confident is on the way.

Here at Hudson we now are delivering against some of our defense contracts, and are about ready to start deliveries on the balance of them. We have a considerable force educated to the tasks involved and our schedule calls for a steady increase from month to month. Our plans are such that there will be no interference between defense and automobile production.

The early demand for our 1953 Hornets and Wasps has been exceptionally good and we have been pressed by our dealers for additional cars to fill their orders.

In 1953 Hudson will again make great strides forward in advanced automobile design.

Progress in the field of automobile design means for the owner greater comfort, more luxury, added safety and top performance which comes from a combination of sound chassis design and engine efficiency. Greater engine efficiency with its corresponding increase in power output carries with it the responsibility of equal progress in chassis design so as to insure the enjoyment of this greater efficiency and better performance with safety. We, at Hudson, have for some years been concentrating upon this problem. A basic principle, well-known to science, is that with due regard for road clearance and headroom, the lower a car can be built, the better it will ride and the safer it will be.

By recessing the floor of Hudson cars down within the base frame, we were able to lower the seats of the car and lower the top without sacrifice of either headroom or road clearance. Hudson's "step-down" design, as this principle is known, has enabled us to incorporate in our cars all the desired factors from the standpoint of durability, safety, and comfort, so important to all motorists.

Hudson again will lead the way in the science of automobile building when shortly our company will introduce to the public our Hudson Jet—an entirely new kind of car—selling in the low-price field.

We joined the benefits of "step-down" design to the benefits of light weight and thus produced a new kind of car, a car which will hold the road better than any light car has ever done before. With this roadability to build on we then gave the car unusual power with the assurance that it could be used with safety.

Our new Jet, with all the desirable characteristics inherent in a car of light weight, coupled with excellent roadability, room for six passengers and sensational performance—together with top economy—is truly a new kind of car.

We believe that this new car will greatly increase our business because there has been an instinctive interest in compact cars on the part of many people. There are a number of reasons to account for this: The number of multiple car families increases every year and many women and young people seem to prefer it. The crowded conditions of roads and parking space makes the compact car most desirable. That there is a long felt need for this type of car is very apparent.

In view of all these things, I believe that Hudson will enjoy a most successful year in 1953.

G. G. BEARD

President, United Engineering and Foundry Company

Manufacturers of heavy machinery and equipment for the ferrous and non-ferrous industries have completed in 1952 a record year of production. This record was the culmination of the tremendous expansion programs of the metals industries instigated at the start of the Korean War. As these large expansion programs approach completion, there is general belief of the likelihood of a reduction in demand for capital equipment for the metals industries. Actually, considerable additional expansion is contemplated to round out the initial programs.

G. G. Beard

Furthermore, manufacturers of heavy equipment as used in the metals industries are now in the process of substantial work for the defense program which, supplemented by regular business consistent with the level of production in the metals industries, insures a high level of operations through 1953. This defense work is of such a nature that cutbacks are not anticipated.

There is much production equipment which is approaching a stage of obsolescence. Replacement of obsolete or inefficient facilities and machinery will undoubtedly receive the attention of the metals producers, particularly in the face of higher labor costs repeatedly imposed on industry. Productivity, coupled wtih increased efficiency, while not the only solution to rising manufacturing costs, are factors which will be studied carefully by manufacturers in the future.

An analysis of the character of our national productive facilities will indicate a much higher percentage of obsolescence than is generally recognized when compared to the rate of growth of new productive capacity. Further analysis will reveal that in most industries there is a semblance of a pattern as to when replacement of obsolete facilities takes place. The pattern over a period of years is fairly regular. It indicates that the trend of replacements increases in some ratio to the growth of productive facilities. The replacement of obsolete machinery by more modern equipment embodying productive and quality characteristics should be a continuous process in a dynamic economy. This process, if continued, as it should, would influence the past cyclical character of business of the heavy equipment manufacturers by creating a more even distribution so long as national production as a whole is maintained. This is further supported by the fact that expansion of production facilities in the heavy equipment field itself does not compare with the expansion in the industries they serve. This is not unhealthy, since an industry less affected by cyclical characteristics can better maintain efficient organization and skilled technical and manufacturing personnel necessary for maximum progress in the metal working field. The capacity of the heavy equipment industry, as it stands today, is adequate for some time ahead to satisfy the needs of normal expansion, maintenance and replacement of those industries it serves.

Technology, giving impetus to the development of new processes of manufacture, creates the necessity for manufacturers to keep ahead in an increasingly competitive era. Companies in the equipment field geared to the changes taking place thereby provide themselves with additional markets and increasing diversification.

In conclusion, the heavy equipment field looks forward to a continued period of activity with operations in 1953 on approximately the same level as in 1952.

LAMBERT BERE

President, State Bank of Clearing, Chicago, Ill.

We find some disagreement with the general unanimity about good business conditions in 1953 in our area. During 1952, many found competition increased considerably and though sales volume was maintained, net profits were lower, and many feel that this condition will be intensified in 1953. All seem to agree that the prospects for volume in general for 1953 are excellent. On the other hand, there are individual business people who do not expect to share in this good volume. Hence, one would conclude that while general prospects for conditions are good, it does not necessarily follow that all lines of business will share in this good volume of business promised.

One of the indicators may be the condition in home building in this area. The market for residential properties in 1952 may be characterized as more stable than for recent years. From the low point in 1936 to the high point in 1952, prices increased from 3 to 4 times. During the last half of the year prices on older properties were reduced by about 5% to 10%. New construction volume was about the same as 1951 and though labor costs have risen, builders had difficulty in passing on this increase to prospective purchasers. Sales prices on medium priced homes were about the same as the previous year. Volume is being maintained largely by builders who develop a well planned housing project and are able to negotiate long-term Federally guaranteed financing. Many builders, confining their activities to higher priced homes, reduced prices in order to move them; those who held to their asking price could not sell. Based on building permits being issued it would appear that the volume of building in the early part of 1953 will equal that of last year.

Being located in the Clearing Industrial District, which has a fairly good cross section of industry, I should like to summarize this comment by saying that although the economy may be operating in high gear in 1953, we have some managers who look forward to approximately the same volume in 1953 as in 1952 but expect increased difficulty in maintaining earnings.

ROBERT F. BLACK

President, The White Motor Company

The public stands to gain improved shipping service and the truck operators more efficient business because of new equipment now available to the truck industry. According to estimates made by The American Trucking Association, the truck industry will spend $3 billion for new equipment in 1953. The truck industry is more receptive than ever before to these new equipment developments and operating efficiencies now being introduced. My views are based on the experience of The White Motor Co. in a truck equipment analysis survey it is conducting among truck fleets in every kind of business, throughout the country.

Robert F. Black

Today's operating conditions and high costs of doing business make it necessary for every truck operator to be more alert than ever to distribution or delivery costs. Because of this fact, any economies that can be effected or any plan to boost volume of deliveries of shipments hits a responsive note among truck operators. This fact will increase the need for new motor trucks and equipment in 1953 to replace out-of-date, inefficient trucks now in use by many firms.

For that reason our company is expanding its payload engineering and research program during the coming year. This program provides truck operators with a sound way to determine ideal truck specifications for their own service and then provide specific models of specialized design for maximum efficiency under these exact operating conditions.

The widespread interest that has greeted the first phases of the White Payload Procurement Plan in 1952 and new model White Trucks reflecting this payload design have been particularly gratifying. Already many truck operators are putting into effect operating economies which have resulted from our research and development program.

Our engineers first determine what truck units will achieve greatest efficiency in a particular transportation assignment, then provide model improvements designed to make the motor truck doing the job a more efficient production tool by making it possible to get more work done, make more deliveries, or carry more merchandise. In city delivery, for example, our White 3000 line is built entirely on functional design aimed to save time in every element of delivery service, from the moment it starts in the morning until it returns at night.

We have ready for introduction early in 1953 the first factory-engineered low-bed models in this 3000 line which add a new efficiency for city and suburban multiple stop service such as soft drink, beer, ice cream and milk delivery. We have been able to lower the body level of this model as much as 12 inches to save lifting, stretching and reaching—thus saving as much as 8,000 foot-pounds of energy a day and as much as an hour of delivery time a day.

Another development which has resulted in new efficiency and new earning power for highway transport operators expected to be a major factor in the industry in the months ahead is the new White Steering Pusher. This is a steering axle unit for White highway tractors mounted just ahead of the driving axle. Introduced in October, this twin steering unit has gained widespread acceptance already because of its ability to produce load tolerance for additional carrying capacity, complete trailer interchangeability, higher tire mileage and improved roadability.

Another important phase of our payload engineering is in the development of higher horsepower, lighter weight truck engines. We are adding a White Mustang

Continued on page 26

Continued from page 25

Engine which develops 184 h.p. and permits a very favorable power-to-weight ratio.

With developments like these now in production at White, there is a widespread need for better-informed truck salesmen and our company is doing something about it. A continuing sales training program is being conducted at the White factory in Cleveland and at regional and branch headquarters throughout the country to provide the White sales organization with the most complete and factual sales-engineering information ever provided truck salesmen—an analytical approach to proper truck application.

And what's more, we are teaching them how to use the data we've developed, interpreting highly technical specification and operating information so that the latest design information is calculated for every truck customer and prospect in an easy-to-understand way. In this way, we are able to provide the customer with the most useful, practical truck he can buy for his own particular business needs, resulting in improved delivery service throughout the truck industry.

This combination—a complete line of White Trucks engineered for maximum usefulness under today's operating conditions and a better-informed, more aggressive sales organization—should make the coming year one of the most satisfactory years in our company's 53-year history.

The year just closed has been a big one for the truck industry despite reversals during the early part of the year, coming close to matching the alltime records in tonnage, revenue, equipment purchases, and ton-miles of freight service it established in 1951. According to the American Trucking Associations, Inc., the truck industry in 1953 is expected to invest $3 billion in new trucks, tractors, trailers, tires, parts, accessories and special services. This is expected to match the 1952 total investment which included about 1.2 million new vehicles added during the year just closed, making a net gain of 500,000 trucks in the industry fleet which now numbers 8,700,000 units.

E. F. BULLARD

President, Stanolind Oil and Gas Company

As anticipated by the petroleum industry, the domestic demand for all petroleum products was greater in 1952 than in the previous year, although it was a more nearly normal increase of 4% as compared to the increases of 12% and 8% experienced in 1950 and 1951. Those were the years which saw the advent of the Korean War and the entry of Communist China into the struggle resulting in urgent demands to satisfy military requirements. These demands are now being met and will continue to be met even in time of national emergency. It is expected that the 1953 requirements will be another 4% greater than they were in 1952 to meet additional civilian demands above our current defense requirements.

E. F. Bullard

The petroleum industry is well prepared to meet this increase in demand, for the discovery of new oil continues at a faster rate than it is produced. In 1951, the last period for which complete data is available, more than twice as much oil was found as was produced during the year. A comparable discovery of new oil is expected to be reported for 1952 and again in 1953. This fact gives credence to the optimism of oil men that they will find all the oil this country will need for years to come.

The development of the Rocky Mountain area and of the Williston Basin in the Dakotas and Montana continues with each new discovery well. This year should also bring a settlement of the tidelands issue. If a settlement occurs the industry can proceed with an orderly exploration and development program of the submerged lands off our West and Southern Coasts.

The industry has been called upon to increase its reserve producing capacity in the interests of national security. This was done to the extent of a 200,000 barrel-per-day increase over 1951, and now our reserve producing capacity is between 800,000 and 900,000 barrels per day, and may be expected to increase further during the coming year.

Even greater reserve capacity might be forthcoming if the price of crude oil were such as to reimburse the industry for the cost of providing the additional reserve capacity.

In the search for new reserves, the industry drilled 46,800 wells in 1952, which is a new record for drilling in this country. This was accomplished in spite of the fact that costs continued to increase without offsetting increases in the price of crude oil and in spite of a shortage of materials caused by the steel strike.

There is continual talk of synthetic petroleum, nurtured mainly by the past Administration, although the petroleum industry as well as the government is carrying on this research. Industry is always seeking better and more economical means of filling the needs of the economy, but research has proven synthetic petroleum processes are not yet economically competitive with current methods. Government subsidization has been suggested as a method of fostering the development of synthetic petroleum, but the oil industry is unalterably opposed to such subsidization. Subsidization forces the consumer to buy an uneconomical product. The consumer would pay not only the cost of the product itself, but the taxes to subsidize that product as well.

Two problems, both foreign in origin, face the petroleum industry in the coming year. One could result in oversupply of crude oil, while the other could cause shortages.

The first of these problems pertains to the situation in Iran. If Iranian oil should return to the world markets, there will be a period when surplus oils will be seeking a market. This undoubtedly would cause some curtailment of domestic production.

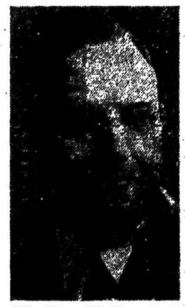
On the other hand, any further attempts to nationalize foreign oil operations in countries other than Iran, resulting in the loss of control of the sources of supply, could bring about a shortage of crude oil in the world markets. Such a situation would place additional demands on American productive capacity.

In spite of these specific problems, the oil industry is looking forward to another year of progress and service in 1953.

W. HAROLD BRENTON

President, The American Bankers Association
President of the State Bank of Des Moines, Iowa

My hope for the year 1953 is that Americans will assume their responsibility for revitalizing the free enterprise system. Little by little our actions have been carrying us toward a regimented state and away from the individual freedom which has been our birthright. We need to restudy and honor the basic principles upon which our republic was founded if we are to stand before the world as a nation committed to the protection of the dignity of man.



W. Harold Brenton

Dollars cannot buy, or military might cannot force, leadership upon a world. We are depending too much upon dollars to do everything for us, but dollars alone won't buy respect for us as a nation.

America is a large country and contains within its borders men and women with varying ideals and principles. But in common we envision this great republic as a place where men are free to work and build and save. To accomplish this, our founding fathers laid down some principles for us to follow.

We have found that it is very easy to drift gradually away from those original high principles or good pattern. To illustrate this, I remember very clearly the boyhood story my father used to tell me about his building of an old-fashioned boardwalk. Grandfather started out bravely enough and the walk looked all right at first, but it gradually grew wider and wider until it lost its original form. Father had used each board he cut as a pattern for the next one instead of measuring each board by the original correct pattern. Just so have we, by accepting a little regulation here and a simple control there, chopped away at our freedom and deviated from the original pattern.

We have a new political leadership in this country, but that leadership can only be effective when it is supported by people who have a clear understanding of the issues involved. It is the people who make the final decisions. People must have more facts if they are to determine intelligently the course of their government.

I am firmly convinced that when leaders in government, business, labor and agriculture work with an informed people in support of a free economy, production, high employment and a stable dollar can be maintained.

F. N. CHILDS

Executive Vice-President, C. F. Childs and Company

For government securities the 1953 outlook (assuming no great change in the international military picture) depends primarily on the level of business prosperity and the manner in which the new Administration attacks the refinancing and deficit financing problems confronting it.

A high level of commercial, industrial, and construction activity, coupled with personal savings and business expansion, could produce results similar to those of 1952—a general lack of interest in the government bond market. A downtrend in these conditions, plus continued softening of commodity prices and a fear of current stock market levels, could generate a movement into governments as a haven of security.

A realistic approach to the government debt problem by the new authorities would not produce any readily apparent optimistic reasons for a rise in market prices. Certainly, if the Federal Reserve rediscount rate is reestablishd in its traditional form as a penalty rate, and if the Treasury Department attempts to reduce the present high proportion of short-term debt and increase the present low proportion of long-term debt, we should not expect higher prices and lower interest rates. Compare, if you will, the present rate of return to investors in U. S. Government securities to prevailing rates on obligations of the Government of Canada, a nation in a financial condition which might well be considered somewhat healthier.

Because the majority of predictions for business, in general, indicate little change for at least the first half of 1953, and because we like to believe that the new fiscal officials in Washington will be willing to administer the bitter medicine so long needed to strengthen the value of the dollar, it is difficult to get bullish.

Long ago, we learned the danger of predicting other than in terms of broad, obvious trend possibilities. Whatever the trend, adjustments of the short-term government securities market to the money market, and resulting temporary fluctuations in prices, are so certain to occur that even the most conservative investor will have opportunities for profits.

RENSSELAER W. CLARK

President, Hayes Manufacturing Corporation

In any evaluation of prospects during 1953 for the diverse lines of industrial activity engaged in by Hayes Manufacturing Corp. and its wholly-owned and controlled subsidiaries, consideration must be given to the general business outlook as it may be influenced by defense expenditures, private capital outlays, private and public works construction and consumer buying.

Rensselaer W. Clark

Although defense spending will rise in 1953, but to a smaller extent, percentagewise, than in either of the last two years, it will be less of a stimulus to increased business activity than heretofore. On the other hand, business expenditure on plant and equipment is expected to decline somewhat. Similarly, the number of new dwelling units started will drop slightly, but, as an offset, the volume of public works construction will increase. Based on the backlog of orders on the books of many manufacturers, particularly in connection with defense contracts, 1953 should be a relatively good business year, with indications pointing to a moderate increase in gross national product, sustained, if not increased employment, and, as a concomitant, a generally favorable consumer market for both durable and non-durable products. Year-to-year comparisons should favor the upside during the first several months and a barely sustained level in the closing months as defense outlays pass their peak.

Although automobile manufacturers plan an increase in production during 1953, the volume of stamping and sub-assembly work to be undertaken by Hayes' Grand Rapids, Mich., facility will be contingent, as in previous years, upon the availability of steel in the light of Hayes' lack of a pre-World War II background in material purchases direct from mill sources. Whatever slack may be thus occasioned, however, should be taken up to some extent by operations on two sub-contracts for naval torpedos, and a prime award for bomb fins.

On the other hand, plants of Hayes' wholly-owned subsidiaries—American Engineering Co., of Philadelphia, Pa., Affiliated Engineering Corporations, Ltd., of Montreal, Canada, and Bawden Industries, Ltd., of Toronto, Ont.—should operate at the high rates of the last year on civilian and defense orders which exceed their respective backlogs of a year ago. Products on which their activities will be concentrated include marine equipment, material handling devices, industrial stokers, hydraulic pumps, presses, fire hydrants and, among others, aircraft tooling.

New records are making the operations of Hayes' two controlled subsidiaries—Hayes Aircraft Corp., which, in a 2,000,000-square feet, government-owned facility at Birmingham, Ala., is engaged in the modification of World War II aircraft into training and administrative planes for the Air Forces; and Aircraft Armaments, Inc., which, in two laboratory buildings in Baltimore, Md., is active in the development of various types of electronic equipment and armament for the Air Forces and the Navy.

Hayes Aircraft currently employs approximately 4,000 workers, more than three times the number of a year ago, in its aircraft modification program, on which it expects to be engaged into 1955. Indications are that the Birmingham company will receive additional awards for the conversion of other aircraft than the B-25 bombers now being modified, thus assuring an enlarged volume of billings in the year ahead.

At Aircraft Armaments, work on the design and development of intricate defense equipment has attained such proportions that it was deemed advisable not only to expand that unit's facilities, but also to house its growing staff of highly trained engineers under one roof. To that end, Hayes recently acquired a 26-acre tract of industrial property in the environs of Baltimore. On the site, a 50,000-square feet engineering and factory building is being constructed, into which, it is expected, Aircraft Armaments' activities will be consolidated by the Spring of 1953.

RALPH S. DAMON

President, Trans World Airlines, Inc.

Public acceptance of air transportation is at an all-time high today, as revealed by record figures for the year just ended. The scheduled airlines of the United States during 1952 set new highs in passenger, cargo, and mail traffic, and at the same time established the best safety record in their history.

Ralph S. Damon

The United States domestic fatality rate dropped from 1.3 to 0.38 passengers per 100 million miles, the lowest figure ever recorded. More than 27 million passengers were carried more than 15 billion passenger miles by domestic and international scheduled airlines of the United States, for an increase of 9% in the number of passengers carried and 17% in the number of passenger miles flown.

In domestic passenger miles alone, the airline industry scored a 17.4% increase over 1951. TWA's domestic passenger miles for the year were 23% greater than last year. The figures for 1952 carry out a trend which has characterized the industry throughout its history, and which has been particularly marked during the past three years. We confidently expect further substantial gains during 1953.

In May of 1952, Trans World Airlines introduced tourist-class service, at greatly reduced fares, on its trans-Atlantic routes, thus widening the market for air transportation and making it possible for many to visit foreign lands who never could before. With extensions of this service to the Middle and Far East expected for 1953, this market should be even greater. It is possible to foresee the day when tourist fares will be available throughout the world.

Air transportation has come to play an ever-increasing role in international trade and commerce. European businessmen have come to appreciate the advantages recognized by Americans who use air cargo: quick turnover of goods, prompt realization of profits, rapid filling of orders, and greatly reduced inventories.

In the past year the 11 international airlines of the United States showed an increase in total revenue ton-miles of more than 13% over 1951. There is a growing demand on the part of foreign businessmen and government officials for additional air service, particularly in the Far East.

To help meet this demand, TWA has applied for an extension of its routes from Bombay to Tokyo, and we are hopeful of beginning service eastward from India in mid-1953, subject to a favorable decision from the CAB. Another link between the products and markets of the Middle and Far East and the industrial know-how of the United States is definitely needed.

With these optimistic notes for the future, and with a reasonable understanding on the part of the airlines' regulatory agency, 1953 should be another good year for the air transport industry. Of course, the airlines are subject to the same increases in prices and wages as other industries, and they have endeavored to meet this problem by improved efficiency to avoid passing on the increase to the public.

Furthermore, the airline industry is faced with heavy capital costs for purchasing and integrating new and increasingly expensive equipment required to accommodate the growing volume of traffic. The regulatory agency having jurisdiction over the United States airlines has been unwilling in the past to recognize the special capital requirements of an industry which is characterized by violent traffic fluctuations, rapid technological development, and long time-lags in procuring new equipment. In the past, this agency has not been willing to permit the industry a level of earnings in good times which would cover past losses and establish reserves for the future.

It is to be hoped that, as a result of experience during the immediate postwar years, the regulatory agency will follow a course which will permit the high traffic expected during 1953 to be translated into good earnings.

JOHN A. DIEMAND

President, North America Companies

Insurance Company of North America Companies continued their expansion in 1952, and expect to expand their business again in 1953. Both volume of premiums written by the companies and underwriting profit will be greater in 1952 than the 1951 result. It now appears that the total premiums written by the Fire and Marine Companies of the North America group will be about $155,-000,000, an increase of 7% over 1951. The loss experience during the year was more favorable than 1951, bringing about a better profit result.

John A. Diemand

For the forepart of 1953 it looks as if premiums will continue to increase at a rate of 5 to 10%, but loss ratios are unpredictable. There is every sign that the past underwriting profit in the fire classes will bring increasing competition for this business.

In the ocean marine business competition will be keen, even with less favorable profit outlook than in former years, as underwriters compete for a slackening volume of business. If a national policy of "Trade Not Aid" is implemented by the incoming Administration, it is possible that imports and exports may be somewhat greater than in 1952.

We expect, along with continued industrial expansion, a more pressing need for forms of specialized insurance protection throughout the inland marine insurance field. Tailor-made policies covering new methods of installation and construction will be much in demand. Many lines of inland business, due to increasingly large loss ratios, can properly expect more rigid underwriting requirements.

In the early months of 1952, the attitude of most casualty insurance underwriters was influenced by the exceptionally bad underwriting results of the previous year. The market was tight, particularly in the automobile bodily injury and property damage field, as many companies refined their business and restricted their writings. The effects of inflation, which caused casualty insurance companies such huge losses in 1951, continued to be felt despite some rate increases in the most unprofitable ilnes.

Despite adverse profit possibilities, Indemnity Insurance Company of North America followed a policy of providing for normal growth of business. The company will end the year with premiums written of $72,000,000, an increase of 25% over 1951.

Continuing losses on automobile bodily injury and property damage liability insurance, and a sharp upturn in fidelity losses contributed to an increase in the company's loss ratio over the 1951 result. While the expense ratio declined in handling a larger premium volume, the combined loss and expense ratios will result in an underwriting loss for the company in 1952.

The total of premiums written by the North America Companies for 1952 will be about $227,000,000, with a combined loss and expense figure that indicates an underwriting profit for the group above the 1951 results.

During the first 11 months of 1952, the companies invested approximately $33,000,000 of new funds, as compared with last year's total net addition to the book value of securities owned of about $26,000,000.

The major portion of this investment has been made in U. S. Treasury bonds and high grade tax-exempt bonds. Additions to the common stock portfolio were principally in public utility equities which were acquired through the exercise of rights.

At the end of 1952, invested assets of the companies should amount to about $470,000,000, as compared with the 1951 figure of $433,759,352.

Total assets of the North America Companies which last year went over the half-billion mark, at $504,006,887, will be substantially increased for 1953.

The volume of insurance premiums is directly related to the growth of the national economy. So long as there is growing business in the nation, premium writings by Fire, Marine and Casualty Companies will continue to rise.

Looking ahead to what the New Year may bring forth, certain assumptions must be made:

If price levels hold even and claims costs remain level, it is reasonable to hope that 1953 will show a profit to the casualty underwriter.

Barring a series of catastrophic losses, such as the November 1950 hurricane on the East Coast, the fire and marine companies should continue to show reasonable profit.

ARTHUR O. DIETZ

President, C. I. T. Financial Corporation

American families used approximately $50,000,000,000 of consumer credit in 1952, and this expenditure was an essential support to the distribution of the $215,000,000,-000 of goods and services which were purchased by consumers during the year. Thus, consumer credit provided a vital underpinning to the economy, representing nearly 25% of estimated consumer expenditures of all types.

A. O. Dietz

These statistics make clear consumer credit's dynamic role today, but, of themselves, they cast no light on the important question of whether or not consumers are using too much credit. When the Federal Reserve Board estimates consumer credit outstanding at a new high figure and places this figure at more than $22,000,000,000, certain observers have been quick to assume that $22,000,000,000 is an excessive amount of consumer indebtedness, although the figure admittedly is a large one and seems to have within itself the capacity to frighten the unwary.

Consumer credit outstandings are not all medium or long-term consumer debt, sometimes regarded as a charge against the future. The $22,800,000,000 of consumer credit outstanding at Oct. 31, included more than $4,000,000,000 in charge accounts, a form of short-term, convenience credit which usually represents no forward obligation whatsoever but can be described as a monthly billing device synchronized with the accrued earnings of those who contract such obligations. Total instalment credit on that date, covering extended payments on purchases or loans, was $15,883,000,000.

Any examination of the consumer credit picture today, should start with the observation that consumer credit is truly the servant of the American middle income group. It is the boon which has raised the comfort of the American home and the living standard of the American family to levels which are higher than those enjoyed by any other class in any other land at any other time in history.

Since it is the boon to the average wage or salary earner, it is also a charge against the same group of people—and when one attempts to determine whether it represents a debt of unmanageable proportions, he must first consider who owes the money.

The middle income group includes more people and more families than ever before and they have larger earnings and more savings than at any prior time, because the rising standard of living and general leveling-off of personal incomes have greatly increased the proportion of the whole population which may be described as belonging to middle income units.

In 1935, there were 29,400,000 American families and a recent estimate by McGraw-Hill economists shows that 45% of these had incomes between $2,000 and $7,500, which might arbitrarily be selected as the lower and upper limits for defining the middle income groups. Thus, in that year, almost all the $5,100,000,000 (1935 dollars) of consumer debt was owed by 13,200,000 families.

By 1942, 59% of the then 36,450,000 families, or 21,-500,000 families, owed most of the $9,400,000,000 of consumer debt outstanding at the beginning of the year.

In 1951, 65% of all families had incomes in the $2,000-$7,500 middle income range, and there were 39,820,000 families in the nation. Thus, the 1951 debt of $20,600,-000,000, was primarily an obligation of 25,870,000 family units. There is every indication that the same trend would be magnified if the figure could be projected through 1952 and applied against the $22,000,000,000 consumer credit debt referred to earlier.

This analysis demonstrates that a great many more people are using consumer credit, which is the reason it has grown and will continue to grow, unless the great middle income market is shut off, with resulting impairment of consumption sales and factory employment rates.

A second study shows that this larger group of people are in excellent financial condition to carry the obligations they have contracted for.

The leveling-off of incomes, which has been a fundamental economic development of our time, has concentrated a greater proportion of the total personal income in the middle income group and this personal income itself has climbed dramatically.

Wages and salaries are recognized as the principal source of income in the $2,000-$7,500 bracket. The national figures for wage and salary payments to persons privately employed or in the government civil service aggregated $33,600,000,000 in 1933. These payments climbed to $70,000,000,000 in 1941, and today stand at more than $200,000,000,000. This is a rise which far exceeds the expansion of consumer credit outstandings.

Personal liquid savings, another indicator of the degree of financial well-being of today's consumers, has shown a remarkable rate of growth in recent years, far outstripping the expansion of consumer credit outstandings. In 1939, the first year for which Federal Reserve Board estimates of personal liquid assets holdings of private individuals are available, such savings totaled $49,600,000,000, or 7.5 times the consumer credit obligations at the year-end. In 1941, these savings were $76,800,000,000 or 8.6 times the comparable consumer credit obligations of $8,826,000,000. By the end of 1951 (the latest date for which figures are available), there was $186,000,000,000 in personal savings to contrast with $20,600,000,000 of consumer debt, or savings of more than nine times the debt. The ratio, undoubtedly, is still more favorable today, for the rate of savings reportedly has shown a spectacular increase during 1952 as a whole.

The year 1952, was a most active one in all phases of consumer credit but, as has been discussed above, this is not to say that there was undue over-expansion of the use of personal credit in an economy where consumers' savings are very high, consumers' earnings are a reflection of national prosperity and the outlook for stability of employment and prices is found to be good by the nation's leading economists and financial experts.

Instalment credit, the most important component of over-all consumer credit, totalling about $15,900,000,000 in current outstandings will continue to grow in 1953. Current forecasts by the industry indicate that automobile and truck production in 1953, may reach 6,500,000 units, compared with the 5,500,000 produced in 1952. This will make for hard selling by dealers who will rely on instalment selling to reach increased numbers of customers. A large volume of electrical appliance production also is to be anticipated, with instalment credit again proving the principal mechanism for distributing this output.

Other sale credit, for furniture, personal items and the like, is less important in volume than that represented by credit for purchases of automobiles and appliances. It is, however, a bulwark to successful distribution in particular fields, and marked activity, with some possible expansion in total outstandings, may be anticipated. Repair and modernization loans on housing will continue in steady volume, the industry assumes, with additions to smaller dwellings built since 1946 bulking larger in the total, as owners' families grow and more space is required.

Charge accounts, the principal category of non-instalment consumer credit, will expand or contract seasonally and in direct relationship with the trend of retail trade. If high employment continues and the price index stays on even keel or drops a bit as some have predicted, brisk markets are probable although some lines may stagnate from time to time. Merchants are promoting credit selling most aggressively, particularly on big-ticket items such as durables. This observation is a forerunner to a reminder that credit selling, though a royal road to profits, is not a one-way street. "No down payments" and "four years to pay" advertising

Continued on page 28

Continued from page 27

are snares which entrap not only the over-optimistic purchaser but also the over-optimistic store owner.

Consumer credit is a most human phase of economics and business. It is very close to the stream of family life, needs and aspirations. Many see it as no accident that the people of the United States enjoy the world's highest living standards and are the world's largest users of consumer credit. Because consumer credit is so close to people it is very responsive to what people are thinking about—their immediate attitudes of optimism or pessimism and, because consumer credit also always involves the future, their appraisal of what the future is going to be.

Since 1953 gives promise of being a good year for business generally and for the consuming public, it will also be a good year for consumer credit and those who use it to provide themselves and their families with the material requisites for a better life.

D. C. EVEREST

Chairman of the Board, Marathon Corporation

I do not see how it is possible for any distinct falling off in demand for goods to occur during the current year. When one realizes that employment was at its highest peak in this country at any time on Dec. 31, that during 1952 there is no question but what inventories in the hands of a large segment of concerns were reduced to a dangerous point, that military purchases are not going to be stopped overnight, I cannot see how 1953 is going to be seriously affected so far as units of production are concerned.

D. C. Everest

I think too many people have this inventory situation, for instance, sized up in dollars rather than in units and the number of days of operating supplies which they have ahead of them are much less than they were a few years ago when prices were lower. A good many people do not seem to realize this.

In the business of food packaging with which I am familiar, I know that all of these packers of food products, and particularly those engaged in frozen foods, put off buying until they were practically out of containers and then expected their supplier to furnish them with five-color printing overnight.

Our difficulty has been to keep people satisfied in the matter of deliveries during the past three or four months. On account of this old inventory idea on Jan. 1, they all wanted their shipments held up in our plants during December and are now clamoring for deliveries, which indicates to me that January and February recorded sales and shipments will be very high. Receipts of business are also very satisfactory.

Of course, food is one of the things they cannot get along without which lends stability to our particular business, but if expenditures for war materiel are such an important part in our present economy, there is going to be no slackening in that department for some time to come. I think during the coming Administration we will have more factual data on receipts and expenditures and not so much gobblede-gook in the figures which come out of Washington. Commitments are one thing and actual expenditures are another.

My guess is that "obsolescene" of design may cause higher expenditures rather than lower during 1953. Should we have another "Korea" in some other part of the world, then I would think the demand might easily exceed the productive capacity.

Any of these analysts who can pin-point a recession to the seventeenth day of August or some other date is, in my opinion, just full of prunes. There is one impending threat to our economy, however, which no one seems to pay any attention to, and that is the possibility of a flood of imports of things which can now be made abroad.

Over the past few years we have poured out billions of dollars to rehabilitate these plants abroad, given them all our know-how, and now we will have to buy the goods which they produce. If the old "goodwill racket," advocated by Roosevelt and Truman, is really going to work, we just can't absorb that amount of stuff and if we take their production plus what we have in this country, someone is going to get hurt. My guess is that these imports will continue until such time as a lot of union plants, particularly along the East Coast, making gimcracks of one sort or another, are shutdown for lack of business. Then you will hear the unions yowl and criticize the tariff policy which was set up by Mr. Roosevelt.

In a great many instances the tariffs in effect in 1932, which represented 100, are now 12½ through three successive cuts of 50%. Someone must devise some scheme of flexibility in this tariff set-up so that we are not bound by some convention over a long period of time. You cannot depend upon the patriotism of importers to sit idly by and permit American made goods to absorb the entire market.

We are in a terrible mess and one which will require a lot of diplomacy and common sense to wiggle out of. We have not been bedeviled with imports for some considerable time and therefore the new crop of executives know little about this situation.

So far as the paper industry is concerned I believe consumption, including something in excess of five million tons of newsprint from Canada and Scandinavian countries, will run in excess of 31 million tons, which is somewhere near one-third the consumption of steel. (When I speak of paper I mean both paper and paperboard.) On this basis, consumption in 1953 will be within one or two per cent of what it was for 1952. Any full-fledged war effort will have the effect of increasing the consumption of paper and paper products which are so necessary to the packing and protection of goods regardless of their ultimate use.

GEORGE S. ECCLES

President, First Security Bank of Utah National Association, Ogden, Utah

The present economic boom will probably last through this year but at some time not too long after that there will be a readjustment. I do not think that we can close our eyes and now say that everything is going to be good for a long time to come. We are bound to have a readjustment, probably not too serious, but a definite readjustment which will be felt. The great need for the future is more efficiency, better management and better government.

George S. Eccles

We will probably go through 1953 on a rather stable basis. We will see economy in the operation of our government. We will see sounder fiscal policies that will stop inflation. We will probably see a balanced budget and we will see some adjustment in our tax program and elimination of some of our government controls.

By 1954 we will definitely see a new pattern. The principal characteristics will be increased competition and smaller margin of profits. A sharp decline in the price of commodities is not to be expected, partly because one cannot see any material reduction in the cost of production.

Farm prices, being supported by the government, obviously cannot decline much, and under present conditions a reduction in many wages is not likely to take place.

I do not expect the incoming Administration to carry government economics to a point that would jeopardize the social advances of recent years or risk the danger of starting a depression. Perhaps the key word should be stability.

We are entering 1953 with everything booming and it looks as though it will continue. What it boils down to is this: there is enough steam in the boiler to carry the current boom well through this year if not farther. But signs of an impending setback are already visible. The new Administration will certainly have to deal with the problem of a business recession, and it may face those problems within the early part of its term in office.

EDMUND FITZGERALD

President, The Northwestern Mutual Life Insurance Company

The national Administration in 1953 will be new, but it will be facing the same severe problems that have beset 1952. Encouraging, however, is the feeling among the citizenry, regardless of party, that America has a new leader with a new outlook and a new approach.

Edmund Fitzgerald

For the insurance business in particular the atmosphere created by the prospect of a new national Administration is good. It is an atmosphere which places a high value on self-reliance and encourages long-range investment and savings programs. In view of this, and because the needs which life insurance service fill are far from satisfied, it is anticipated that 1953 sales should be close to the record high levels of 1952. A continuation of low death rates along with low rates of termination of life insurance from other causes is expected. On the investment side, while there may be some leveling off in the demand for capital for defense and defense-supporting industries, we expect overall demand for capital to continue strong and interest rates firm.

The new year will be one in which national unity will be the main objective. Business management, along with all other elements in the nation, should place that objective above every other.

ROY FRUEHAUF

President, Fruehauf Trailer Company

Commercial business of Fruehauf Trailer Company is expected to increase in 1953. The pick-up in business after the settlement of the steel strike has started a new cycle. The truck-trailer manufacturing industry went through a period of approximately 12 months with subnormal sales, probably due to the necessity of consolidating the large increase in trailer equipment purchased by the motor transport industry around the time the Korean hostilities started.

Prices should be generally stable throughout the year.

Business in general would be stimulated by a reasonable reduction in tax rates. This will be possible if the Korean situation is settled and government spending is curtailed.

Since the outbreak of hostilities in Korea, Fruehauf has delivered more than $63,000,000 of trailers to the government. The company has a backlog for military type trailers of over $90,000,000.

Following the pattern set in World War II, when Fruehauf plants produced 101 different military vehicles, current defense production is widely diversified. Models range from 1½-ton cargo trailers through gasoline transports for various branches of the armed forces.

Among the special trailers being produced for the services is a lightweight magnesium trailer unit designed to house and transport a new and more effective fire-control system for automatically aiming anti-aircraft artillery.

The new fire-control system is compact and portable and can be moved anywhere the gun battery can go. The trailer is unusually light and can be transported by plane.

The fire-control system is an outgrowth of the famous Bell Laboratories electrical gun director and its associated radar systems which proved effective against Nazi planes and "buzz bombs" during World War II.

Operating both as a prime and sub-contractor, Fruehauf is delivering materiel indispensable in the defense of our country.

A. E. GRAUER

President, British Columbia Electric Company Limited

1953 will be a year full of great problems, but it would not appear that business recession will be one of them.

The problems primarily lie in the international, political and military fields and in the fields of international trade and payments. The difficulties of the countries of the sterling area and of the dollar-poor countries outside the sterling area will require immediate and statesmanlike consideration of the highest calibre.

A. E. Grauer

Such situations will have to be improved if longer run business conditions are to remain good.

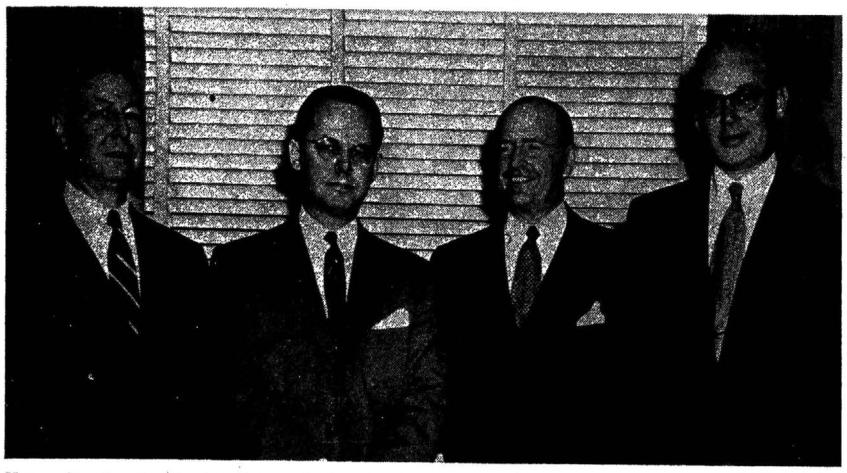
For the more immediate future, specifically 1953, the outlook and conditions for business seem good. In the United States, with manufacturers reporting a greater backlog of orders than a year ago, steel companies booked to capacity for many months, defense expenditures not expected to reach their peak before at least mid-1953, and capital expenditures by private business maintaining a very high level, the economy seems set for a good year.

In Canada, the outlook is for a continuation of the present high level of business activity.

The grain crop, one of the mainstays of the Canadian economy, was a record one in 1952. The Canadian in-

Continued on page 33

New York Security Dealers Association



Harry R. Amott, *Amott, Baker & Co. Incorporated;* Donald C. Cook, *Securities & Exchange Commission;* Frank Dunne, *Dunne & Co.;* Richard M. Crooks, *Chairman of New York Stock Exchange*

Robert A. Bligh, *Fahnestock & Co.,* Torrington, Conn.; Frank T. Harrington, *H. D. Knox & Co., Inc.,* Boston; Herbert D. Knox, *H. D. Knox & Co., Inc.,* New York City

Edwin L. Beck and Hal E. Murphy, *Commercial and Financial Chronicle*

Col. Oliver J. Troster, *Troster, Singer & Co.;* John A. Keane, *Goldman, Sachs & Co.*

Richard F. Abbe, *Shields & Company;* Harold B. Smith, *Pershing & Co.;* John M. Mayer, *Merrill Lynch, Pierce, Fenner & Beane*

Howard Allen, *Albert Frank-Guenther Law, Inc.;* Stanley L. Roggenburg, *Roggenburg & Co.;* Mortimer Landsberg, *Brickman, Landsberg & Co.;* William Moran, *Securities & Exchange Commission*

Paul R. Rowan, *Securities & Exchange Commission;* Philip L. Carret, *Granbery, Marache & Co.;* Edward Gray, *New York Stock Exchange*

Joseph S. Nye, *Neergaard, Miller & Co.;* J. Howard Rossbach, *Securities & Exchange Commission;* David Morris, *David Morris & Co.*

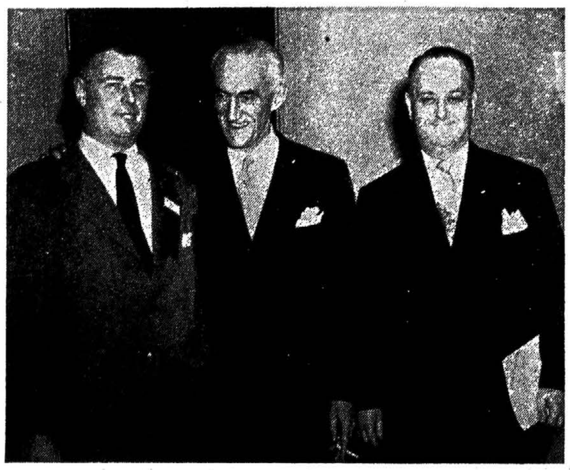
Nolan Harrigan, *Irving Trust Company;* John J. O'Kane, Jr., *John J. O'Kane, Jr. & Co.;* Edward T. McCormick, *President of the American Stock Exchange;* Charles H. Dowd, *Hodson & Company, Inc.*

Twenty-Seventh Annual Dinner

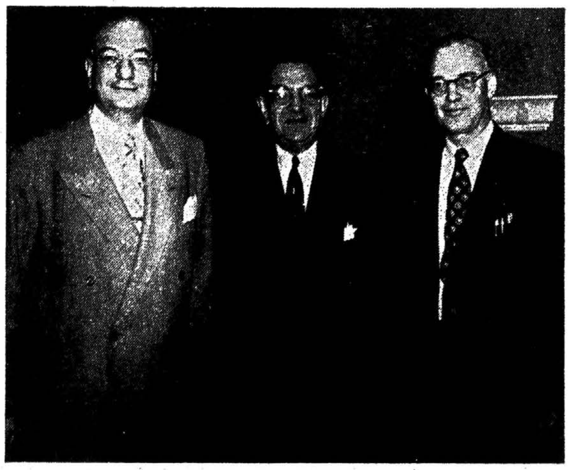
Hanns E. Kuehner, *Joyce, Kuehner & Co.;* William H. Joyce, *Joyce, Kuehner & Co.;* Joseph Kane, *Dominick & Dominick;* Reginald J. Knapp, *Wertheim & Co.*

Frederick D. Gearhart, Jr., *Gearhart & Otis, Inc.;* William C. Orton, *Gude, Winmill & Co.;* Samuel Weinberg, *S. Weinberg & Co.*

Peter T. Byrne, *Securities & Exchange Commission;* Gerald W. Siegel, *Securities & Exchange Commission*



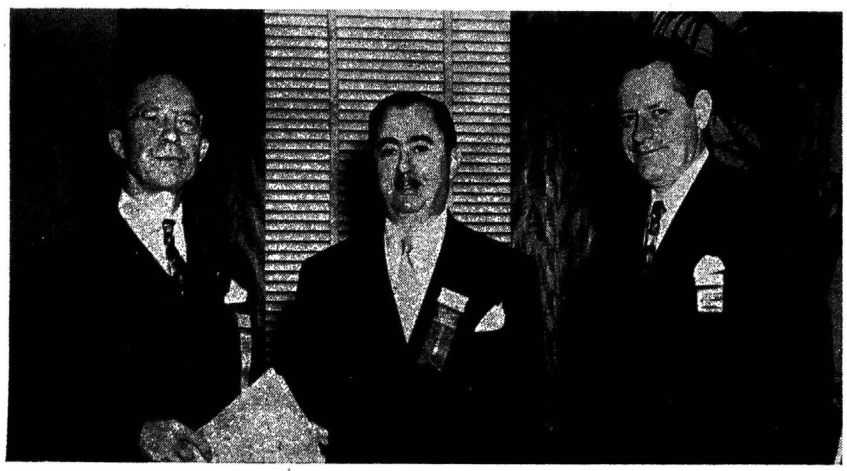
J. William Kumm, *Dunne & Co.;* "Duke" Hunter, *Hunter Securities Corporation;* Julius Golden, *Greene and Company*



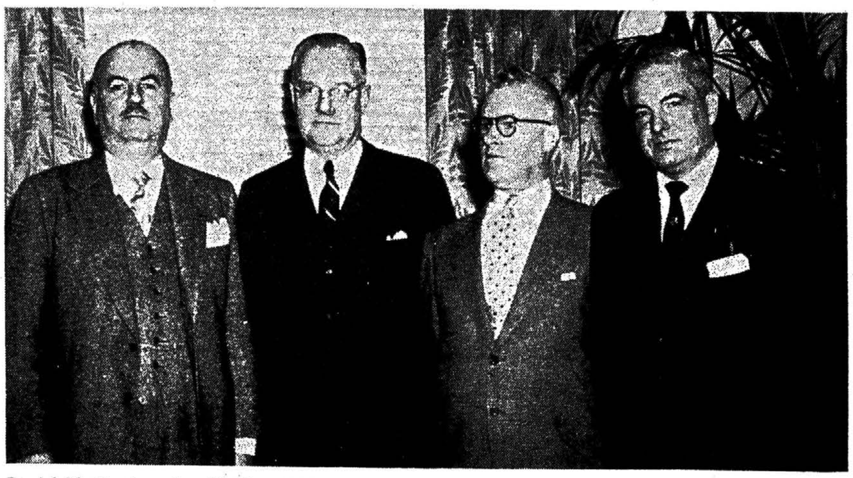
Arthur E. Schwartz, *Bache & Co.;* Harry D. Casper, *John J. O'Kane, Jr. & Co.;* George V. Hunt, *Terry & Company*

A. M. Krensky, *Republic Investment Company, Inc.,* Chicago; Herbert Singer, *Singer, Bean & Mackie, Inc.;* C. Merritt Coleman, *Allen & Company*

James F. FitzGerald, *W. L. Canady & Co., Inc.;* Carl H. Oelkers, *Manufacturers Trust Co.;* Walter F. Saunders, *Dominion Securities Corporation;* John Heck



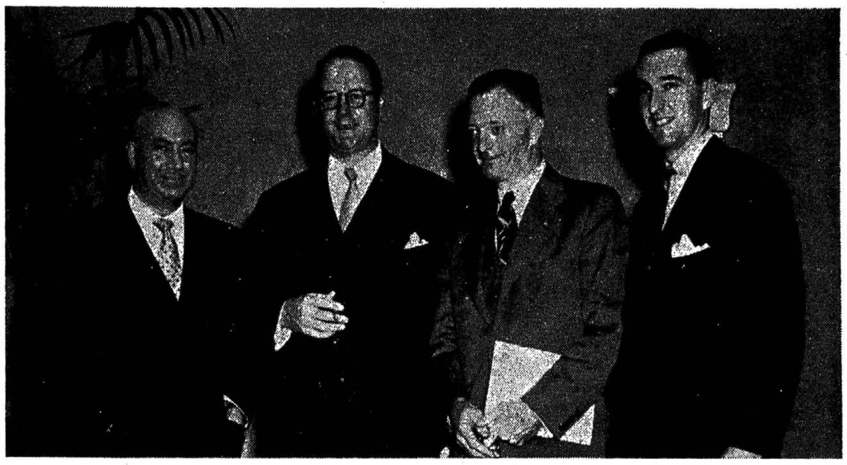
George A. Searight; Melville S. Wien, *M. S. Wien & Co.;* Edward J. Enright, *New York Security Dealers Association*



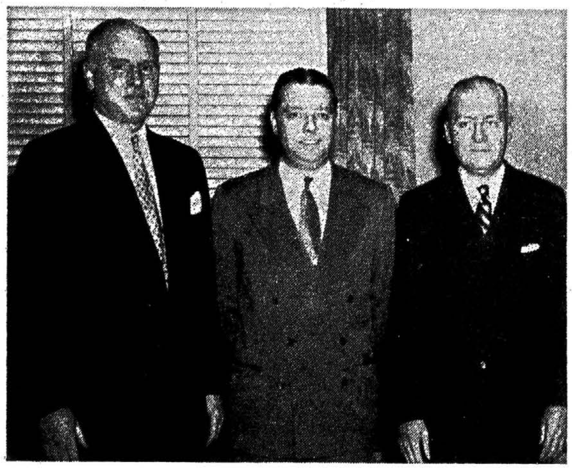
Daniel M. Sheehan, Jr., *Sheehan, McCoy & Willard,* Boston; Edward V. Otis, *Gearhart & Otis, Inc.;* Edmund J. Davis, *Rambo, Close & Kerner, Inc.,* Philadelphia; William Russell, *Mabon & Co.*

Held at the Hotel Biltmore

Robert A. Weaver, *Securities & Exchange Commission;* Edmond G. Blumner, *Securities & Exchange Commission;* Richard M. Crooks, *Chairman of New York Stock Exchange;* A. M. Metz; Edward A. Kole

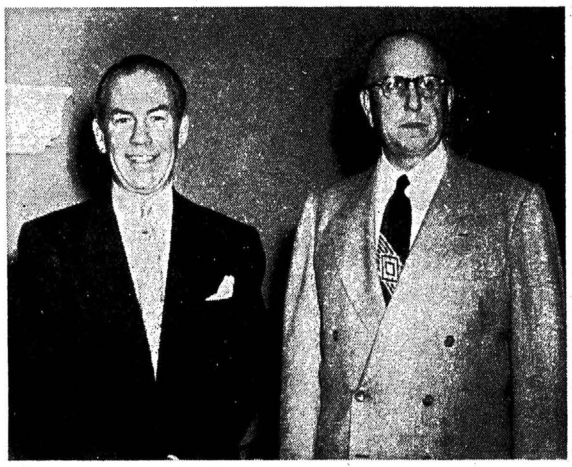


Abner Goldstone; Murray Hanson, *Investment Bankers Association of America;* George E. Rieber, *National Association of Securities Dealers;* Frank Dunne, Jr., *Merrill Lynch, Pierce, Fenner & Beane*

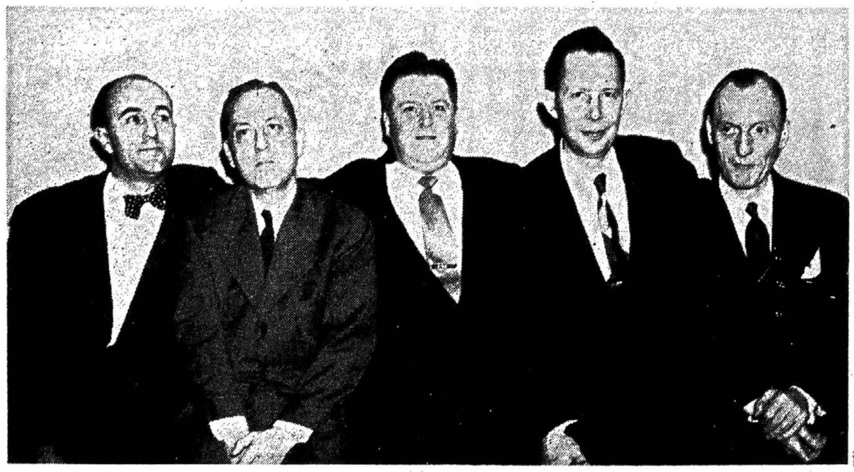


Clarence E. Unterberg, *C. E. Unterberg & Co.;* Charles M. Zingraf, *Laurence M. Marks & Co.;* George L. Collins, *Geyer & Co. Inc.*

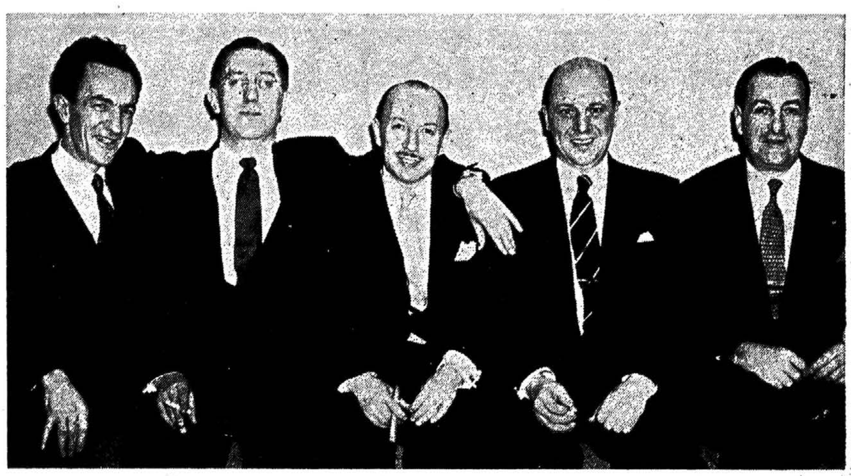
Samuel F. Colwell, *W. E. Hutton & Co.;* Gerard L. Burchard and Charles King, *Charles King & Co.*



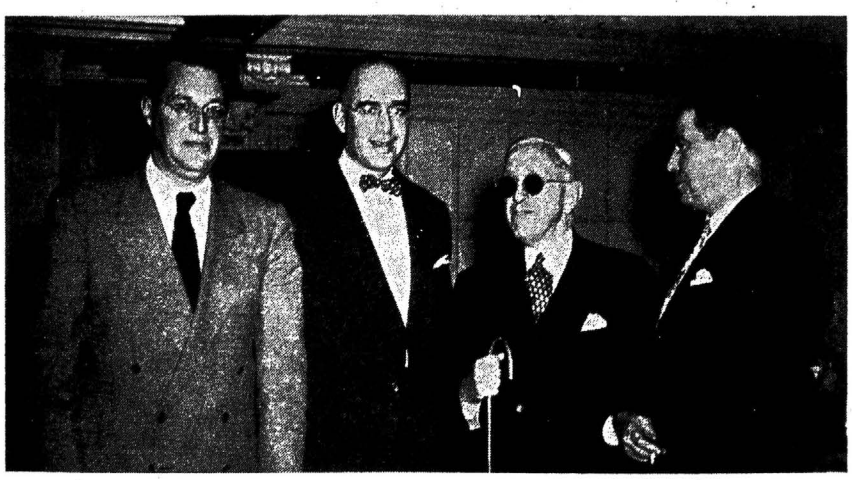
Fillan Moran, *Moran & Co.*, Newark, N. J.; Charles M. Weber, *Weber-Millican Co.*



Stephen L. Blanchard, *Schwabacher & Co.;* Harold J. Burke, *Auchincloss, Parker & Redpath;* Frank J. Ronan, *New York Hanseatic Corporation;* Anthony Marcovich, *Laidlaw & Co.;* Frank Daines, *Hayden, Stone & Co.*



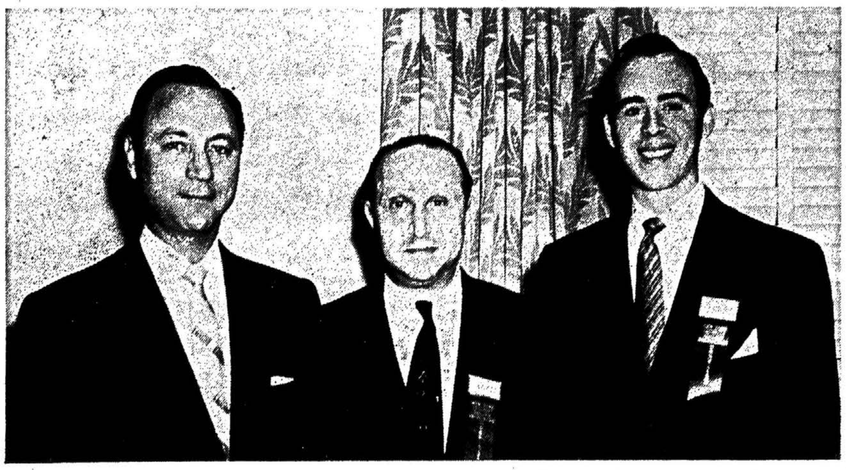
James Canavan, *New York Hanseatic Corporation;* F. Daniel Wasservogel, *Dean Witter & Co.;* Maurice Hart, *New York Hanseatic Corporation;* Theodore Schneider, *Burnham and Company;* D. Paul Jacoby, *Asiel & Co.*



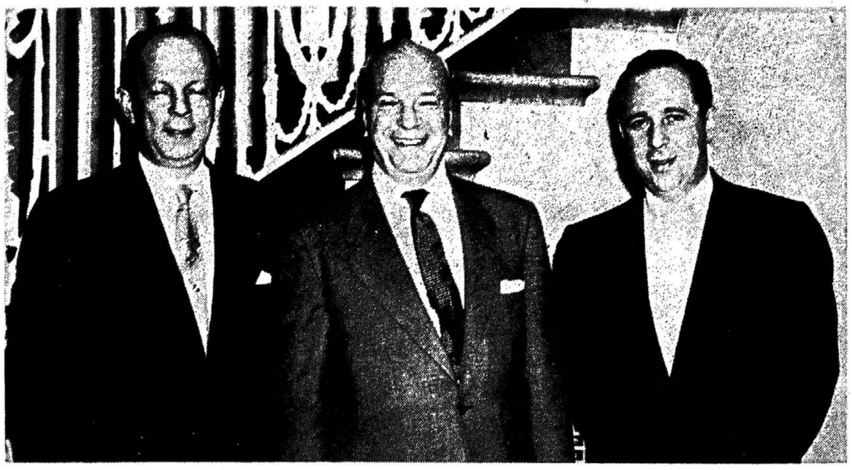
Anthon Lund, *Securities & Exchange Commission;* Howard Rossbach, *Securities & Exchange Commission;* George Parlin, *Securities & Exchange Commission;* Allen MacDuffie, *Federal Reserve Bank of New York*

John H. Stevenson, *Singer, Bean & Mackie, Inc.;* Charles E. Stoltz, *C. E. Stoltz & Co.;* Matthew J. McCabe, *Singer, Bean & Mackie, Inc.;* Bernard Salmon, *Singer, Bean & Mackie, Inc.*

January 16th, 1953



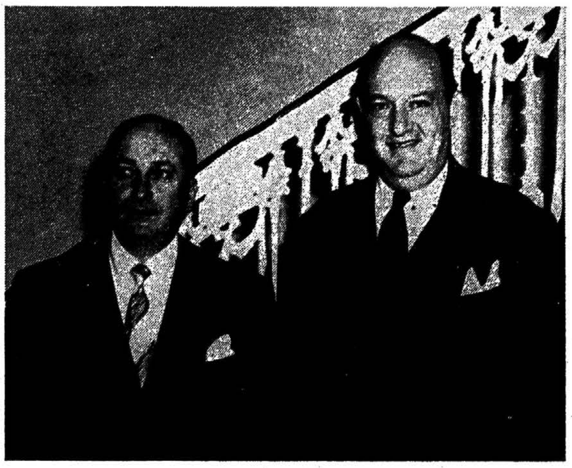
Daniel J. Riesner, guest; Samuel B. Cantor, *S. B. Cantor Co.;* Robert M. Topol, *Greene and Company*



James Siepser, *Shaskan & Co.;* Morris Seiler, *Bache & Co.;* Saul Golkin, *Golkin & Co.*

James V. Campbell, *H. C. Wainwright & Co.;* T. J. Cahill, *Bank of the Manhattan Co.*

Arthur Bisgood, *Registrar & Transfer Co.;* Louis Walker, *National Quotation Bureau;* Harry MacCallum, Jr., *MacCallum & Co.,* Mt. Vernon



Harry B. Spring, and George Stewart, *Spring, Stewart & Co.*

Theodore E. Plumridge, Theodore Young, Adolph O. Mazur, and Alexander Zebertovich, all of *J. Arthur Warner & Co., Incorporated*

Samuel E. Magid, *Hill, Thompson & Co., Inc.;* Robert Strauss, *Daniel F. Rice and Company,* Chicago; Charles D. Runyan, *Trust Company of North America*

Frank L. Hall, *Gersten & Frankel;* Aaron Netburn, *New York Hanseatic Corporation;* Irving L. Feltman, *Mitchell & Co.;* James P. Cleaver, *Goodbody & Co.;* Jack Honig, *New York Hanseatic Corporation*

Charles Robinson, *Frederic H. Hatch & Co., Inc.;* John H. Slade, *Bear, Stearns & Co.;* Frank J. Morrissey, *F. J. Morrissey & Co.,* Philadelphia; William Schreiner, *F. J. Morrissey & Co.,* Philadelphia

Business and Finance Speaks After the Turn of the Year

Continued from page 28

dustrial capacity is still expanding and defense expenditures are expected to remain high throughout 1953.

The downward trend in the cost of living index during the past year indicates more stable wage costs for 1953. Most of the decline has been in the sectors of consumers goods and food prices, and there appears to be no immediate prospect of a reversal of this trend.

Two new factors which will affect the economic situation are, first: the results of the Commonwealth Conference; second: any change of policy by the new Republican Administration respecting trade between Canada and the United States. It is hoped in Canada that any results from these two influences will be to the better.

Canada's important raw material industries, notably forest products, base metals and fish, saw a sharp decline in the prices of their products during 1952 as well as some loss of markets, particularly in the sterling areas. Nineteen fifty-three will be a year of adjustments in various ways for these basic industries beween present cost levels and changed market conditions.

The recent strengthening of the U. S. dollar with relation to the Canadian dollar, if maintained or continued, will benefit the newsprint, pulp, lumber, shingle and base metal industries of Canada.

In summary, 1953 has every prospect of being a good business year on the whole, but it holds many serious problems in the fields of economics and international relations which, if not improved, might well lead to poorer business conditions subsequently.

A. L. HAMMELL

President, Railway Express Agency

1953 looks like a good year for business and I express that thought not only from my own observation, but from reports that come to me from Railway Express officers all over the United States. There seems to have been a rebirth of confidence on the part of the public in the future ever since the election and that confidence, in my judgment, is not merely wishful thinking, but is supported by economic factors that everyone knows and which need not be discussed here.

I do not think that a cessation of the fighting in Korea would have any immediate effect on our national economy because we are committed to a program of strengthening our defenses militarily, and while expenditures for that purpose may decrease to some degree, money will still be spent for defense.

Looking into 1953 there is, of course, a lot of defense money which has been appropriated which has not yet been spent. The purchasing power of the civilian population is at a high level and I see nothing in the next year to change that situation.

Good business will not automatically flow to individual companies in '53—to sell, they will have to deserve it, and will have to use every sound merchandising means at their command to increase their sales.

FREDERICK JOHNSON

President, The Bell Telephone Company of Canada

In common with other Western nations, Canada is actively engaged in defense production. This program is expected to continue at a high level throughout 1953. We also look for further expansion in the utilities, the resources development industries and housing, and all of them may be expected to sustain large investment programs in the coming year.

Frederick Johnson

As a result of these stimulating conditions, current high levels of industrial activity, employment and personal income in Canada will be maintained or further increased. In turn, demand for consumer goods and services is expected to remain strong and result in some strengthening of retail prices.

The outlook in the export field is generally favorable. Demand in the United States for Canadian newsprint, lumber and metals is heavy and is likely to continue so as long as industrial and business activity remain high. Markets in the United Kingdom and other soft currency countries are somewhat less bouyant due to internal policies of economy in dealings with dollar nations.

In the telephone field, consistent, strong demand for additional service has accompanied Canada's vigorous industrial and residential development. There is valid evidence that demand for telephone service will continue unabated for some time to come. Leading the world in the annual number of conversations per person, and close behind the United States and Sweden in telephones per hundred people, Canada is served by some 3,000,000 telephones operated by eight major telephone systems and numerous smaller regional companies.

Operating in the more thickly populated provinces of Ontario and Quebec, The Bell Telephone Company of Canada serves nearly two-thirds of the nation's telephones, maintaining very high standards of equipment and service. During 1952 the company expended close to $85 million for construction of new facilities and added 130,000 telephones. Plans for 1953 call for equally intense activity.

Canada's economy is strong and stable. Expansion and development in the past 10 years have been outstandingly rapid, but they have also been well balanced and firmly based. Spectacular advances, particularly in the oil, iron and uranium industries, have gained worldwide attention. Growth has been no less satisfying in the "housekeeper" industries which assure the broad-based, essentially sound economy which promises so much for Canada's future.

PAUL W. JOHNSTON

President, Erie Railroad Company

The nation's railroads have been spending an average of more than a billion dollars a year since the end of World War II to improve their services to the public. They have invested in better cars and locomotives, better tracks and terminals, better shops and signals—all for better, more economical railroading.

P. W. Johnston

Most of these investments have been producing savings in operating expenses which have helped to offset higher costs and at the same time, increase the efficiency, safety, and dependability of service to the public. These improvements have been made during a period when railroad earnings have not been sufficient to encourage investment on a scale that is needed to keep pace with the industrial economy.

The year 1952 was no exception. Railroad earnings were still inadequate for the job that needs to be done. Yet the railroads moved ahead by drawing on their working capital and borrowing through equipment trust financing to modernize their properties to the best of their ability. They made these expenditures with the faith that the public and the government will recognize and remove the obstacles of outmoded regulation that stand in the way of greater transportation progress for the public.

The railroads have on order a large number of freight cars whose delivery has been delayed by shortage of steel, but they have the physical capacity to handle a much larger business than they are handling at the present time—the problem is to get enough business to fully utilize the huge investments that have been poured into the railroad plant. To do this, the railroads must be free to price their services on a truly competitive basis. They must have the freedom to exercise their own judgment, based on knowledge and experience, as to what prices will produce the greatest volume of traffic. This will be especially important in the "selling" period that lies ahead when the primary job will be to increase our gross. Only by a higher volume of traffic and improved efficiency of operation will the railroads be able to offset the constantly-increasing cost of doing business.

In 1952 the Erie Railroad was headed for the highest gross revenue in its history but fell $2,400,000 short of the previous year's record gross of $178,800,000 because of the 54-day steel strike in June and July which resulted in lost revenue to the Erie of approximately $6,000,000. Total operating revenues in 1952 of $176,400,000 will result in a net income of about $12,700,000, or $4.38 a common share, compared with $13,500,000, or $4.68 a share in 1951. A non-recurring tax credit of $1,537,746, or 63 cents a share for prior years was also a factor in the 1951 results.

The past year was eventful for the Erie Railroad as it marked the completion of its program of dieselizing all freight service. Savings produced by this new form of motive power have been and will continue to be a big factor in the company's earnings. With our diesel program for all operations virtually completed, the peak of capital expenditures for modernization and improvements is now behind us and capital requirements for the next few years will be less than in the past. As a result, debt will begin to decline as equipment trust obligations mature.

Present indications point to a reasonably good production year for the nation's industrial economy. As the basic prime mover of industry's raw materials and finished products, the railroads will be aggressively in the market for their share of the available traffic.

On the Erie, our preliminary estimate of business for 1953 indicates that our gross revenues will be slightly higher than in 1952. We start 1953 with a wage rate higher than the average of 1952 due to the escalator formula tied to the cost-of-living index. With a normal maintenance and repair program that will take care of current requirements, our net income should compare favorably with results of the past three years. As stated previously, however, in terms of purchasing power, railroad earnings are still inadequate.

The entire railroad picture would be much brighter if the outmoded and unrealistic regulatory policies which are hampering railroad progress were brought up to date to fit modern competitive conditions. Such revised policies should recognize that the railroads, like any other privately-financed, taxpaying organization, are subject to the same economic factors as any other business and are entitled to the same opportunities to operate on a free enterprise business basis without the added burdens of excessive regulation or of subsidized competition.

WAYNE A. JOHNSTON

President, Illinois Central Railroad

Railroads, as a common denominator of American business, are in an excellent position to view business outlook over extended periods. Through regular meetings of Shipper Advisory Boards, transportation requirements are determined for each quarter. This information, together with facts which railroad officers learn in discussing industry plans and future transportation needs with shippers throughout the nation, provides a reliable basis on which to predict future levels of business activity.

Wayne A. Johnston

The Illinois Central Railroad had a good year in 1952. Operating revenues for the year is expected to reach a new high of $302,000,000, an increase of about $7,000,000 over 1951. Net income estimated for 1952 of nearly $23,000,000, or about $16 a common share, compares with net income for 1951 of little more than $18,000,000, or $12.51 per common share. The dollar measure of this performance, however, is misleading because of the ever-diminishing value of the dollar in terms of what it will buy.

An analysis of factors bearing on general business activity during 1953 indicates that Illinois Central operating revenues and net income for next year will compare favorably with 1952 results. The accelerated level of business which has been experienced during the latter part of last year can well be expected to continue at least until mid-1953.

Catching-up on the nation's overall defense program should lead to decreased spending by government for military purposes. It is anticipated this factor will lead to a lessening of the industrial pace during the latter part of 1953. If for any reason spending for defense purposes should be stretched out, the peak will probably be reached after mid-1953. However, it is not expected that the aggregate volume of business for the year will be appreciably affected. Eventually we must face a transition from a war and defense economy to a state of normalcy. If sound judgment in the councils of both business and government is exercised, this period of transition need be neither prolonged nor unduly painful.

There are many encouraging signs on the horizon for business in the months ahead. For more than ten years we have built up a tremendous capacity for production. This capacity far exceeds our domestic requirements. The major issue with which we are faced in a transition is that of effectively utilizing this capacity for production over and above our own needs. One solution is a further development of foreign trade. We should selectively relax trade barriers and construct tariffs which will encourage trade between the United States and the rest of the world. Such a course will have four-fold effects: (1) it will utilize this country's full capacity for production; (2) it will create favorable trade balances in foreign countries; (3) opening of American markets to foreign products and materials will conserve American resources which are presently being exhausted at an alarming rate, and (4) such a realistic approach to the financial plight of these countries will obviate the need for direct grants of dollars and goods by the American people.

The Illinois Central Railroad has long been keenly aware of foreign trade possibilities. For a number of years we have been carrying on a comprehensive program of trade development between this country and the republics of Central and South America. We are hopeful that these efforts in the development of inter-American trade will play an important part in helping to stabilize the total business volume of the Illinois Central.

Ingenuity in the development of new and improved products by industry combined with effective sales promotion should help to generate increased markets for civilian goods in 1953. On the Illinois Central it is our plan to intensify promotional efforts on all fronts. In addition to stepping-up our sales efforts, our industrial and agricultural development programs will be prosecuted with new vigor. In 1952 these efforts resulted in locating more than 100 new traffic-producing industries on the Illinois Central.

Railroads are dependent upon the prosperity of industry generally for their own prosperity. They are the messengers of America's industry. The greater the markets for a high level of industrial production, the greater the demand for railroad transportation. The railroads therefore have a vital interest in industry's plans for the future in order to be in a position to meet transportation demands. The general level of business activity also dictates the nature and extent of replacements and improvements the railroads can justifiably make to provide that service.

The Illinois Central Railroad is now planning capital expenditures in 1953 for replacements and improvements of about $20,000,000, compared with $23,500,000 in 1952. From January, 1947, to the close of 1952, the Illinois Central will have spent about $152,000,000 for replacements and improvements in property and equipment. These expenditures have added more than 16,000 new freight cars, 54 new passenger cars, 136 diesel

Continued on page 34

Continued from page 33

switching and transfer locomotives, and 20 diesel passenger locomotives to the Illinois Central fleet, and have kept the fixed plant of the railroad up-to-date and in good condition.

Property replacement has been a subject of increasing concern in railroad circles. Depreciation allowances are inadequate to replace property at today's high cost as it wears out. This means that the difference not covered by depreciation must be made up out of net income. At the present level of taxation, for every dollar of capital expenditures, including those for property replacements in excess of depreciation charges, the railroad must earn more than two dollars in income before taxes. There is an urgent need for a more realistic approach to this matter of depreciation in order that adequate funds may be obtained from operations to replace tools, equipment and other property as they become obsolete or no longer serviceable.

Legislation affording relief from the present high levels of taxes would be a real stimulant to business. Fewer dollars for taxes will mean more dollars available for expansion, replacements and improvements. This type of spending will help to maintain high levels of productive employment and a high level of activity in virtually all lines of business.

One of the greatest accomplishments on the Illinois Central Railroad during 1952 has been the consummation of the plan to simplify the financial structure of the company. A significant step in this program was the creation of a consolidated mortgage in 1949. This mortgage provided a means for the Illinois Central to consolidate its bonded debt under a single mortgage. The sale of $13,000,000 of Consolidated Mortgage Bonds in June, 1952, and the commitment for a further sale of $12,000,000 of these bonds in 1954 at the option of the company, enabled the Illinois Central to provide for maturities through 1955. This action, together with the sale of $62,000,000 of Consolidated bonds in August, 1952, to retire the joint refunding bonds of 1963, has cleared the way to place all mortgage debt under a single mortgage. That will leave $35,000,000 of debentures due in 1966 to be taken care of other than the Consolidated Mortgage. Since 1939 the Illinois Central has reduced funded debt, exclusive of equipment obligations, from more than $332,000,000 to approximately $151,000,000. This vast improvement in our financial position will insure the Illinois Central's ability to withstand the ups-and-downs of business cycles.

While the future prospects for railroads are naturally related to the amount of business done by all industry, there are certain other factors which can tend to improve the railroad situation. One of the greatest problems with which we wrestle on the railroads is that of an unrealistic policy of regulation. Railroads today are regulated as though they were a monopoly. The railroads hold no monopoly in transportation today. Not only are the individual railroads competing among themselves for traffic, but both individually and collectively railroads are competing with highway, water and air transportation. Such competition does not deserve the monopoly-type regulations under which railroads must operate. Also in this matter of regulation the railroads need more freedom to price railroad service at levels which will reflect costs on a current basis.

Another situation with which we must deal has to do with the enormous amounts of public money being used to subsidize competitors of the railroads. A situation of this sort does not produce economical transportation for the nation nor does it permit the free flow of traffic to the agency of transportation best equipped to do an efficient and truly economical job. We are competing with trucks and busses which operate over public highways built with taxes paid by the railroads and each of us individually. We are competing with barge transportation operating on waterways maintained and improved out of the public purse. We are competing with airlines directly subsidized by the government and operating from airports provided with public money. We believe that trucks, barges, planes and all other agencies of transportation should stand on their own feet and pay all of the costs incident to conducting their business, including a fair share of community taxes, in the same way the railroads do.

These things form the basis for a transportation policy which will eliminate inequities among the various forms of transportation and enable the railroads to meet, on fair basis, the competition of these other agencies. The end result of applying these very practical policies will produce better and more economical transportation for the nation.

C. G. KIRKBRIDE

President, Houdry Process Corporation

Increased competition is due in 1953. Leveling off of demand will focus increasing attention of the oil industry on methods and processes which increase refinery efficiency and improve product quality. Preliminary estimates indicate that the oil industry will spend a minimum of $4 billion on capital investment in 1953.

Although much of this new investment will go for enlarged capacity, perhaps even a larger share will be invested in modern processes to reduce costs while improving quality. A significant development in this direction is the trend toward modernization of the smaller refiners. For example, the catalytic cracking of smaller refiners will be increased more than fourfold if the refinery construction program approved by the Petroleum Administration for Defense is realized. This would increase the small refiner's share of total catalytic cracking capacity from 1.86 to 6.54.

The tax policies of the new Administration will strongly influence the scope and timing of modernization programs planned by the oil industry. Present limitations on rates of amortization probably constitute the greatest deterrent to investment in new tools of production.

The overall weighted average of the amortization rates permitted by the government on fixed assets of American corporations is less than 3% a year, which corresponds to an amortization period of more than 33 years. The average amortization rate for manufacturing corporations alone is 3.7%, or an amortization period of 27 years. (These percentages appear to be determined for amortization rates on what actually are reasonable depreciation rates.) This means that the money invested in these fixed assets cannot be returned until the amortization period is completed. This is discouraging to investors because obsolescence, a danger which such rates do not consider, might occur before the investment has been fully amortized.

Therefore, from the standpoint of fairness, as well as protection of incentive, no limitations whatever should be imposed by the Federal Government on rates of amortization. Because of the great uncertainty with regard to obsolescence in a dynamic economy which currently is spending $1.18 billion on industrial research, each management should have the freedom of establishing the rate at which its investment should be amortized. Each management is in a far better position to appraise the risks it is taking; and since each is responsible for the investment of its corporate funds, management should have the freedom of setting the rates of amortization.

Elimination from our tax structure of all limitations on the rate at which investments in tools of production are amortized would not affect the total taxes paid. Instead, it would merely show consideration to those who invest in new tools of production by letting them get their money back, and then tax the true profits—no tool of production can return a true profit until the tool has paid for itself.

Investment necessitates risk, and under the present tax policies, refiners are naturally hesitant to risk capital in new tools of production unless the investment risk is reduced to a minimum by amortization of the investment as soon as possible. Therefore, it is hoped that the new Administration will give serious consideration to the revision of existing amortization rules.

If this hope is realized, there will be no recession in 1953—any slack in defense could then be taken up by private investment.

FRANK F. KOLBE

President, The United Electric Coal Companies

The important factors that will determine the outlook for coal in the coming year are the demand for energy, demand and supply of competing fuels, and the progressiveness of the industry.

Frank F. Kolbe

The use of coal and the use of oil and gas in competition with coal increased 59% in the decade 1940-1950. The use of energy continues to increase. One of the largest increases is that due to electric generation. The installed generating capacity at the end of 1951 was 75,444,276 kilowatts; by the end of October, 1952, it had increased to almost 80,000,000 kilowatts and by the end of 1952 the installed capacity is expected to be at least 81,000,000 kilowatts, an increase of 6,000,000 kilowatts in one year.

Present plans call for a total of 12,910,000 kilowatts of new generating capacity in 1953, 11,494,000 kilowatts in 1954 and 8,800,000 kilowatts in 1955. The total in the four years 1952-1955 is 41,113,000 kilowatts, or an increase of about 55% over the Dec. 31, 1951 figure. In 1951, the electrical utilities consumed about 105,681,951 tons of coal and with this big increase in generating capacity, they might consume 30,000,000 or 40,000,000 tons more than this in 1956. The use of coal by the TVA alone is expected to increase from about 3,000,000 tons in 1952 to 18,500,000 tons in 1956. Back in the 1920s and '30s, the electric industry was growing rapidly but at that time it was growing on a small base, whereas now an increase percentagewise in the use of electricity amounts to a tremendous increase in tons of coal used.

The railroad market for coal continues to shrink. In 1944, the railroads consumed 136,000,000 tons of coal. It is estimated that this figure will be around 40,000,000 tons for 1952. Last year, demand from the railroads decreased 14,000,000 tons. At this rate, there will not be much left of the railroad coal market in a few years. Many coal mines which formerly sold a good percentage of their output to the railroads are not selling any today but are nevertheless operating at near capacity. They have replaced the railroad business with utility and industrial customers.

The demand for coal for export will be much less during the current year as Europe is now largely able to take care of its own needs.

In the decade 1940-1950, the use of oil and gas almost doubled, but nevertheless the use of coal also increased. Oil and gas will continue to increase but coal should continue to get a large share of the business. The report of the President's Materials Policy Commission released in June, 1952, estimates that by 1975 the demand for coal will have increased to 815,000,000 tons, a 56% increase with large increases also in oil and gas. The impact of oil and gas differs in different parts of the country. In New York, for instance, where coal sells at the mine for $4.50 and bears a $4.50 transportation cost, making a total delivered price of $9, fuel oil is a serious factor, but in Chicago where coal delivered sells for $5 a ton, fuel oil cannot compete. Natural gas has had a serious disruptive effect on the coal industry as large quantities of it have been dumped at any price in order to use the pipelines.

In Illinois, the Natural Gas Storage Company of Illinois is spending $17,000,000 on the first unit of an underground storage system at Kankakee to take "off-peak-load gas" and store it for the winter demand. It is expected that when the project is completed, the investment will be $42,000,000. This gas storage company is part of the Natural Gas Pipeline Company of America and the Texas-Illinois Natural Gas Pipeline Company, all of which are subsidiaries of the Peoples Gas Light and Coke Company of Chicago. This storage program will make it possible for the gas companies to sell more gas to the householders for domestic use, for which use it is especially fitted, and will result in lesser sales to industries for industrial use and large buildings for heating purposes. The gas companies have been selling gas at dump rates ranging from 11 to 18 cents per thousand cubic feet which is $4 or less for an equivalent ton of coal. This is below the cost of new purchases of gas in Texas plus transportation charges to Chicago. To use natural gas for replacing coal under such conditions is not only bad business but a very bad use for an irreplaceable natural resource. It is a waste of natural gas to burn it under boilers where coal is available.

One of the developments in coal technique this past year has been the increased use of augers to mine out coal, the face of which has been exposed by strip mining but which is too deep or under too much rock to be economically mined by stripping. These augers can recover 100 to 200 feet of coal at a very lwo cost. The Carbide & Carbon Chemicals Co. has developed a continuous miner with electronic controls which does the same work as an auger but which can mine 1,000 feet or more. The ability of the coal industry to compete will depend upon these developments and other new cost reducing methods.

H. F. KRIMENDAHL

President, Stokely-Van Camp, Inc.

The canned and frozen food industry is today in the best balanced position, insofar as supply as related to demand is concerned, that it has been in for the past several years, and the basic increase in the economy and population of the United States will serve as a sustaining force to maintain the volume of the industry at a high level.

H. F. Krimendanl

In our industry there is ample capacity to meet the demand of our present population. However, the supply each year is contingent upon packers' plans and contracts with growers made three to six months in advance of the packing season, and is also largely contingent upon weather conditions at the time of pack. Therefore, in any individual year supply can easily get out of balance with demand on particular items. Today there are individual items that are out of balance just as there are every year; however, overall, the supply situation, including carryover, is somewhat lower than in the previous year. Actually the Department of Agriculture has estimated that the total 1952-53 pack of canned fruits will be approximately 10% below last year, and that of all canned vegetables 15% below last year.

Contributing to the sustained demand for canned foods is the fact that on a per capita basis the consumption of canned vegetables is 38% greater than it was in 1939, and on canned fruits it is 32% greater. Undoubtedly the relatively low price on canned foods has served to impress Mrs. Housewife that she can help combat inflation by increasing her purchases of these items. The U. S. Department of Labor Index of Retail Prices shows that since the 1935-39 period all foods except canned fruits and vegetables have gone up to slightly over 230, whereas canned fruits and vegetables have remained well below 170. Raw materials, cans, labor, and the cost of all materials have gone up substantially since the 1935-39 period, and the relatively low price which the canned food industry has been able to maintain has come about through increased efficiency resulting from better production techniques and increased volume.

It appears during the coming year that the demands of the armed forces for canned foods will be somewhat less than they were this year. However, the Army Procurement Program has been coordinated with industry so that industry has been able to plan its production for the Army and at the same time take care of civilian consumption without severe dislocations in supply.

In a healthy market such as we should have during 1953, there will be intense competition for the housewife's dollar. Industry merchandising must be on a planned and scientific basis, including proper displays and aggressive promotion at the consumer level. The fact that a large part of distribution today is from self-service chain stores and supermarket operations makes this emphasis on merchandising all the more important.

I do not feel that the market situation during the coming year will be such that profits will be guaranteed to all producers regardless of their efficiency. However, those companies with efficient plants and alert managements should be able to capitalize on a normal competitive market with a background of sustained and rising demand.

S. E. LAUER

President, York Corporation

We are a pretty hardheaded group here at the York Corporation, but after a careful national survey and a partial international survey this organization feels it will make 1953 a better year than 1952. Whether this means an increase of 10% or 20%, I am not in a position to say. It is a bit too early.

S. E. Lauer

There are some supporting factors for this kind of thinking which are not related directly to the general economy. To begin with, this industry is not overbuilt and there does not seem to be any great need for scrapping obsolete capacity. The business has real growth possibilities, particularly as we enter into the residential field with integrated systems for year 'round air conditioning. Admittedly this particular development is still in its infancy, but a lot of money, time and talent is being spent for research in residential air conditioning to make it *good* and to put it within the reach of most pocketbooks. It means that while this business will not be well standardized and simplified for the next year or two, it seems destined to add substantially to the dollar volume in the air conditioning field during the next five years.

Another segment of the business showing almost amazing growth is in the field of what we termed "Big Air" conditioning in our annual stockholders report. This refers principally to both old and new multiple space public and private office buildings, hospitals, hotels and apartments. The York organization, both at the factory and in the field, is thoroughly skilled in both the presale engineering and execution of this class of business.

We are also conscious of the fact that the above prediction for 1953 is not attainable without unusual and extended effort in the fields of sales promotion and hard selling. We are going to have to really earn our share of the potential that lies ahead. That calls for some increase in expense for additional personnel, training and other forms of support. The public is becoming increasingly particular about not only what is pays for a product or a system, but for the quality it gets. This means steady inmprovement, not only in product design but in the close control of quality production, if air conditioning and refrigeration is to have its rightful share of the total available business.

We plan to about double our capital expenditures for 1953 production compared with 1952. That should be followed by a heavier expansion program in 1954.

A careful review of our backlog of unfilled orders and their delivery timing indicates that another stretch-out in defense spending should not have any appreciable effect on our 1953 forecasts.

ROBERT E. LEWIS

President, Argus Cameras, Inc.

We are optimistic about the business outlook for 1953. Much emphasis has been placed on the importance of defense expenditures with particular emphasis on the direct expenditure for the Korean situation. It is now common knowledge that military production is being stretched-out and will soon taper off from the peak. It does not necessarily follow that it will diminish in rapid fashion or disappear completely. It is our opinion that there is a healthy undertone in our economy brought about by the anticipation of a sound program to be followed by the Eisenhower Administration. The quality of men appointed to the Cabinet has given considerable strength to this viewpoint.

Robert E. Lewis

Our business has been running at a high rate and we have been unable to completely fill our demands even though we have increased production. We see no immediate change in this picture during the early part of 1953. Even though demand for our product has been active, we have, nevertheless, pursued an aggressive advertising and sales promotion program looking forward to the day when it will be necessary to put added effort into our selling. In this same vein, we have also improved our sales force and are actively engaged in training young men to bolster our strength for the time when the buyers' market hits us. New products, and continued improvement of our present products, have been important considerations in our future planning.

Although we are optimistic about our basic economy, we are conscious of the fact that there may be some necessary adjustments resulting in price decreases. Our new product plans take this into consideration and we recognize that we must be prepared to meet a highly competitive market.

We have made substantial additions to our plant during the past two years, but at present have no plans for further expansion. We intend to concentrate on improvement of our facilities and the replacement of relatively inefficient machinery and equipment to lower our production costs.

The outlook for our merchandise in the export field is poor, both from the point of view of the relatively high cost of labor in this country and the lack of dollars in our normal export markets. As a matter of fact the emphasis is somewhat in the opposite direction—competition from Germany and Japan in the camera and optical field is becoming an increasingly important factor. Their wage levels are so much lower than ours that they are able to compete in this country in spite of the import duty. We feel that the answer to this problem is greater efficiency on our part and increased aggressiveness in our selling program.

ENDICOTT R. LOVELL

President, Calumet & Hecla, Inc.

During 1952 the domestic copper mining industry was subjected to unfair price controls. In spite of substantial increases in wages, freight and supply costs, the price has been held at 24½ cents per pound since the autumn of 1950. Copper and brass fabricators also were handicapped by government controls covering allocations of copper supplies, and by price ceilings, which failed to offset increased costs. Furthermore, the United States Government, while holding the domestic price of copper at 24½ cents, encouraged the importation of foreign copper at 36½ cents per pound. Fabricators were allocated 60% of their needs in the form of domestic copper and 40% in foreign copper. However, they were permitted to pass through only 80% of the increased cost of foreign copper. These policies retarded rather than stimulated the production of new copper. The flow of scrap copper was reduced to a trickle. It is impossible at this time to predict the policies of the new Administration relating to the copper and brass industry. If controls are removed, as we all hope, the industry and the defense effort should benefit in the long run through the return to sound trade principles.

Endicott R. Lovell

If decontrolled, the price of copper may rise, temporarily, to around 30 cents per pound. As production from new mines, now being developed, reaches the market, the price, no doubt, will decline again.

On the assumption that controls will be removed, the outlook for the copper and brass industry in 1953 is good. According to the economists, the second half of the year appears somewhat doubtful. It is certain that competition will increase and intensive selling efforts will be the order of the day.

Competition from aluminum will continue. It is noteworthy that several alert brass mill managements have begun to fabricate aluminum. Others plan to do so. However, the continuing increase in population and the development of new uses for copper should require ever larger tonnages of the red metal.

ROYCE G. MARTIN

Chairman of the Board and President
The Electric Auto-Lite Company

Automobiles now on the road are not only increasing in number, but motorists are keeping older cars in operation.

This fact points to a good year for the automotive electrical parts maker, of which The Electric Auto-Lite Company is the largest independent in the field.

Royce G. Martin

With a complete line of batteries, spark plugs, wire, cable, ignition system and electrical system parts, Auto-Lite looks forward to what could be our best year.

Of course, all of our plans are hinged upon the availability of raw materials, the lack of labor disturbances in allied industries, the easing of governmental controls and the end of the spiraling inflation that has been slowly but surely destroying our economic system.

We are continuing with our plans to expand our production facilities to meet customer demands, but at the same time, we are forced to proceed slowly because of strict governmental regulations.

Though we are constantly striving to increase our peacetime business, we also keep ourselves continually alert to the demands that defense production necessitates.

Production keyed to our defense needs is first and foremost at Auto-Lite, and will remain so as long as our free enterprise system is under attack.

Though we at Auto-Lite are ready for a good 1953 on a production basis, we also are devoting considerable time and money to further our already good relations with our employees, our customers and the communities in which we operate plants.

Now underway is a program designed to further acquaint our family of employees with the importance of their role in the automotive industry.

We are conducting private automobile shows in all of our plants, 26 in number in 19 cities from coast-to-coast, in order that each member of our production family can learn first hand of the job he or she is doing so that some of the nation's finest automobiles may roll from production lines.

These automobile shows will be conducted on a local basis through the month of March. The second series was inaugurated on Jan. 13.

Following the local showings Auto-Lite will present the "Easter Parade of Stars" Automobile Show in the Grand Ballroom of the Waldorf-Astoria Hotel in New York City. This show will be open to the general public from April 4 to 9, and will be televised nationally the night of April 7.

Automobiles in this show will include those which use Auto-Lite products as original equipment . . . thus providing an additional selling tool to our original equipment customers, their dealers and distributors.

Though we feel 1953 is dawning on a basis which we hope proves to be significant, we at Auto-Lite also feel that 1953 is the year that business must return to competitive normalcy.

The year 1953 could well signify the end of regimented economy and open an era of enlightened cooperation among all persons striving for peace and a prosperous populace.

DONALD H. McLAUGHLIN

President, Homestake Mining Company

The state of the gold industry in any country is determined by three factors: (1) the available supply of ore and its nature; (2) the technical methods that are applicable and the skills with which the deposits are mined and the metal recovered, and (3) the political-economic policies, both domestic and external, that determine the return to the producer for the gold he must dispose of. Each factor affects the outcome of a gold mining venture in its own way, and each inflences the other.

D. H. McLaughlin

The first—the ore supply—is, of course, the primary consideration. No country without deposits of gold ore has a gold mining industry. In those that have gold deposits, however, the other two factors and particularly the third determine the grades of ore that will yield a profit and thus set cut-offs that delimit the ore supply. Under present conditions in the world, and particularly in the United States, gold miners are in difficulties, arising primarily from restrictions on ownership and disposal of gold that force the miner to accept unredeemable paper currency for his product at the same time that he must meet operating costs that unavoidably rise as the token money depreciates. Pinched in this way between a fixed or restricted return and costs that rise as inflation advances, profits necessarily decline even in the best mines and even with the best technical improvements the times afford. Marginal mines are forced to close, and mines based on the better deposits not only suffer severe loss of income but have their supply of ore drastically reduced by the rising cut-off that marks the end of profits.

In the United States today, the Homestake is the only mine that can still be listed among the major gold producers of the world. Gold continues to be won profitably from gravels in California and Alaska in three large dredging operations, and the new Golden Cycle mill in Cripple Creek has kept scattered small operations alive in that old district, but elsewhere the few gold mines that are still operating are struggling to break even.

In Canada, the situation is not quite so bleak, for the major mines are younger and more of them are profitable. But, in spite of the vast area still worth intensive prospecting, new discoveries have fallen off and exploration is at the lowest ebb in years as a result of the unfavorable situation imposed on the industry by policies beyond its control.

Under these conditions, a most serious and dangerous decline in the world's output of gold would be expected in the years immediately ahead, except for two developments that tend to offset to some degree the bad effect of the extremely unfavorable political-economic climate. These are the new production from the westward expansion of the gold-bearing deposits of the Witwatersrand in the Transvaal, the relatively recent discoveries of gold in the Orange Free State and the new mines now coming into production there, and the profitable recovery of uranium from the gold-bearing reefs that has given a new lease on life to a number of old mines of the Rand whose ore was becoming marginal as far as gold content was concerned. These favorable developments in South Africa are to be attributed to the finding of new supplies of ore to offset the depletion of the older reefs and to the technical skill with which the terrain has been explored and the deposits exploited. The financial boldness with which vast sums of money have been raised and expended in these new enterprises also must be recognized as a major factor in providing these timely increments to the world's gold supply. The cost of this great expansion in South Africa will be well over \$500,000,000; and the expenditure of this huge sum—large even by American New Deal standards—is most reassuring as an indication of the faith in gold that is held by hard-headed men and intelligent adventurers.

It would, however, be most unrealistic to think that comparable opportunities for development of gold ores exist in the United States or even in Canada; but what chances this country has are not likely to be energetically exploited under existing conditions that seriously discourage prospecting and the development of new properties by drastically limiting the reward that could be retained even if a bonanza were found by such efforts.

The gold mining industry is, of course, unique in that its product derives its value primarily from the wide acceptance of gold as the basic monetary material. Gold as a commodity has inherent worth for its beauty and its industrial uses; but its great and undeniable hold on the imaginations of men as an accepted symbol of wealth gives it an enhanced value that is no less real because

Continued on page 36

Continued from page 35

it is based on enduring traditions and on its psychological hold on the imaginations of all peoples.

The welfare of the gold mining industry, at least in the relatively near future, will be determined to a very large extent by monetary policies of the free world and particularly by those of the United States. Under the present restrictions now imposed by the American Government, the domestic gold miner is in a particularly difficult position, for he is denied the protection against inflation that his gold would ordinarily give him at a time when he must meet his rising costs in depreciating dollars.

Fortunately, the steps needed to correct this situation are the very ones that would be most beneficial to the country itself, viz., the restoration of the gold standard with gold and the dollar freely convertible at a fixed rate. The stabilization of money, to check inflation and to lessen the danger of drastic inflation, is surely one of the most urgent needs of the times. The domestic gold mining industry in relation to the problem is too small to be of much influence; but the vast stock of monetary gold is of utmost importance, for it affords the power to establish monetary practices that will aid rather than hinder multilateral trade and that will correct the chaotic exchange controls and other restrictions that now plague the world.

The sorry record of managed currencies speaks for itself. Without the impartial discipline of gold behind the promises to pay, the best efforts of "competent and responsible men" are apt to be futile. So many, however, have made an effective case for the restoration of the gold standard that their good arguments hardly need to be repeated here, except to urge that when such a needed step is taken, the relation of gold to the paper currencies will be one that can be maintained and that will promote stability.

Wide differences of opinion unfortunately exist with regard to the number of dollars that should be redeemed by an ounce of gold when convertibility is restored. Since World War I the function of gold as a common measure of the value of currencies has been obscured by artificial restrictions of one sort or another. Yet, if gold possesses the properties that a monetary metal should have, its value will have persisted through this troubled period without drastic change when measured in terms of goods and services. This actually is the case, and the problem to be faced in restoration of the gold standard is to adjust the paper currencies of the time to this persistent and stable value of gold, and not attempt to adjust gold to the paper dollar and other depreciated currencies. Obviously, the gold value of the 1914 franc cannot be regained by honoring the vast claims that would be created if the franc of today were made redeemable at the 1914 rate. To a lesser degree, the same can be said of both the pound sterling and the dollar. No one urges that the gold standard be restored with gold priced at $20.6718 per ounce in dollars of today. Thirty-five dollars per ounce might still be too low.

Is the price at which the Treasury has purchased gold since 1934 and at which it honors the dollar claims of foreign central banks necessarily the right one? Economists and bankers of standing can be found who argue that it is; and others who deny it. One group asserts that an increase in price would lead to dangerous inflation. Other equally good authorities consider that restoration of the gold standard with gold at the current official price would be seriously deflationary and would be a repetition of the mistake made by England in 1925 in attempting to maintain the old ratio between the pound and gold, which many regard as primarily responsible for the severity of the depression of the Thirties.

A gold miner of course is open to a charge of self-interest when he urges that the dollar be revalued with gold at a higher price. As a matter of fact, either of the extremes predicted by theorists would benefit him. If restoration at $35 per ounce should result in the expected deflation, he would do well, for gold mining thrives in depressions. If the price of gold is excessively increased, he would benefit temporarily but in the end would be damaged as his costs reflected the full effects of the inflation that could logically be expected. Consequently, the gold producers should not be accused of endeavoring to promote their own narrow interest at the expense of the country, for the action that they have from time to time advocated can be defended on the grounds of greatest good for the entire nation.

As I see it, substantial devaluation of the dollar has already occurred. To date, its full effects have been concealed by various temporary devices, among which the vast loans, gifts and handouts of various sort to foreign governments and agencies have been the most potent. The adjustment of the dollar to gold, when convertibility is restored, must take this actual situation into account if a stable relationship is to be established.

If gold is the monetary base, the dollar and other currencies as they exist today should be adjusted to it. Otherwise, what is actually attempted is a devaluation of gold, if the price in dollars is placed too low. If this could be accomplished without serious repercussions, it would properly raise doubts about the value of gold itself as a monetary basis, and lend weight to the arguments of the extremists of the managed currency school that the gold standard is a relic of the past. I am confident that gold cannot be devalued and that if we are again to regain monetary stablity on an international scale, the currencies must be adjusted to the steady, persistent value of gold, and not the reverse.

Great wars with their destruction of lives and wealth and their drastic dislocation of industry inevitably result in devaluation of currencies that under conditions of extreme emergency are unavoidably detached from gold. Even the victorious nations do not escape though they may be spared devaluations in their most extreme form. The effects of such disasters, however, cannot be ignored. Claims of fantastic magnitude expressed in francs, pounds sterling and even dollars cannot be honored by conversion into gold at the rates that prevailed in prewar times. They must be written down to sensible amounts in terms of gold, if the balance is to be restored and the benefits of measuring them against a common and accepted standard are again to be provided.

An increase of 3% per year in the world's stock of monetary gold has been regarded by a number of competent economists as a rate that would be needed to meet the monetary needs resulting from expected growth of populations and industry. This would mean a contribution from the world's mines of around 30 million ounces per year if the total monetary stock of gold of the free world is of the order of one billion ounces, which is a reasonable estimate.

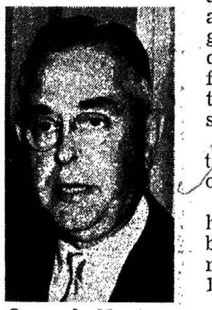
If it is assumed that under more tranquil conditions the quantity of gold absorbed by industry and private stocks will not exceed 25% (which is considerably below present figures), this would require an output of around 40 million ounces per year, which is close to the maximum world production in any year which was attained in 1940 (37 million ounces, exclusive of Russia). Consequently, to the extent that gold production is a factor in the problem, one could properly conclude that the spread between income and costs that prevailed in 1940 was about right to maintain operations at the desired rate. It is a certainty that this output could not be attained under current conditions. What price gold would be required to achieve it, if costs in currency were held at the present level, is difficult to estimate, but I would be inclined to think it would be between $50 and $70 per ounce.

Obviously many other considerations are involved in determining the ideal price at which the dollar should be made convertible. Whatever reasoning is employed, however, the premise should be clear that the proper ratio at which the dollar should be valued in terms of gold is that which could be fixed with best hope of permanence and without drastic disturbance of existing prices.

GEORGE L. MORRISON

Chairman of the Board and President, General Baking Company

The baking industry's position in the coming year will be as secure as forward-looking progressive bakers make it. General Baking's gross sales had increased by some $4 million during the first three-quarters of 1952. A portion of this increase was authorized by O.P.S. to compensate for higher costs, and the balance represents increased unit sales.



George L. Morrison

The baking industry need not be unduly concerned in the event that there is curtailment of defense spending. Instead of worrying about cuts in defense spending, business should take immediate steps to build volume by increasing markets. If we were able to increase the American standard of living by even 5%, we would have a buffer of about $10 billion with which to offset cuts in defense spending.

At General Baking we're confident that new ways can and will be found to further improve our services and maintain a prosperous economy in an atmosphere of peace. General Baking, continuing its policy of offering the consumer top-quality products, will rely on even greater efficiency of operation and aggressive selling methods to maintain high volume.

I do not expect any heavy increase in business during 1953 and think that long-range expansion policies will be dictated and qualified by economic considerations and by technical progress within the baking industry. It's obvious that no accurate plans for future expansion can be made without specific knowledge of how far and how quickly our technological research will advance us toward new frontiers.

This does not mean that I feel that new plant construction or the purchase of new production machinery should be suspended in anticipation of any developments in the near future.

We read and hear a lot about experiments which may make it possible to do away with the necessity and pleasure of eating three square meals a day but I'm sure that the American people, properly supplied, will never accept synthetic forms of food and energy for the wonderfully satisfied feeling and solid nourishment offered by bread, meat, eggs and vegetables.

H. C. MURPHY

President, Burlington Lines

Preliminary estimates indicate that 612 billion ton-miles of freight service were performed by Class I railroads in 1952, a decrease of between 5 and 6% under 1951. Early reports indicate that carloadings decreased by 2½ million, from more than 40 million to less than 38 million. Latest figures available show that despite fall in traffic the rails ended 1952 with a slight improvement in their financial statement, because of freight rate increases during the year.

H. C. Murphy

Operating revenues of Class I railroads in 1952 approximated $10,600,000,000, a new all-time high, and an increase of about 2% over 1951. Operating expenses of nearly $8,100,000,000 also hit a new high, increasing over the previous year by about one-third of 1%. After paying record peacetime taxes of approximately $1,300,000,000 and equipment and joint facility rents, Class I railroads had a net railway operating income in 1952 equivalent to a rate of return on net property investment at the end of the year of about 4% compared with a rate of 3.59% in 1951.

Continuing the large scale program of capital expenditures on which the rails have spent an average of more than a billion dollars annually in the past seven years, they spent last year $1,374,000,000 for improvements. This was the second largest annual capital expenditure ever made by the rails. The results of this improvement program have continued to be reflected in greater efficiency and economy in practically every phase of railroad operations.

The railroads, including the Burlington, will continue in the coming year to emphasize their need for vital materials required to carry on their freight car and locomotive building program. Continuing capital expenditures for improvements in all parts of the railroad plant will be made in 1953, which will bring, ultimately, the best possible transportation at the lowest possible cost. The railroad plant is being expanded to fully meet the needs of industry and agriculture.

The attitude of everyone concerned with transportation seems to have become more favorable toward the railroads, more sympathetic and understanding, and more determined to see that we get a square deal with our competitors at the hands of our government. This heartening and healthy atmosphere will prove helpful during 1953.

Indications are that business conditions as reflected in railroad traffic volume will continue at 1952 levels during the first half of 1953 with a possibility of some decline during the second half. Changes in the international situation will, of course, affect railroad volume. While railroad traffic in durable goods may carry through the year in satisfactory volume, the weakening (in the West at least) is expected to come from lower than normal farm crops. Winter wheat got a rather poor start last fall and there was a definite absence of moisture. While some encouragement comes from light rains and snow in recent weeks, the prospects are not favorable to a 1953 farm production equal to 1952. Then, too, granger roads such as the Burlington may suffer a slight decrease in their traffic if lower price level of certain farm products continues being paid to the farmers for their products. Farm inventories, however, are up considerably, which will be helpful to 1953 rail traffic.

Defense expenditures are expected to continue at about the same level, possibly somewhat higher, depending, of course, on the international situation.

The change in the national Administration and other happenings make it most difficult to forecast the 1953 business trend. Our feeling, however, is that the railroads should enjoy a satisfactory traffic volume during 1953—possibly 2 or 3% off from 1952.

WILLIAM L. NOLAN

Chairman of the Board, McLellan Stores Company

In our opinion we are entering a period of increasing risk in retail business, but there is no need for pessimism provided the utmost efficiency is exercised in the conduct of our affairs. We predict permanent prosperity for the United States brought about by an expanding demand for goods and services. We are able to meet the demands of the defense program, and at the same time to enjoy unprecedented prosperity.

W. L. Nolan

It is understandably true that the defense program has increased production and employment, but the fundamental basis of our present prosperity is derived from the more permanent factors which have created and will continue to create a solid and expanding demand for both goods and services.

Among those permanent factors are a broad distribution of income which has created a mass market for goods—a rapidly growing population providing a continuous expanding demand for the kind of goods which this company offers in 29 states.

Competition is now as it always has been a real spur to progress. New techniques and development of new products and ideas are strong influences in the retail trade through the entire United States in all types of stores.

In our particular field of retailing as in all other fields of business, we cannot underestimate the magnitude of the job still to be done. National security in these troubled times does not come cheaply or without effort. Maybe defense spending will be the main support of the economy for some time to come as some people think, but if things are going to be done better, retail business and the country generally will be better off.

When government purchases are at its peak, it is natural to think that business could not sustain a reduction in those purchases without depression, but this is not true. The question is whether private business in its normal function of satisfying people's wants will come forward to fill the gap.

Buying of merchandise, while confident, is orderly, temperate and clearly influenced by expectation of greater supplies rather than less as time goes on. The bulk of the country's business is still for the purpose of satisfying people's daily wants.

The present situation is strong and the outlook good, but there is need of caution in the retail field, and to meet the challenge of fast moving events. We must have a new approach in merchandising—better timing and more modern selling methods to make 1953 a better year.

While it is prudent to expect occasional setbacks, the long-term outlook remains favorable.

JAMES F. OATES, JR.

Chairman, The Peoples Gas Light and Coke Company

The outlook for the gas industry for 1953 and for the foreseeable future appears very promising indeed but not without its problems. A large market consisting of additional gas customers exists in the house heating field, but present natural gas pipeline transmission capacity in many areas is inadequate to satisfy this market. The extension of house heating service, therefore, has necessarily been restricted in these areas. This has been and continues to be a very unpopular and disagreeable situation with gas utilities and potential customers alike. However, the limitation orders which have been issued restricting the addition of new house heating customers have been absolutely necessary in order to insure adequate supplies to present customers in peak gas sendout periods. If the gas supply is oversold, the public welfare, comfort and safety will be placed in jeopardy.

James F. Oates, Jr.

As of Jan. 1, 1953, Peoples Gas had on file more than 122,590 applications from Chicago families requesting permission to use gas to heat single family homes, and new applications are currently being filed at the rate of approximately 5,500 per month. As a public service institution, Peoples Gas long ago recognized its obligation to find a way of serving all of its potential customers. A partial solution was realized when the new Texas Illinois pipeline was placed in operation in December, 1951. However, the high expense of pipeline construction dictated the search for an alternative means of supplying the space heating demand rather than constructing even more pipelines. It is frequently overlooked that the average gas house heating customer in the Chicago climate requires on an average day only 25% of the amount of gas he requires on a peak day during the winter heating season. This means that only 25% of the total capacity of new pipelines would be needed to serve these potential heating customers and the remaining 75% would have to be sold for other uses.

Many other gas companies are similarly in the position of not being able to satisfy new house heating and other types of firm customers until additional supplies of natural gas are made available. To this end an estimated $1,173,000,000 will be spent in 1953 by gas utilities in construction programs to increase the supplies of gas to consumers. However, the solution is not solely one of building more pipelines to serve the same areas, because the combination of peak winter demands and low summer demands of residential customers makes it necessary to sell large volumes of gas to "off peak" and "interruptible" commercial and industrial customers in order to make use of the steady flow of gas from the pipelines every day of the year. In my opinion the sale of gas to off-peak and interruptible customers during the warmer months of the year is not in the best interests of conservation of one of our most valuable natural resources. Natural gas is a reliable, clean and economical fuel and as a premium fuel should not be used at bargain rates as a substitute for oil and coal under the boilers of industry or for comparable commercial purposes.

The solution for Peoples Gas, as determined by the experts, is a plan to develop a huge underground storage facility where the gas, not needed by house heating customers in the summer months, could be then stored for use during the following winter heating season.

After considering the possibilities of storing gas in various ways, it was decided that the most satisfactory method for us would be the use of an anticline or limestone dome formation in the region of Herscher, Ill., which is approximately 40 miles from the Chicago market and only 17 miles from our new Texas Illinois pipeline. Beneath the thick limestone dome, and about one-third of a mile below the surface of the ground, is a layer of porous sandstone now filled with salt water at high pressures. As natural gas is pumped into the sandstone the water will be forced back and a "bubble" of gas will be formed at the peak of the dome in the sandstone stratum. It is the opinion of the geologists and engineers that, at a cost of approximately $45 million, this storage project will provide usable storage of a minimum of 90 billion cubic feet of gas and a peak-day deliverability of 1½ billion cubic feet, being a deliverability equal to the capacity of three pipelines each costing about $175 million. Our experts have advised us that the construction at the site of the new storage field, which is now vigorously underway, will, in all probability, be far enough along to permit limited operation during the 1953-54 heating season and that expanded operation will follow as conditions permit.

WILBUR OLSON

Director of Development, W. A. Sheaffer Pen Co.

Three factors—confidence of business in the new Administration, development of new products, and possible removal of controls on some raw materials—should produce an expansion of business and sales in the writing equipment industry during 1953.

Wilbur Olson

The confidence of the business world generally is in our favor. If reduced spending is accompanied by a balanced budget during the new year, there should be no question about the economic outlook for the writing business in particular and industry in general.

Removal of industry's uncertain outlook of the past few years has resulted in the shelving of overcautiousness as business pushes ahead under a more favorable Administration.

Business has been spending almost against its better judgment during 1952. Release from that situation will have a fine effect on the confidence of the nation in industry.

Development of new plastic materials and removal of controls on other raw materials such as metals should permit virtually full production of writing instruments barring a national emergency.

Another cause for optimism is the prospect of a possible expiration of the Excess Profits Tax on corporations on June 30. This would provide smaller businesses, which make up the writing equipment industry, with additional cash for research and development. These two phases of a company's operations are essential in the highly competitive writing instrument business.

If we are to continue to grow and to take advantage of the anticipated favorable conditions in 1953, we can not rest on our past successes but must continue to meet competition with new and improved products.

This was demonstrated during the past year when Sheaffer's introduced the new Snorkel fountain pen, the first practical "messproof" pen. Heavy public demand for this pen with the tube that sucks in ink and eliminates messy "dunking" of the pen point or barrel, was reflected in a marked upswing in the company's sales during the last quarter of 1952.

With a sounder economic outlook in prospect for 1953, the Sheaffer Pen Company also plans to strengthen its position in foreign markets. During the past year, the company set up a manufacturing plant at Melbourne, Australia, for production of pens and mechanical pencils. Output of this plant is expected to be stepped up considerably during 1953. In addition, the company's Canadian plant at Malton, Ontario, is increasing production of Snorkel fountain pens to meet the Dominion demand.

SEYMOUR J. PHILLIPS

President, Phillips-Jones Corporation

In order to predict conditions as they will exist in 1953 in the shirt and sport shirt industry it is necessary to understand the supply-demand situation in the year which has just closed. The first six months of 1952 were marked by retail hesitation, manufacturing uncertainty, a declining textile market and a downward adjustment of inventories at all levels—mill, manufacturing and retail. An early and hot summer added to the realization that the pendulum of pessimism had swung too far. By August orders were being placed in substantial quantities, textile prices were rising and manufacturers were pushing their plants for maximum production. By early December the enormity of the sell-out was apparent and stocks at all levels were depleted. By Christmas the shelves were as bare as a newborn babe. Thus, as we enter 1953 there is a huge open-to-buy by retailers, full-scale operations planned by manufacturers and a stubborn confidence by mills. Good general business conditions, including full employment and a high national income, serve to strengthen the optimism of an industry which is in better position than it has been since the war years.

Seymour J. Phillips

The big question mark is the productive capacity of mills and manufacturers and the speed with which this capacity can reverse the present imbalance between supply and demand. It is my considered opinion that at least six full months will go by before any marked weakening is seen, and there is an excellent likelihood that the expanding cold-war economy in which we live will bring the sunshine of prosperity (its sole virtue) into all segments of the shirt and sport shirt industry throughout 1953.

FRANK N. PIASECKI

Chairman of the Board, Piasecki Helicopter Corporation

The United States enters 1953 in an environment of accomplishment and optimism. This year we will reach our defense production peak while still producing civilian goods for a standard of living never before attained here or elsewhere in the world. Regardless of political views, we cannot fail to be stimulated by the tremendous resurgence of our citizenry's active interest in government. And our leadership in the United Nation's action in Korea provides the proudest of stimuli to productivity, technological progress, and the attainment of international peace.

But the advent of 1953 calls for something far greater than a change of calendars. It is a turning point that calls for a change in our scientific and technological perspective.

In our cold war, our warm war (Korea), and in the hot war that may come in the form of World War III, the manpower of the free world is greatly outnumbered by Communism. Our natural resources are fast depleting, particularly in the forms that we now use them. And amplifying this increasingly dangerous position for the United States is the fact that our men and material cannot be devoted to American use alone, but must be shared with our freedom-loving allies the world over.

At the same time, the Communist hordes and holdings grow and grow. And though it's not fashionable to admit it, Communist productivity has increased tremendously. In addition to the productive capacity of Russia and its European satellites, we cannot afford to ignore the output of countries we generally look upon as "backward"—for example, Manchuria, not long ago insignificant, but now an active arsenal. Add to these ingredients the manpower and raw materials of Red China and the like, shake well, and you have human and material resources capable of far outpacing our own.

An ominous outlook, isn't it? But it doesn't have to be forbidding, if we develop actively and use efficiently the most powerful ingredient of all: scientific and technological brainpower. Here is our potential equalizer and our one possible advantage—technical superiority. Let's not forget that Joe Stalin's gang is developing this resource as fast as they can; and it's an easier job for them, for they can plan a man's career, direct him into technical studies, and order him to apply his knowledge to technical advancement in the field most necessary.

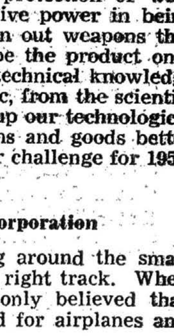
We can't do this by edict. But we most certainly must do it by democratic processes, just as we have built the world's greatest production machine under a free economy. We must—starting in 1953 and with increasing vigor in future years—(a) determine our scientific and technical manpower requirements in advance; (b) give greater incentive, principally through proper recognition and prestige of his professional stature, to the scientist and engineer; (c) stimulate more students to enter technical study, by cooperative efforts of government, industry, and technical societies; and (d) launch planned and active campaigns to attract technical personnel to the fields where they are most needed.

America has proved it can make goods and weapons in quantity. But others now are learning the same thing. The speed with which an enemy can strike in modern war no longer will give us time to mobilize and produce while we work madly behind the protection of wide oceans. America must have productive power in being and that productive power must turn out weapons that are definitely superior. These can be the product only of people who are superior in their technical knowledge and skill. From engineer to mechanic, from the scientist to the assembly line, we must build up our technological power and use it to develop weapons and goods better than those of anyone else. This is our challenge for 1953.

W. T. PIPER

President, Piper Aircraft Corporation

After several years of floundering around the small plane industry has finally got on the right track. When World War II ended, it was commonly believed that there would be an enormous demand for airplanes and for a while airplanes were sold as fast as they could be built, but when the GI pilot training declined, the market for these planes collapsed.



W. T. Piper

Many things have changed since then. Wooden propellers have been replaced by metal ones. The two-passenger training planes have been largely replaced by planes with higher speed, longer range and seating four or more. Most new ones now have a tricycle landing gear, which greatly reduces the skill required for taking off and landing, gives excellent visibility for taxiing and makes it easier to handle the plane in high winds. The aileron and rudder controls are connected, eliminating the need for coordination. These two things have greatly decreased the work of learning to fly. Practically all planes are now equipped with good radios, and the government has built Omni Stations all over the country, which simplifies navigation.

New uses for the airplane are being found regularly. They are now used to locate schools of fish, hunt wolves and coyotes, and patrol pipe lines. Corporations have fleets of planes to go from one plant to another. Probably the farmers find more jobs for planes than any

Continued on page 38

Continued from page 37

other group. They look for cattle, check water supplies, spray and dust crops, fertilize fields, sow rice and make time saving trips to town. The surface in this field has barely been scratched.

The industry is now building planes with proven utility which are being bought by people who travel. In the past, many owners sold their airplanes after only a short period of time. Those who buy now not only fly a large number of hours each year, but they are keenly interested in getting the new improved models. The year 1952 showed an increase in number of planes and a greater increase in the dollar volume. They are at last being used for the job they can really do—that is the furnishing of long distance transportation. The improved airplanes and the improved navigational aids have greatly increased the popularity of private aviation. Unless all signs fail, business in this year will be excellent.

F. L. RIGGIN, SR.

President, Mueller Brass Co.

I can see nothing at this time on the business horizon, short of all-out war, which would indicate anything but a continuation of the same type of business prosperity that industry enjoyed throughout the year 1952. I now believe that the defense program will extend throughout the entire year and do not think there will be a general business slow down during the last six months of 1953. With the very real possibility that the Excess Profits Tax will be eliminated after the first six months of 1953, there is every indication that profits from industry will be as good or even better than in 1952.


F. L. Riggin, Sr.

The election of Mr. Eisenhower has given a tremendous boost to the spirit of the people in this country, not only people in industry, including management and workers, but to citizens everywhere. With the opportunity we now have for an honest and efficient Administration, one that is dedicated to the principle of serving all groups of our citizens impartially and equitably, and with no promises or commitments to be fulfilled to any special favored group, there is gradually developing a new spirit and a determination on the part of industry to demonstrate to the people of this country how much better an able and efficient Republican Administration can serve all of the people and how much better such Administration will be for labor as well as business, a fact which labor will not believe until it is thoroughly demonstrated.

One thing businessmen must recognize is that bringing order out of the chaos in Washington is no easy task and will take time. Every business concern has a responsibility to get their own affairs in order to cooperate fully with the new Administration, and to be prepared to accept sacrifices, which they surely will have to accept, if they are sincere in wanting a good Administration. Nothing so drastic as a clean-up in Washington can be done without sacrifices on the part of those who really want it done, and four years is all too short a time to demonstrate to the American people that the recent Administration has not been for all the people, has not tried to solve all the problems, and had very little ability even had they tried. 1956 will roll around very quickly, and businessmen everywhere should do everything they can to demonstrate clearly that a Republican Administration is good for all the people, business and labor and agriculture alike.

MILTON R. RACKMIL

President, Universal Pictures Company, Inc.
President, Decca Records, Inc.

Making business predictions must necessarily be based on past experience and on current conditions. We in the entertainment business, particularly that part of it relating to motion pictures and phonograph records, are keenly sensitive to the caprices and whims of the mass markets. During 1952, it is interesting to note, both the motion picture industry and the record industry celebrated birthdays. The picture business high-lighted its 50th anniversary and the phonograph business commemorated its 75th.


Milton R. Rackmil

Both of these businesses have a kindred interest and a responsibility to produce entertainment that will appeal to the greatest number of people.

As public forms of communications, these industries are constantly faced with the question: "What is the mood of the people today and what will be its mood tomorrow?"

It is difficult in certain businesses to literally follow blue prints but patterns have been developed over the years, and these patterns stand us in good stead as far as our planning and production are concerned.

There has been much talk about the effect of television on both the picture and the record business.

As we look into the past, we find that the same questions developed during the early days of radio, and particularly in the early 30's when radio assumed its present character of network broadcasting. It was in 1934, when radio was meteorically successful, that Decca Records, Inc. was organized. Despite radio competition, this company grew tremendously along with the growth of radio.

The same point applies to the motion picture business.

In other words, it seems that when new media of entertainment develop, the public's appetite for entertainment becomes greater and, therefore, all entertainment business benefits from this stimulus.

We believe the same experience will be true with the further development of television. It is our conviction that television rather than persisting as a competitive factor, to the entire entertainment industry, will actually serve as a boon.

At the persent time, Universal Pictures Company, Inc., is developing a program for television in its studio. The production of these pictures will be designed exclusively for television. They will not be utilized for exhibition in motion picture theatres. It is our belief that if more and more film is used on television that it is most logical for the major studios in Hollywood, who have the experience and know-how, to assume a formidable position in this activity. Of course our business, like all others, depends upon the general trends of the nation's economy, the international situation, and world economy in general.

I believe there is more reason for optimism than pessimism. If the present high employment level is maintained, the American people will have no reason or inclination to retrench or to modify their standard of living.

This pressages a continuance of good business. With the public enjoying more leisure time to do things and shorter working hours, we in the entertainment business are confident that entertainment will become more and more important to the national morale. So it is my feeling that the outlook for '53 is good.

WILLARD F. ROCKWELL

Chairman of the Board, The Timken-Detroit Axle Company

There are very few occasions when the business atmosphere is so clear that it is simple and safe to make a long-distance forecast. It is particularly difficult at the moment, when our country is engaged in a "police action" in Korea, the rearmament program is running between \$50 and \$60 billion per annum (approximately 20% of the national gross production), and in light of the complete change in the top personnel of the government.


Col. W. F. Rockwell

The automotive industry was advised about six months ago that restrictions on steel would automatically bring about a 50% cut in automotive employment in the first quarter of 1953; but, in the interim, restrictions have been lifted until it is quite possible that the automotive industry will be permitted to produce all the vehicles it can sell. The only conclusion to be drawn from this sudden change is that our sources of supply are catching up with the demands and that the outgoing Administration feels it is safe to reduce, or stretch out, the rearmament program. With the advent of a new Administration which has not announced its opinion on the imminence of war, there is no way to determine the policy which will be pursued. We know that there will be many changes, but we cannot be sure whether these will include reduction and readjustment of taxes to remove inequities, or whether there will be additional taxes to eliminate Federal deficits.

Leaders in the automotive industry seem to be unanimous in planning increased production schedules for 1953, compared to 1952. The majority of independent economists look forward to expanding business, and discard the possibility of a spreading war, in spite of the many outbreaks which show no sign of peaceful conclusion. If the conclusions of the automotive industry and the economists are correct, most of the shortages which cramped business activity in 1952 will be overcome, and it will be possible to increase shipments and operate with smaller inventories.

The British and European industrialists with whom we have business connections are thoroughly convinced that their own war-weary countries have no warlike intentions. They also believe that the Red Russian rulers do not dare to test the loyalty of their own subjects or of their satellites by plunging into an all-out war. Many of them express the distorted view that the American rearmament program is definitely aimed at a devastating war with Russia, rather than to establish world peace; and they believe that if a Russian-American war does occur, Western Europe will become the combat area, with utterly disastrous results to their people, even though they are allied with the winner.

We believe that if local, state, and Federal governments will reduce taxes and devote more funds to such constructive operations as road-building, the automotive industry will have a good year and our country will improve both its national and international position.

J. P. SEIBERLING

President, Seiberling Rubber Company

The outlook for Seiberling Rubber Company in 1953 is very favorable.

The rubber industry's sales of passenger car and truck tires to the replacement market are expected to rise, from the 1952 rate of 54.2 million units to about 58 million in 1953—an increase of 7%.


J. P. Seiberling

Seiberling's unit sales should increase at a somewhat higher rate, partly because we were not able to produce enough tires to meet demand in the past year, and partly because of new plans for this year, yet to be announced.

Dollar sales should be at a new high—not only because of the expected increase in unit sales, but because of a much firmer price structure. In fact, it is entirely possible that retail tire prices will go up in 1953. Our 1953 earnings should be improved over those soon to be reported for 1952. However, they will not approach the record high level established in 1950 unless Federal taxes are materially reduced.

We begin the year 1953 with financing adequate to provide a high level of production, from now into the peak summer tire-buying season, and we expect to be bettter able to meet customer demand and to provide full employment in our plants.

Seiberling Rubber Company's prestige in the tire market should be greatly enhanced by new products to be introduced early in 1953, and by others now under development.

Our No. 1 research project is the design of a premium passenger car tire for speeds of 100 miles per hour and more, able to withstand the punishment inflicted by long highway runs at such high speeds. We have been at work on this for more than a year, and are very much encouraged by our progress to date.

We are planning steps toward greater diversification of our business, and toward some modernization of selling policies, with a view to further leveling of the company's year-around production schedules and increased stabilization of employment.

All signs point to an improved 1953 for Seiberling Rubber Company.

FRANCIS P. SEARS

Chairman of the Board, The Columbian National Life Insurance Company

I do not think there is likelihood of war with Russia in 1953 and base my thoughts on the 1953 outlook on that supposition.

The horrors of the hydrogen bomb are so stupendous that it seems incredible that anyone would choose to subject his own people to such destruction.


Francis P. Sears

However, we must continue to prepare ourselves to be able to use all effective weapons, and this means further huge government expenditures for this purpose, though I hope and expect that the splendid new Administration will do away with a great deal of extravagance and silly experimentation, thus resulting in a saving in the so-called defense effort of at least \$10 billion for the fiscal year beginning July 1, 1953. With a reduction of some billions in gifts abroad and billions of savings in personnel cost of useless departments boards, agencies, committees, etc., etc. in Washington, we may well balance our budget, and further reduce taxes in 1954.

I expect the Excess Profits Tax will be dropped when it expires on June 30, 1953, and I think it is likely that the 11% increase in individual income tax rates made in 1952 will be dropped on June 30, 1953, instead of waiting for its official expiry on Dec. 31, 1953.

I am hopeful that the capital gains tax will be reduced to not over 10%. Financial experts say that it is worse than useless as a source of tax money at present since it prevents most sales of investment properties and thus greatly decreases business activity. Possibly, it might be well to keep a three months' short-term capital gains tax provision to reduce purchases and sales based entirely on speculation.

There ought also to be indicated for 1954 consideration, a considerable reduction in the tax brackets of people of gross incomes running from \$20,000 to \$100,000, as these people, in spite of all the talk of prosperity, are very much worse off now than at any time since the Federal Income Tax Law started in 1913; while those with smaller incomes are generally very much better off.

There are many reasons to expect good business in our life insurance industry throughout the whole of the year 1953.

(1) Industrial activity, as shown by the Federal Reserve Board Index, is at its peacetime peak.

(2) The increase in population of 26,000,000 people since 1935, with new babies running nearly 4,000,000 a year, is about double the annual increase in population we had been expecting.

(3) Employment payrolls are the highest in our history with the exception of a short period during World

War II when we were striving feverishly to increase our war production.

(4) The better governments, both national and state, established in the November elections, (5) the decrease in wholesale commodity prices with resulting decrease in the cost of living, (6) the great volume of public building on account of accumulated needs for roads, schools, hospitals, housing and water supply, (7) the suburban shopping centers stimulating buying, and (8) the still necessary huge expenditures for rearmament all indicate tremendous payments to the workers who will buy the things they need and want in great quantities.

(9) Waste, loafing and slackness in the army and air force here in the United States will be cut down and unexpended appropriations of previous sessions of Congress must be applied to the future, thus enabling a reduction in the budget proposed for the coming year by ex-President Truman. Fancy! In this time of peace, as he calls it, he has proposed an increase in personnel of 140,000 people. There can easily be a decrease of double that figure; it is being accomplished before his very eyes. People who have been feeding in the public trough for some seven or eight years are said to be leaving Washington in droves.

(10) Business generally will not be harassed as it was with Presidents Truman and F. D. Roosevelt.

(11) Labor chiefs will not be so all powerful.

So the net result for the whole public should mean much more prosperity and freedom from worry and fear.

GEORGE SPATTA

President, Clark Equipment Company

The market potential for materials handling equipment is sufficiently large to assure present manufacturers profitable operations over an extended period in the future.

George Spatta

There are three factors which contribute to maintaining a strong market position for materials handling equipment manufacturers. They are:

(1) The fact that mechanized materials handling is a relatively new technique and that thousands of industrial plants still lack advanced equipment;

(2) The continually pressing need for management to cut costs of finished products; and

(3) The rising costs of building construction, which make it mandatory for plant owners to realize maximum utility from each square foot of floor space.

From a marketing standpoint, 1939 may be regarded as a starting point in the widespread use of industrial trucks. Even though thousands of units were produced during World War II and in the years that have followed, it is reasonable to assume that the units we have delivered fill only a relatively minor portion of the overall market potential. Today's industrial truck position, it seems to me, is comparable with the position of the automobile in the late '20s—just enough of them had been produced to whet the appetite of the mass market.

The pressure on management to find ways of reducing costs acts as a form of insurance to keep the demand for industrial trucks and other materials handling aids strong.

Manufacturers are becoming aware that the "direct" labor costs involved in the actual production of a product are generally a small fraction of the total cost of that product and very often these operations have been mechanized to the point that further economies are not possible without tremendous capital outlays.

On the other hand, there are ways of reducing certain "indirect" costs attendant to the manufacturing operation. The method of handling materials, particularly in prewar plants, is generally the first and most likely target. Introduction of efficient equipment can result in immediate savings, and in each month that passes we find more and more economy-minded companies who are placing their first orders for industrial trucks.

I regard any company employing 15 to 18 people and in which the handling of materials is a major factor as a potential customer for an industrial truck.

The high cost of construction has helped accelerate acceptance and use of the fork-lift truck, particularly among industries where warehousing finished or partially finished production is a problem. The use of the fork-lift truck has enabled some manufacturers to double capacity of warehousing facilities. Not only has this has been accomplished without additional construction, but it has often been accomplished with an actual reduction in the number of warehouse employees. The net result has been increased storage capacity and reduced operating costs for the price of a few fork-lift trucks and pallets.

Industrial trucks are a good buy in today's market. During the past 10 years they have not increased in price nearly as much as other manufactured items of equipment. This is due largely to the fact that we are now able to take advantage of mass production economies, a factor which enables us to keep costs low in spite of present inflationary pressures.

G. H. SPIGENER

Chairman of the Board, American Snuff Company

Until such time as we get the time-honored law of supply and demand working, we are going to have our people on both sides of the fence, for and against, the present trend towards Socialism. In trying to create a new world out of old ideas that have never worked, we find ourselves in a bureaucratic state, where so many bureaus are formed that they are falling over each other. This is a needless expenditure of money on account of duplication of work, for one thing. Bureaus to the right of us; bureaus to the left of us; so rode the depression, which is just around the corner, the props being largely expenditures made by our Government, evidently preparing for an outright war in the future.

G. H. Spigener

Did you ever try to figure out how you could spend One Billion Dollars? You just can't do it unless there is a terrible leak at the bottom. When you consider the national debt, you shudder and think, "I surely would like to see how one (the Government) goes about spending its BILLIONS."

An audit should be *published* showing how the Government went about spending these tons of money. Our people should know beyond the shadow of a doubt how this money was spent instead of being in a daze of wonder.

Times will continue on the present basis for a year, maybe two. We all seem to overlook that we pay for what we get. We haven't paid for the Second World War yet. Remember that we staved off paying for the First World War 12 years, then the deluge; so maybe we have a long time to go before we are hit at the base of the neck with a killing blow that can't be avoided.

The Government may make further strenuous effort to keep good times going and success will come from this effort for a short while, but the day of judgment is coming and can't be avoided or stopped.

What we should do to take care of this shock when it comes is to begin smoothing off the edges, straightening out the kinks, so when the blow comes, it can be absorbed.

EDWARD FOSS WILSON

President, Wilson & Co., Inc.

This year is expected to be different in several respects from the year just past, for the meat packing industry. The possibility of the termination of direct price controls in the near future is encouraging. Their unworkability in the livestock and meat industry has long since been established, and it is to be hoped that the disruption caused by them, especially in 1951 and the first half of 1952, will not be repeated in the future.

Edw. Foss Wilson

Total meat production in 1953 is not likely to be much larger than we had last year, but there will be considerable change in the kinds of meat. Beef and veal production will increase, perhaps by 10 to 15%. However, pork supplies will be reduced enough to offset most of the increase in beef.

This decline in pork comes after an unprecedented continuous increase in hog production in the United States since 1946. A point was finally reached where the relationship between hog prices and corn prices was not favorable to further increases. The large 1952 corn crop, in combination with reduced hog production this year, however, points to improving feed relationships ahead. Pork production, therefore, may not decline as long as in a normal cycle.

Cattle production has been increasing for several years, and has now reached the point where increased marketings and higher beef production can be confidently expected in the next few years.

Although future trends are always uncertain in the meat packing industry, there are several encouraging factors in the outlook for this year. Consumer demand is expected to continue relatively high. The overall level of livestock supplies should be sufficient to permit operations at a relatively efficient volume. Finally, in view of both the expected stable demand situation and the prospect of little change in total meat supplies, prices should be more stable than in 1952, when the average of all meat prices declined 19% and several important by-product prices declined even more sharply.

However, the price—as always—will be whatever the consumer is able and willing to pay for the quantity and kinds produced, because meat is a highly perishable product, processed and distributed by a very competitive industry.

THOMAS WOLFE

President, Pacific Airmotive Corporation

Business activity throughout the aviation industry will continue on the upswing throughout 1953. Outlook for companies which are engaged in the maintenance of airframe and engines, such as Pacific Airmotive Corporation, is particularly good. The Air Force has announced that it plans to spend 50% more for maintenance activities with private companies during fiscal 1954. At the present time, 25% is civilian-worked while about 50% of the work will be sent to private overhaul companies during the next fiscal year.

Thomas Wolfe

Although military production figures are curtailed by security regulations, Aircraft Industries Association estimates that 9,000 military planes were produced in 1952. This aircraft production curve to meet USAF procurement schedules will continue to rise for another six months, according to Undersecretary Roswell L. Gilpatric, reaching a rate of about 800 planes next Spring. With a near-record total of nearly 400 commercial transports also produced in the same year, plus a substantial increase in the number of light planes sold for business purposes, the work potential for companies such as PAC is practically limitless.

New developments in speed and aircraft pressurization make it essential to modify many aircraft as soon as they are off the production line. Private companies specializing in this type of work are best adapted to handle the conversion. Even if the new Congress were to make a severe cut in funds allotted to the Air Force for aircraft procurement and modification, which is seriously doubtful, the effect would probably not begin to be felt by the aircraft industry until 1955 or 1956, because of long-term programing.

One of the most amazing developments in aviation during the past few years has been the acceptance of the private airplane for industrial and business use. The fast-growing fleet of corporate-owned aircraft has created an important new commercial market for privately owned engine and airframe companies like PAC that offers a long-term business potential of even greater importance than the current military program. These company planes flew a total of 2,986,000 hours last year, some 730,000 more than were flown by the domestic airlines during the same period. Totaling an estimated 9,500 aircraft, of which some 1,700 are multi-engine, the corporate and executive aircraft operators are spending more than $100 million yearly on their fleets of airplanes. Maintenance of corporate aircraft has become Big Business, is expanding greatly every year, and is a continuing source of revenue regardless of world conditions. According to the C.A.A. "Business flying has become the major type of aviation flying, thus supplanting instructional flying, the long-time leader."

The vast new field of supersonic aircraft and guided missiles has created two new industries since World War II. The first of these manufactures aircraft electronic equipment. In the second group is the Manufacturing Division of PAC, concerning itself with the design and production of aircraft pressurization and airconditioning equipment for both human cargo and electronic devices. The importance of the automatic devices that are being developed today by a few companies such as PAC are increasing in importance each month. Although sales of this equipment are primarily for military aircraft, pressurized commercial transport utilize some of the units.

C. E. WOOLMAN

President and General Manager, Delta Air Lines

Delta Air Lines, which has been serving the South since 1925, is somewhat of a barometer in the area, for it touches 33 cities in 12 Southern States, ranging from Dallas, Texas, to Charleston, S. C., and from Miami north to Chicago.

C. E. Woolman

Delta's business has grown stronger every year in the last dozen years, with steep climbs since end of World War II when new flight equipment became available again. Estimating the last several days of December, Delta showed a 12% gain in passenger business for the year 1952 over 1951, to break all previous totals. The company showed a 1952 net profit of $4,147,079 after taxes, including non-recurring special items. Net profit in 1951 was $1,947,225 after taxes. Passengers carried totalled 975,704, compared with 881,068 in 1951, an increase of 11%. Air mail was up 9% and air freight increased 17%.

In planning for new ships on order and in connection with its proposed merger with Chicago & Southern Air Lines, Delta obtained a $20,000,000 loan commitment recently, principally through Southern banks headed by Citizens & Southern National Bank of Atlanta. A loan of this size would have been impossible in the South a

Continued on page 40

Continued from page 39

few years ago, but such transactions are now routine in the region.

The rapid development of air transportation in the South has been closely linked with the industrial development of the region during the past two years.

Georgia communities alone boarded a total of 674,754 passengers in 1951, which represented 3.7% of the nation's total air travelers, and a 46% increase over the total of 463,361 boarding at Georgia airports in 1950.

Atlanta, where 561,360 passengers took off in 1951, ranked eighth among cities of the United States in the number of airline passengers during 1951.

Much of Delta's business is generated within the South, reflecting increased business travel and increased funds for pleasure trips. The economy of the South was once tied directly to agriculture, but now we also look to manufacturing and tourism as well. The factories are here not only because of favorable labor, climate and other resources, but because the market is here also. Development of air transportation especially in the last 10 years has helped the development of the South by making it quickly accessible to all other parts of the nation not only for passengers but for air mail, air express, and air freight.

Not only civil aviation but military aviation too is contributing to the South's prosperity, with many military air bases most active here. Now a major industry for Georgia is the production of jet bombers at the Lockheed Aircraft plant at Marietta, just outside of Atlanta, and it is hoped that this defense plant will be converted to production of civilian aircraft in future years.

Air transportation with its great flexibility and fast speeds has helped to develop industry with benefits for railroad, water, and motor freight lines equipped to handle heavy freight at lower rates than airlines. The airlines look forward to cooperating with other transportation companies in helping the South continue its great progress in the field of industry, agriculture, and tourism.

Delta expects the South to advance faster in 1953 than any other region of the nation, and we have just started taking deliveries on a fleet of 10 Convair 340's on order, and the combined fleets would greatly increase our capacity to serve this booming area.

WILLIAM F. WYMAN

President, Central Maine Power Company

Again in 1952 Maine's business and industrial record showed sound, solid growth; present forecasts predict a continuation of this condition in 1953.

Wm. F. Wyman

Through the years a half-dozen major industrial classifications have carried the brunt of the entire industrial story which Maine had to tell. While this same group still plays a dominant role today, the trend of recent years to diversified industries locating in smaller centers is having a greater influence each succeeding year on the State's over-all economy.

Turning first to Maine's major industrial classifications, we find the entire picture generally promising for 1953. Included in this group are pulp and paper, textiles, shipbuilding, metal trades, lumber and woodworking, and boots and shoes. In most plants in these categories extensive programs of plant modernization and product improvement have continued since the end of World War II, keeping them competitive in national markets.

Cotton textiles which recovered from a nation-wide slump during 1952 look forward to an improved situation in 1953, basing their predictions mainly on expanding individual consumption without including military or industrial uses, and on improved stock situations. While the North-South competition situation has been the subject of discussion, it is encouraging to note that up to the present time Maine has not lost a single textile plant to any other section of the country.

Either plenty of orders on hand or foreseeable business make 1953's outlook generally optimistic for the other major industrial classifications, all of which enjoyed a good operating year in 1952. It might be well at this time to call special attention to Maine's shoe industry which has grown rapidly both in output and number of plants. The 39,000,000 pairs of shoes produced in 1952 give it the nation's number six ranking and exceeds 1948's production by nearly 15 million pairs.

Maine's second group of industries, while smaller in size, bulk large in importance. They include industries stemming from developments of recent years, including electronics, pipe lines, and frozen foods; they include small businesses producing goods of high craftmanship, such as furniture, or specialty items, such as snowshoes.

The State of Maine is peculiarly adapted to furthering the progress of such industries, for while the Pine Tree State is about the same size as the other five New England States combined, its population is less than that of Boston. With but 21 cities, all under 100,000 population, and 412 towns, it has ideal, low cost development space for small and medium size industries, together with plenty of good processing water, electric power and a dependable, skilled, intelligent labor market. All-in-all 230 such industries have started in Maine since the end of World War II.

Farm incomes have climbed from $51 million to $164 million in 10 years and are still climbing, aided by such developments as frozen foods and the broiler raising business, the latter jumping from a few hundred thousand dollars to over $23,000,000 in just over 10 years. Frozen food processing also has aided the sea and shore fisheries to expand from $25 to $75 million in 10 years. New methods and expanding markets will continue to aid these natural resource type of industries in 1953.

To meet ever increasing demands for electricity created by Maine's continued growth, Central Maine Power Company alone has spent $35 million in new facilities and replacements in the past three years and estimates it will spend another $16 million similiarly in 1953. Included in this program is 60,000 kilowatts of new steam-electric generating capacity added in 1952 and 45,000 kilowatts of new hydro development now under construction.

Continued from page 20

A Year of Decision

of leadership they can be brought to achievement.

We must devise a foreign policy which is bold and dynamic. Since, as I said earlier, no such policy can succeed unless it has proper economic foundations, I would like to offer here some specific recommendations which could serve as pillars of future United States action in this field.

First of all, we must recognize that each action we take in the economic field impinges on some other part of the problem. For this reason, decisions on such matters as raw materials, investments, military aid, technical assistance, export-import trade, and currencies must be treated as parts of a common program. They should be considered at the same Congressional hearings, dealt with in the same legislation, included in the same appropriation, and administered by one Government agency.

Key Importance of Trade

My second point has to do with the direct relationship of international trade to military security and economic stability. Our Allies can only defend themselves—as I pointed out previously—if they are economically strong. They cannot achieve this strength if we insist on the one hand that they not trade with the Iron Curtain, and on the other prevent them from trading with us.

We must meet head-on the situation which has developed abroad, whereby our Allies themselves no longer want to be dependent on our hand-outs—they want to trade with us—to buy from us and to sell to us. To accomplish this, the United States must relax its traditional abhorrence of imports.

If we as a nation could afford to be political and economic isolationists, high tariffs and outdated customs procedures might make sense, but they are illogical in our present situation.

Unless we give our Allies the opportunity of selling more in the American market, their economies without United States aid will be in jeopardy. Unless more imports are allowed to come into the United States, a cut in exports will soon occur. This might throw out of jobs some three million workers now engaged in export industries. It might lose the American farmer a four-billion-dollar market abroad.

Tariff Proposals

At the present time many foreign producers are discouraged from making long-range plans to sell in the United States because of the fear that success in selling would cause the American duty to be raised. To protect against this danger the United States Government might well consider some unilateral assurance that tariffs on given commodities would not be increased for a specified period of time.

I proposed a few weeks ago the creation of a Citizens' Commission working outside of government to advise on practical foreign economic policies. Such a commission could provide the President as well as the Congress with the opportunity of receiving independent and disinterested counsel. This commission might identify the commodities and the services that the United States can accept from abroad with little or no danger to our industries.

It could determine the fields in which American industry is capable of meeting competition as well as those commodities which American consumers could well use but cannot obtain at home as cheaply as they ought to be produced. It could also help to prevent powerful pressure groups from winning undeserved protection at the expense of the American taxpayer and consumer.

Private Investment Must be Stimulated

My fourth recommendation is that ways be found to stimulate and facilitate substantial private foreign investment — not merely to aid the economies of other countries but also to assure ourselves an adequate supply of essential raw materials.

To justify such investment, the countries involved must pursue a course of official conduct which gives our businessmen the same protection foreign investors receive here. This asks nothing more than to apply the Golden Rule to international commerce. The most rabid nationalist cannot justly complain about such a condition.

Currency Convertibility

A fifth proposal is the encouragement by the United States of steps which will bring about convertibilty of the major currencies. Convertibility — a term not generally understood—means nothing more nor less than the ability freely to exchange one currency for another.

Convertibility is not just a magic word. It is the end result of a sound internal economy. Accordingly, the lack of convertibilty is always a sign of economic weakness.

Today, you can exchange your dollars in unlimited amounts for British pounds or French francs; but the holder of pounds or francs cannot exchange them for dollars except in accordance with restrictive rules of the British and French Treasuries. The effect is obviously to hamper trade, travel and investment.

Finally, our foreign economic outlook must strive at all times to overcome the general apathy and lack of interest abroad in the achievements of private initiative. The habits and thought patterns of socialism are becoming all too deeply ingrained even in those who do not profess to accept its philosophy.

Allied political and economic solidarity can be the greatest single strength to thwart Russian ambitions. Only a firm and effective policy, backed up by strength, will ever persuade the Soviets to change their ways and live in peace with other countries.

We in the United States are too inclined to regard the present international situation as something unique and without precedent. Rather, it is the extension and development of events which originated decades or centuries ago. If we understand these facts and deal with them in their proper perspective, we will relieve and ultimately remedy many of the world's economic and political ills. The challenge is ours in this Year of Decision.

NASD District No. 6 Elects J. F. Jacques

DALLAS, Texas — James F. Jacques, Vice-President and Director of First Southwest Company of Dallas, has been elected Chairman of District No. 6 Committee of the National Association of Securities Dealers.

James F. Jacques

Mr. Jacques replaces Earl G. Fridley of Fridley & Hess, Houston. District No. 6, one of 14 in the association, comprises the entire state of Texas.

Elected to serve as committeemen of District No. 6 until January, 1956, were Philip R. Neuhaus of Underwood, Neuhaus & Co., Houston, and John W. Pancoast of Dewar, Robertson & Pancoast, San Antonio.

American Exchange 5 & 20 Club Elects

At its seventh annual meeting, the American Stock Exchange Five and Twenty Club elected George Herrel as President to succeed Jacob Feinstein. John S. McDermott, formerly Treasurer, was elected Vice-President. Former Secretary, Philip H. Diamond was elected Treasurer and Rulley Koerner was elected Secretary.

George Herrel, a regular member of the Exchange for approximately 33 years, was Vice-President of the club last year.

The Five and Twenty Club is composed of individuals who have maintained regular memberships on the American Stock Exchange for 25 years or longer.

Detroit Stock Exch. Annual Dinner

DETROIT, Mich.—On Wednesday, Feb. 11, 1953, the Annual Dinner of the Detroit Stock Exchange will be held at the Hotel Statler at 7 p.m.

Boylston A. Tompkins will be the speaker. Mr. Tompkins has been active in banking and finance since his graduation from Yale in 1915. He is presently associated with the Bankers Trust Company of New York as Senior Vice-President, a Director of Detroit Edison Company, Otis Elevator Company, Babcock & Wilcox Corporation, United States Leather Company, Flintkote Company, General American Investors, National Aviation Corporation, International Paper Company and the Bowery Savings Bank of New York, and also has a broad experience in domestic and foreign financial matters.

The dinner will be attended by bankers, investment bankers, corporate executives, members and associates of member firms of the Detroit Stock Exchange and administrators of securities commissions.

Reservations should be made with Fred Oppat at the office of the Detroit Stock Exchange; tickets are $9.00 per person.

C. E. Exley, Charles A. Parcells & Co., is Chairman of the Dinner Committee.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following changes:

Transfer of the Exchange membership of David B. Bandler to David Weinberg will be considered by the Exchange on Feb. 5.

Transfer of the Exchange membership of Barnett Faroll to Joseph Klein will be considered by the Exchange Feb. 5.

Rossman to Admit

Philip G. Volpe, member of the New York Stock Exchange, on Feb. 1, will become a partner in the New York Stock Exchange firm of F. L. Rossman & Co., 120 Broadway, New York City. Mr. Volpe was formerly a partner in Chase, Meyer, Barnett & Co.

Railroad Securities

New York, Chicago & St. Louis

One of the first of the 1952 reports to be issued, in preliminary form, was that of the Nickel Plate (New York, Chicago & St. Louis). The results, while not spectacular, were highly gratifying considering the conditions under which the company operated during the year, and the increasing bite being taken by the tax collector out of net income. The company has a heavy stake in the heavy goods industries and in coal so that it naturally was considerably affected by the strikes of last summer and last fall. At the same time, Federal income taxes were more than $3 million higher in 1952 than in 1951. This increase was alone equivalent to $1.65 per share of common stock outstanding. The aggregate Federal income tax last year came to $18,770,500 or more than $10.00 a share.

Despite the strikes and the higher taxes net income for the year was up and common share earnings of $8.96 compared with $8.79 earned in 1951. The magnitude of the property's earning power can be recognized when it is realized that the present stock is the result of a five-for-one split late in 1951. Gross revenues were up about $2 million in 1952 and operating expenses were pared moderately. In part the cut in expenses was due to lower maintenance of way outlays. More important, however, was the lower transportation costs. For the year as a whole this ratio was reduced 0.6 points to 34.7%, and in December alone there was a cut of 2.6 points.

In speaking at a lunch meeting of the New York Society of Security Analysts last week, Mr. L. L. White, President of the road, painted a less optimistic picture of the prospects for the coming year. He visualized somewhat lower traffic in 1953 than in 1952, particularly in the last half of the year. The management has made its plans and set up its preliminary budget on the premise that if there are no major strikes such as affected operations last year gross revenues will be down about 3% for the full year. He also pointed out that due to inability to obtain sufficient steel it was not possible to do all the track work and car repairing that should have been done. He stressed the point that this was not deferred maintenance in the usual meaning of the term, but that the work should be done this year.

Last year the company laid 67 miles of rail. This year it is planned to lay 100 miles. The freight car condition is good, with less than 4½% undergoing or awaiting heavy or general repairs at the year-end. While the percentage is low it was pointed out that the road has had an increase in bad order cars ever since the interruption of traffic due to the steel strike last summer. This is a natural phenomenon as any decline in traffic normally means a return of cars to the owner's lines by foreign lines to avoid per diem payments. With these maintenance programs, Mr. White expressed the opinion that Nickel Plate could not bring as large a percentage of gross down to net this year as in 1952 unless there is some tax relief.

Of course, at this early stage it is anyone's guess as to what the level of business will be for the year 1953 as a whole. The economists vary widely in their opinions on this point. For the most part, however, railroad analysts have been estimating that railroad traffic and revenues will be higher again this year. Also, many analysts consider that in the case of Nickel Plate what moderate increase there may be in maintenance outlays could well be offset by continued improvement in operating efficiency as measured by the transportation ratio. Thus, there is a tendency at this point to estimate the road's 1953 earnings potentialities somewhat more optimistically.

Meanwhile, the financial picture is improving. Late last year the company paid in advance the $1,750,000 balance due on Feb. 15, 1953 on promissory notes. The company plans to sell at competitive bidding $10 million of mortgage bonds in the near future. Proceeds will be used to clear up the $2,250,000 collateral notes, maturing $375,000 semi-annually through Jan. 29, 1955, and to bolster working capital. Equipment maturities will remain heavy but capital needs for additions and betterments to property and equipment have presumably passed their peak. Therefore, there is growing confidence among railroad analysts that the day of more liberal dividend distributions is coming closer. In this connection it is notable that when directors failed to increase the quarterly distribution last week, as had been expected in some quarters, the disappointment had virtually no influence marketwise on the shares.

Robert H. Matthews With Dempsey-Tegeler

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Robert H. Matthews has become associated with Dempsey-Tegeler & Co., 407 North Eighth Street, members of the New York and Midwest Stock Exchanges. Mr. Matthews in the past was a partner in Reinholdt & Gardner and in G. H. Walker & Co.

Robert H. Matthews

Roy Coffin to Be Fahnestock Partner; Firm Opening Branches

PHILADELPHIA, Pa.—Roy C. Coffin will become a partner in the N. Y. Stock Exchange firm of Fahnestock & Co., on Feb. 2. He will make his headquarters in the office to be opened by the firm at 123 South Broad Street. George W. Betz, Jr. and Owen O. Freeman will be associated with the new branch as Assistant Managers. All are partners in Coffin, Betz & Co.

Fahnestock & Co. will also open an office in Bethlehem, Pa., in the Union Bank Building, under the direction of Frank X. Lawson, and at Vineland, N. J., under the management of Jerry Brown.

Henri van Heukelom

Henri W. van Heukelom passed away at the age of 80. Mr. van Heukelom was a partner in the former New York Stock Exchange firm of Probst, Wetzler & Co.

Public Utility Securities

By OWEN ELY

British Columbia Power Corp.

British Columbia Power Corp. is a leading Canadian utility holding company with system assets of nearly a quarter-billion dollars. The company's $2 non-cumulative participating Class A stock has been selling recently on the American Stock Exchange at 35¼; it pays $1.60 to yield about 4.6%; the B stock, which pays no dividend, is qouted around 7¾. The business dates back to 1897, and in recent years has shown rapid growth as industrial activity in this area enjoyed a spurt.

The system set-up, because of tax considerations, is still rather complicated, although it is gradually being streamlined. British Columbia Power Corp. Ltd. ("The Power Company") has only A and B shares outstanding, and it owns the entire common stock (also A and B series) of British Columbia Electric Company Ltd. (hereafter "The Electric Company"). This company has a large senior capitalization, held by the public—about $131 million 1st mortgage bonds ranging from 3¼% to 4¾%; and some $43 million preferred stock. The Electric Company in turn controls The Railway Company (British Columbia Electric Railway Company, Ltd.). The latter has outstanding in the hands of the public only about £1 million of debentures and preference stocks, all remaining securities being held by The Electric Company. As soon as certain tax questions are cleared up, it is hoped to merge the Railway Company into the Electric Company.

British Columbia is larger than Texas, with forests, fishing, mineral products, farms and ranches, together with major gas supplies and possibly oil. The cities of Vancouver and Victoria have 65% of the population, since much of the territory is sparsely settled. In 1949 production in British Columbia was about 34% manufacturing, 20% forestry, 9% construction, 9% mining and 7% agriculture, with the balance miscellaneous. Growth of the area has been very rapid, comparing with that of California in the past decade.

The System's 1952 estimated revenues were obtained about as follows:

Electric	55%	Passenger Transit	30%
Gas	8	Freight Transit	6
Miscellaneous	1%		

The System has been pursuing a modernization program, now largely completed (the retirement of about 20% of the property in this connection explains the decline in the depreciation reserve). Nevertheless the management expects to spend about $126 mililon (or $136 million if substantial amounts of natural gas become available) in the next five years, largely for expansion. The peak year will be 1954 with a proposed expenditure of $31 million. The Electric Company recently did some senior financing, and this together with depreciation and retained earnings will reduce the amount of cash required to be raised in the five years to $64 million, or an average of $13 million per year (compared with $22 million yearly in the past five years).

The next common stock offering will probably be made by a sale of British Columbia Power A stock, probably late in 1953 or early in 1954. $2.35 per share was earned on this stock in 1951; no estimate for 1952 has been made available, but a substantial earnings gain seems indicated by the report of the Electric Company for the 12 months ended July 31, 1952, which showed $13.80 earned on that company's preferred stcok compared with $11.60 in the calendar year 1951. The reduction of the Canadian corporate income tax rate from 52% to 47% (in the case of British Columbia Power System) is a helpful earnings factor.

The regulatory situation appears generally favorable, judging from the remarks made by President Grauer in a recent talk before the New York Society of Security Analysts. They have had two electric increases, two increases in gas rates and three in transit (since the present regulatory system started in 1938). Regulation is on an over-all basis, the electric service subsidizing the other services to some extent. The company some time ago asked for a 7.5% over-all return and was apparently allowed a 6½% return, which is understood to be well above the present actual earnings rate. The company has indicated, however, that rates will only be raised to aid in necessary financing.

Book value is understood to be in excess of original cost but the company has no immediate intention of writing off the excess, since this might hurt the company's case in the event of any future expropriation proceedings (such as have occurred in Ontario).

The management is considering the substitution of a single class stock for the present A and B shares of the Power Corp., and this question may be voted on by stockholders before equity financing is undertaken. No definite prediction as to dividend policy was made by Mr. Grauer, although he indicated that the dividend on the A stock could perhaps be raised; it appears to the writer that the present price of the A stock discounts an increase to a $2 rate. Market interest in the junior B shares may stem partially from hopes that the company will benefit in future by gas and oil developments.

Gibraltar Financial Corp.

The Gibraltar Financial Corp. has been formed with offces at 61 Broadway, New York City, to act as dealers in U. S. Government securities and state and municipal bonds. Officers are John J. Fitzgerald, President and Treasurer, and Jack J. Bernstein, Vice-President and Secretary.

Two With Waddell & Reed

(Special to The Financial Chronicle)

ATLANTA, Ga. — Thomas C. Fulford and Robert V. Nixon are now with Waddell & Reed, Inc.

Joins Waddell & Reed

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Ole S. Swenson is now connected with Waddell & Reed, Inc., Metropolitan Building.

With State Bond & Mtge.

(Special to The Financial Chronicle)

NEW ULM, Minn. — Robert J. Halstenrud has been added to the staff of State Bond & Mortgage Co., 26½ North Minnesota Street.

John P. Murray Now Boston Dist. Trustee

BOSTON, Mass. — John P. Murray has been appointed a trustee of the Boston Metropolitan District, the financing body for the Metropolitan Transit Authority, the street railway system of Greater Boston. The District is currently requesting sealed bids until Jan. 29 on a new issue of $7,781,000 bonds.

John P. Murray

Mr. Murray, who is an investment advisor, in the past was with Van Strum & Towne of New York City, and for a number of years a senior account executive of the American Institute of Finance in Boston. A graduate of Boston University College of Business Administration, he began his career on the old Boston "Transcript" under Frank Bowker.

Halsey, Stuart Group Offers Equip. Tr Ctfs.

An underwriting group headed by Halsey, Stuart & Co. Inc. on Jan. 23 offered $6,000,000 of Illinois Central RR. series 36, 3% equipment trust certificates, maturing semi-annually Aug. 1, 1953 to Feb. 1, 1968, inclusive. The certificates were priced to yield from 2.20% to 3.10%, according to maturity.

The issue is to be secured by 1,500 50-ton 16-door drop-bottom all steel gondola cars, of standard gauge, estimated to cost not less than $8,400,000. Issuance of the certificates is subject to authorization by the Interstate Commerce Commission.

Also participating in the offering are L. F. Rothschild & Co.; Baxter, Williams & Co.; A. G. Becker & Co. Inc.; Ira Haupt & Co.; Hayden, Miller & Co.; The Illinois Co.; McMaster Hutchinson & Co.; McCormick & Co.; and Mullaney, Wells & Co.

W. E. Tague Joins Edgar, Ricker Co.

MILWAUKEE, Wis.—Joseph T. Johnson, President of Edgar, Ricker & Co., 207 East Michigan Street, general distributor for Wisconsin Investment Company, has announced the appointment of W. Edward Tague as wholesale representative of this mutual fund's shares. Mr. Tague has had many years experience in the general investment and mutual fund field, and has recently been associated with John J. O'Brien & Co. and Cruttenden & Co.

Continued from page 15

A Balance Sheet of America's Strength

economically stronger free world could well be the most powerful weapon for peace. It would undermine the Communist cold-war strategy which counts on the capitalism of the free world collapsing in an economic tailspin.

It is gratifying to see Detroit, through its Board of Commerce, advocating a far-sighted, beneficial foreign trade program. None of us courts uncontrolled importation of goods that would destroy American industries. But to what extent do our industries generally require artificial supports? Our businesses have grown strong, not because of protection, but because of competition and its ceaseless spur to increased productivity.

Because of the superiority of their equipment, Americans have little to fear from the best efforts of foreign labor. As stated by the Detroit Board of Commerce: "Productivity as well as wages determines the value of labor. Employees of Detroit and Michigan industries, as a result of heavy investment in equipment, tools and machinery, and improved techniques of production, are competitive with other labor groups throughout the world."

It is because of the rise in productivity that the real earnings of all our people have gone up over the years. Today's worker, using modern machines and tools, produces about 20 times as much as he could turn out if he depended upon his physical strength alone. Without machines we can produce no more than our grandfathers could. And the reason for the American worker's productivity being so much higher than competitive labor abroad is largely the excellence of his tools and equipment. These are being improved all the time. American business traditionally has been willing to scrap its tools as soon as better machines come along. It does not wait for machines and processes to wear out before displacing them.

All our people have benefited as a result of this American industrial characteristic. We have seen it transform Detroit into the automobile capital of the world. The early pioneers in the automobile business adopted the automobile from Europe where it was born. In the space of 60 years this young American industry developed productivity to such a degree that it built well over 100,000,000 cars and trucks. It has developed a wholly new civilization and put it on wheels.

As a result of this enterprise, more than half a million businesses, of many kinds never known before, were brought into existence. Employment was provided for about 9,000,000 people, or about one in every seven persons employed in this country.

It is because of the auto industry's continual improvement in productivity, its unending effort to engineer cost out of production, that today's cars offer even more value than prewar cars, despite the inflated dollar and the disproportionate tax load that has been placed on automobiles. This industry has been a pioneer in the progress toward large scale automatic production lines. Just since the end of World War II, for example, our own company has installed three new engine production lines which in effect substitute one giant machine to do the work of many lesser individual machines. As the development and use of such automatic processes increase they will create demand for new and higher skills as well as make progressively better products available.

Fortunately for America this kind of progress is going on in almost every field of production. In this still-youthful era of technical development, we have seen such astounding new industries come into being as television and radio, air conditioning and the fabulous new synthetic materials, to mention only a few. Products of these new industries have been brought within the reach of millions because we have learned to master machines for economical production and to make men masters of the machine.

On Threshold of New Technological Revolutions

These things we now enjoy, but we are on the threshold of new technological revolutions. Just remember: jet engines and atomic power are still in their infancy. The world's first commercial coal-hydrogenation chemical plant, I learn, has gone into operation, opening a whole new field of chemical production. The new man-made fibers almost daily are broadening the horizon for manufacturers of industrial textiles.

In air conditioning, year-round home climate control is available. Air conditioning's benefits in comfort and health and new job opportunities will be widely extended in the years ahead. Year-round air conditioning has grown most rapidly in the last seven years; its biggest expansion lies ahead. The house of the future may be built around a central air conditioning unit which will make possible so many construction savings in the house itself as to bring air conditioning within reach of almost all home builders.

As a result of inventiveness and new techniques, the automobile of the future will incorporate improvements just as startling as those of the past, which we now take so much for granted. Our engineers and research men tell me than engines will be smaller and more rugged and will produce increased and even more economical power output. This power will be transmitted to the wheels by means of automatic devices unlike anything available today.

All these advances are in the traditionally American way of progress. First the idea for a new product, then its development in laboratory and factory, and then its machine production in high volume so as to reach the many instead of the few.

This way to increased productivity through improved machines is the way to meet the expanding requirements of a rapidly increasing national population. Each year it is going up by about two and a quarter million persons, and that's like adding a state each year with the population of Iowa.

We have taken today only a glimpse at what productivity has meant to our nation in the past and what its continued improvement can mean for our future. But we know from the experience of others what can happen to a country when it fails to keep up with the productivity parade. The penalty of technological obsolesence and industrial short sightedness is a heavy one.

After the war the British reequipped many of their plants with machines and tools taken from Germany under terms of the reparation treaty. They were good tools but already they were about 10 years behind the times. The Germans, forced to start from scratch, have equipped their own war-damaged factories with the latest type tools. Today Germany, a conquered nation of World War II, is once more out-producing England.

You cannot be half-hearted about technological progress. It reminds me of the little old spinster I hear about recently. She went to the undertaker to select for herself a casket and burial shroud. Told that the white shrouds were for maiden ladies and the lavender one for married women, she suggested somewhat wistfully that she would like to have a white shroud with just a little fringe of lavender.

Despite the fact that an overwhelming proportion of all work done in our American manufacturing industries is done by applying mechanical energy, full productivity is achieved only through the cooperative efforts of the people who provide the buildings and machines, who operate these facilities, and who plan and direct the tools and processes of production.

Today as never before we need the best efforts of all three groups —workers, owners and managers —in a production team that will make sure our way of living will thrive.

Materially, all that we have is the result of our combined efforts to make our work count for more and better goods for more people. I think that is the real meaning of productivity. And by keeping everlastingly and vigorously at it we can increase and extend its mutual benefits. We have every incentive to do this job well.

Nation Built Up By Incentives

Our country from the start has been built on incentives. Man's incentive to profit himself and his family underlies our unique enterprise system in America.

And that profit motive deserves credit for most of the material goods we enjoy today. American industry has expanded and increased its productivity; tools have constantly been improved and replaced; wages have been multiplied; more and better products have been brought within reach of all—because business, over the years, has been able to earn a profit and to turn part of it back into the business to increase productivity.

It is this ability to earn a profit that in the final analysis pays the financial cost of keeping our country militarily strong. That cost is a paramount obligation for every section of our economy to meet. As the size of this financial strain upon our economic system has increased it has emphasized at the same time the need to prune every unnecessary item of cost from our government overhead.

In the last seven years the Federal government has taken three hundred and seven billion dollars in taxes; that is fifty-three billion dollars more than was collected in all the preceding 157 years. Each of us as individuals and in our own businesses has felt the weight of this tax load. Recently I came across an example of what it means in manpower as well as dollars for a company to perform its job as a tax collector for the government. I received a report on the amount of our own company time that is spent in the collection and payment of the multitude of taxes that are siphoned off the automobile industry, and it totaled 160,862 man hours in a single year. That is equal to the work of 80 full time employees.

Today when progressive tax rates take up to 91% of personal income and as much as 82% of the top dollar earned by our most successful companies, they can't fail to restrain incentive and opportunity.

Unreasonably high taxes create a very real hurdle in the way of continuing improvement of our productive machine. They hinder it today, right at a time when our nation must look to that same productive power to furnish the material for our defense and provide the dollars to pay the bill. It does not satisfy this situation to point out that, even with the brakes on, our nation has been able to out-produce all the Communist world combined.

Despite the obstacles and hindrances that have been placed mistakenly in our road in the recent past, our American way of getting things done has performed almost miracles of achievement.

With men of understanding heading our government, business and labor together should have a very real opportunity to strengthen not only our economic staying power but our economic, as well as social progress.

Working together to preserve the freedoms and incentives that have made possible our productivity advances of the past, we can keep our country strong. We have the factories and the tools to do this job. More important, we have a people endowed with common sense and a native ability to work for a common purpose. This is our greater sinew.

Theodore Roosevelt once said: "There is no good reason why we should fear the future, but there is every good reason why we should face it seriously neither hiding from ourselves the gravity of the problems before us, nor fearing to approach these problems with the unbending, unflinching purpose to solve them aright."

I am sure we shall find right answers to our problems, for the future of our country certainly is clearly mirrored in the great deeds of its past.

Securities Salesman's Corner

By JOHN DUTTON

BUILDING AN INVESTMENT CLIENTELE

(Article 4 — Part 2)

"Talks Before Investor Groups Develop Qualified Prospects and Leads"

In every community there are organizations that number among their members many who are interested in learning about sound investment principles. There are the various business organizations such as Rotary, Kiwanis, etc., professional women's clubs, medical and dental societies, trade associations, church organizations and many others. Their members are constantly seeking qualified speakers who can come before them and inform them, as well as offer an entertaining evening or luncheon hour. These people are usually mature in their outlook and many will qualify for membership in the higher income brackets. Their interest in securities in many cases has already asserted itself—others may be on the threshold of becoming investors but as yet have not done so. If you can bring them a real message, your influence will open many doors for your firm.

Develop an Inspiring Talk

The subject of investment can be very dull or it can become a living, dramatic and inspiring subject. It all depends upon your approach. If you will look at the subject from the viewpoint of the average man, of his earning and his striving, his endeavors to protect his family and to take care of his obligations in later years, you can visualize a completely different situation than if you only discussed investment procedures in their cold and unrelated abstract reality. People want to know what THEY CAN DO TO make their future more secure. They don't care much about how the tools are made but what they can do with them. They want to be told the facts, yet they also want to have it made simple and laid before them in language that they can understand.

I once heard a very moving talk on the subject of "How to Establish a Sound Investment Program," and not once did I hear such words as indenture, interest, principal, convertibles, preferred or common stocks, par value, etc. This speaker started off with a discussion of the importance of having a plan for your investment money just the same as you have a plan for your business. He developed the idea that each person's individual situation is different from another's. He used illustrations of special cases. He gave some sound rules for success. He sold a comprehendible idea to his audience. At no time did he try to sell a particular security or a mutual fund. He just sold one good idea. **Have a good plan.** Then he offered the suggestion that any one who desired to obtain more information on the subject could do so by sending a handy return card to his firm. These cards were placed on a table where his audience could conveniently procure them.

Many people came up to talk with him after the address. Several asked him for his card. There is no doubt in my mind that this type of contact can produce some exceptional business if it is continued and pursued intelligently. But the talk must be worthwhile, and the man who makes it must not only have a message, but know how to put it across.

Arranging for Meetings

Another excellent method of coming before groups of people who would qualify as investors, is to arrange with the banks, women's clubs, or fraternal orders to discuss such important subjects as "The Importance of Making A Will"; "The Reason Why Estate Planning Is Necessary for Family Protection," and other such related subjects that are a part of successful investment procedure. If you have a qualified speaker in your organization there is no better way to create the interest of people who may become good clients. Again, in planning these meetings there should be a definite offer of additional information, and a method of making it easy for those in your audience to request it; such as the suggested return card that can be mailed to the firm's office for their attention.

As for any of these plans of meeting qualified people, there is no method by which you can determine in advance as to the exact amount of business that you will be able to develop. However, it is more than likely that the prospects you will discover will be investment minded if you use this approach, than if you confine your advertising to a **general** coverage of your market.

(Continued Next Week)

A. Mackenzie With Butler, Herrick Co.

Alexander Mackenzie has become associated with Butler, Herrick & Marshall, 30 Broad Street, New York City, members of the New York Stock Exchange and associate members American Stock Exchange.

Mr. Mackenzie was formerly associated with E. H. Rollins & Sons, Inc., and his own firm of Mackenzie & Co., Inc.

Continued from page 13

Banks Should Build Up Their Net Worth

institutions facing still mounting costs.

Beginning shortly after the year 1929, the reluctance of customers of banks to owe money, and the elimination of interest on deposits, seem to me the prime reasons which made it possible for the government to borrow money so cheaply. I feel that they made very clever use of a naturally low interest market! That, in the main, they were following the tide, and the lender was in the frame of mind of wanting to coax the borrower—hence, low interest rates. This leads me to the opinion that the government borrowing was not the cause of low interest rates, but that the open market, and then conditions, were the causes.

Corporations Will Borrow More, Unless Taxes Are Reduced

We now enter the year 1953 with probably as marked a change in the top echelon of governmental management as this country has ever seen—a Cabinet composed of men of remarkable industrial skills, and with tremendous practical experience about what has made this great nation click. As they act wisely, as I feel confident they will, it should beget confidence in our amazing industrial life. Technical skills should produce greatly increased mechanization, and it strikes me that unless and until taxes come down substantially, corporations will need to borrow substantially.

Banks have great need for increased net worth in relation to deposits. I wonder how many of us fully realize what has happened to our economy. In [illegible] there was a little over $3 billion of money in circulation, and by 1952 it had increased to a little over $30 billion—10 times as much currency needed in the public pocket, and the business and bank cash drawers.

Bank deposits went up from $41 billion in 1920 to over $170 billion now. Electricity kw. hours went up from 20 billion in 1910 to 387 billion in 1950. Think of how much more power is behind every pair of hands in this country!

Banks Have Obligation to Build Up Net Worth

It is my opinion that the banks, because of their trustee capacity, are — so to speak — the money heart of the national economy. Hence, they have a tremendous obligation to build up their net worth. After all, the sound net worth of the banks of the country must be adequate as our economy gallops forward. Should we discard the 10 for 1 ratio of net worth to deposits as being a fair, rule of thumb, factor of safety? Are we willing to go ahead and pass the matter off with the statement that our ownership of government bonds has completely upset the old standards of ratio? Have we let "We owe it to ourselves" deceive us about the burden of the government debt?

We all know that the spread between net worth and deposits in the banks of the country today is very, very wide. I cannot urge too strongly that banks, as we enter this era of having a greatly changed administrative body in Washington, fight for earnings, for retained earnings, and build up a far better ratio on the average of net worth to deposits.

You are all familiar with industrial growth. Banks, as an essential part of our whole industrial family, have an obligation, beyond the power of words to describe, to see that their net worth grows, and keeps in step with the unbelievable and fantastic growth in our American economy.

The year 1907 could be defined as a "bank panic," and 1929 was characterized as a "bank panic." Our position of trust is simply colossal. The banking structure should have a larger "net worth" base.

Industry has accomplished our present simply astounding mode of life, aptly termed by Mr. Turck "The American Explosion." *Banking* and *money* and *credit* need practical research. As Dr. Crawford H. Greenewalt, of du Pont, phrased it:

"Research must be a continuing philosophy, conceived in recognition of the basic truth—That the future depends on the successful search for new and better ways. Research must be fostered continually, encouraged in times of failure and supported fully for its long term benefits. The risks are great and the pace is frequently disappointing, but the results provide the stepping stones through which the American System has been kept vigorous and strong."

Obviously, we are entering into an astounding new era in Washington, and the banks have a role ahead of them which will call for rare skills, if we are able properly to fulfill our role as a vital and astoundingly important cog in the whole machinery of industry, which has, and I feel confident will continue to have the major role in improving the happiness, comforts and mental and moral well-being of the people of this nation. We have two anchors to windward—the Ten Commandments, and our amazing American Constitution. As Dr. Charles A. Beard commented about the Constitution:

"In sum, the Constitution was essentially an economic document based upon the concept that the fundamental private rights of property are anterior to government and morally beyond the reach of popular majorities."

Bankers Offer Budget Finance Plan Pfd. Stk.

Reynolds & Co. and Lester, Ryons & Co. and associates yesterday (Jan. 28) offered 150,000 shares of $9 par value 60c convertible preferred stock of Budget Finance Plan at $10 per share. Each preferred share is convertible into 1¼ shares of common stock prior to Jan. 1, 1957 and into one share of common stock thereafter.

Proceeds from the sale of this convertible preferred stock will be added to the general funds of the company to provide for additional working capital. The business of the company has experienced a substantial growth, both by reason of the expansion and development of its own operations and by the acquisition of additional offices. This expansion has made it necessary for the company to provide additional funds to lend to borrowers and to purchase receivables in the usual course of its business.

Budget Finance Plan is engaged in the consumer finance business, making small loans to individual borrowers and, to a lesser degree, purchasing retail installment sales contracts originating with retail dealers in automobiles, household furniture and appliances and other personal property and merchandise sold on a time payment basis. Operations of the company are presently limited to the States of Washington, Oregon, California, Nevada, Utah and Arizona. On the basis of the amount of accounts outstanding on Oct. 31, 1952, the company is believed to be about the tenth largest company operating in the small loan and sales finance business in the Far West and about the thirtieth largest in this business in the entire United States.

Firm to Change Name to Walston & Co.

V. C. Walston, senior partner of Walston, Hoffman & Goodwin, announces that effective Feb. 1, 1953, the name of the firm will be changed to Walston & Co.

Walston & Co. is the name under which the firm was founded by V. C. Walston in San Francisco in 1932. In 1941 the name was changed to Walston, Hoffman & Goodwin. The firm, which is one of the larger firms in the securities business, is a member of the New York Stock Exchange and other principal stock and commodity exchanges. It has 36 offices coast to coast, as well as a representative office in Switzerland, and a staff of about 700. San Francisco office is at 265 Montgomery Street; the New York office at 35 Wall Street. General partners in the firm are V. C. Walston; Daniel J. Cullen; Albert C. Purkiss; William S. Wells; Frank O. Maxwell; C. W. Morrill; Eric A. Moederle; Ben G. Cecchini; Walter W. Buckley; Eldon A. Grimm; G. B. Simpson, Jr.; William V. Driscoll; Norman J. Duval; M. D. Harmon, Edward G. McEneaney; Edmund W. Tabell; Fred W. Young, Jr.; H. R. Derrickson; R. W. Englander, Jr.; W. D. Fleming; H. P. Henriques, Jr.; John A. Meyer and T. J. Tasso. Limited partners are George A. Koch; Winston Casey; Maitland Alexander, Jr.; Clifford P. Hoffman; Norman S. Mellon; August M. Amend; Fred N. Berry; C[illegible]ce J. Coberly; and Joseph H. Tipp.

3 With Phila. Office Auchincloss, Parker Co.

PHILADELPHIA, Pa.—Auchincloss, Parker & Redpath, 1421 Chestnut Street, announce that Thomas M. Lewry, 3rd, investment analyst, and Edward C. Spalding, railroad and merchandising specialist, are now associated with them as registered representatives.

At the same time the firm announced that William Justice Lee, after a tour of duty with the Army of the United States, has rejoined the organization as a registered representative.

Before joining Auchincloss, Parker & Redpath, Mr. Lewry for about a year was associated with Coffin, Betz & Co.

For the past three years Mr. Spalding was connected with the central buying office of Sears, Roebuck & Co. in Chicago. Prior to joining Sears he was associated with E. F. Hutton & Co. as a registered representative.

Mr. Lee has been with Auchincloss, Parker & Redpath since 1946.

Hill Richards Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Ernest M. Blackburn has been added to the staff of Hill Richards & Co., 621 South Spring Street, members of the Los Angeles and San Francisco Stock Exchanges.

National City Appoints

The National City Bank of New York has announced the appointment of Albert V. Silva as an Assistant Cashier. He is assigned to the bank's Personal Credit Department.

Canadian Securities

By WILLIAM J. McKAY

There seems to be no let-up in optimism regarding Canada's expanding economy, despite the recent reversals in stock market trends. Almost all reports coming from every corner of the vast Dominion, and from all segments of industry and commerce, reveal continued favorable prospects for the coming year. In the words of Douglas C. Abbott, Canada's able Minister of Finance, contained in address before the Economic Club of New York, "By a fortunate combination of good luck, good geography, good people—and perhaps I should be allowed to say, good government—we have embarked upon a trenmendous period of expansion, a period of sustained expansion which in relative terms, has, as far as I know, not been exceeded anywhere in modern times."

Foremost among Canada's developments of the last year—and one that promises a strong impelling force for the Dominion's prosperity—is the exploitation of Western Canada's fast moving oil and gas industry.

As a result of developments launched in 1952 there will come within nine months completion of a basic oil pipeline network, linking Canada's western oil fields with markets from the Pacific coast to as far east as Toronto—a 2,500 mile stretch. The basic pattern is designed for rapid expansion as the oil reserves, markets or emergencies warrant. Thus the prospects are bright for Canada's achievements of oil self-sufficiency, in balance, within four years.

Already some 300 Canadian, American and European of firms have poured over $250 million into land exploration and development of the new Canadian oil field in 1952, about $50 million more than in 1951. The $5,000,000-per-week spending was 20 times the rate prevailing prior to the Leduc discovery of 1947—the strike that set off the current western boom. In 1953 the spending is expected to exceed $275 million, if the economic climate continues favorable.

Associated pipeline and refinery spending boosted the total 1952 investment to more than $310 million and is also expected to boost the 1953 investment to at least $350 million or to more than $400 million if the current gas pipeline projects get going in full blast.

The year 1952, was a year of records for Canadian mining. The industry showed new highs in production volume and in dividends. Despite declining metal prices it may also reach a new top in value of output, the "Northern Miner" (Canada) estimates in its annual review number.

The mining weekly says production value is sure to exceed $1,000,000,000 for the third successive year and may even top the record-breaking $1,288,000,000 reached in 1951.

Dividends paid by metal mines will exceed $144,500,000, or $4,000,000 above the 1951 record and more than one-third of all the payments made in all the years prior to 1930.

In a review of the Canadian steel industry, H. G. Hilton, President of the Steel Company of Canada, sets the Dominion's steel production at a record 3,720,000 tons. With net imports established at 1,600,000 tons, Canadian consumption reached about 5,320,000 tons, said Mr. Hilton. This was a new high figure, reflecting the degree of activity in all Canadian enterprises, and the extent to which the resources of Canada are being developed.

The heavy consumption of steel by Canadian industries is an indication of the trend toward greater manufacturing output, which, as in the United States has been hampered by restrictions on use of raw materials. One effect of the improved situation is the much brighter outlook for the Canadian auto industry. In a recent public statement, William A. Wecker, President of the General Motors of Canada, remarked:

"Gone today are the production curbs imposed by curtailed supplies of components, particularly steel, which caused a lag in output in the early months of last year.

"Gone, too, are the credit restrictions which prevailed at this time last year. Also, before mid-1952, a 10% reduction in excise tax brought partial relief from the heavy tax load which still, however, accounts for a too-substantial part of the new-car price tag.

"It is to be hoped that 1953 will see an even greater relaxation of Federal levies, so that buying power may be restored to thousands of Canadians who need motor cars. Canadians who purchased new motor vehicles in 1952 contributed $135 million to the Federal treasury."

A total of 435,000 units were built in Canada in 1952—285,000 cars and 150,000 commercial vehicles, an increase of 20,000 units over the previous year. Commercial vehicles represented most of the increase.

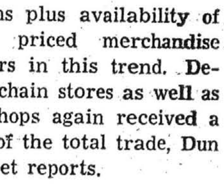
About 18% of over-all production was sold in export markets, where sales rose substantially. A steady delivery of defense orders was maintained, "although these accounted for only a very small percentage of overall production."

Largely as a result of the increased individual incomes arising out of Canada's industrial expansion, retail trade in Canada gives promise of maintaining the high level attained in 1952. Dun & Bradstreet of Canada, Ltd. reports consumer buying at high levels throughout the pre-Christmas and New Year weeks.

Dollar volume for the entire month of December was estimated in advance of same period in previous year. Long holiday weekends did little to affect the normal seasonal demand in most types of goods ranging through all gift articles, staple household requirements, foodstuffs and in certain instances, the so-called luxury lines. Higher individual incomes and savings coupled with easier credit terms plus availability of reasonably priced merchandise were factors in this trend. Demand and chain stores as well as specialty shops again received a fair share of the total trade, Dun & Bradstreet reports.

NASD District 13 Elects Officers

At the annual meeting of District No. 13 Committee of the National Association of Securities Dealers, Joseph S. Nye, Neergaard, Miller & Co., was elected Chairman for 1953.



Joseph S. Nye

George E. Rieber was appointed Secretary and John J. Kelly, Assistant Secretary to serve for the same period.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market seems to have been pretty well prepared for the announcement, made late last Tuesday by Secretary of the Treasury Humphrey, that the Feb. 15 maturity of 1⅞% certificates would be refunded with a one-year obligation as well as a five-or-six-year maturity. It had been rumored for sometime that the Treasury would make a split offering to holders of the February maturity. Although Treasury Secretary Humphrey did not give the interest rate which the new securities will carry (this information will be available tomorrow) the market appears to indicate that the new certificates will be 2⅛s, and the intermediate term obligations will run for six years, with a 2½% coupon. The element of surprise which played a rather important role in the financing that was done by the previous Administration appears to have also been discarded by the new group.

New Administration's Policy

There had been a very general feeling in the money market that the new Administration would make changes in the method of financing the government's needs. Nonetheless, there was still not a few in the financial district that were of the opinion that a rollover of the certificates would not be an unfavorable development. However, with a new team on the field, the desire for a change evidently was very great. Also, this feeling apparently had plenty of support because there were many people that were looking for a departure from the old methods of debt management, and the powers that be seemingly were conscious of these developments. Sooner or later a break would probably have to be made, and now might be as good as anytime to try out the market and see what the reaction will be towards a somewhat longer term higher-coupon obligation.

Refunding Deemed Attractive

The split offering or option that the Treasury is giving to holders of the Feb. 15 certificates seems to cover the field very well. Those that must have the more liquid short-term issues can turn the maturing certificates in for the new one-year obligation. On the other hand, the higher income intermediate term security will appeal to those that have need for more income. The large commercial banks will be more interested in the near-term obligation, with the smaller out-of-town institutions going more for the intermediate term issue. It is reported that the latter banks have been fairly heavy buyers of the February 15 maturity with this idea in mind.

Current Investment Policy

Despite the lack of certainty in the money markets, there are reports that a substantial amount of funds that are available for investment at this time of the year have been finding their way into Government securities. Private pension funds, according to advices, are still interested in acquiring the longest maturities with price weakness. They have also been moving from short-term obligations into the higher income issues in somewhat larger volume than has been the case recently. Savings banks it seems have been more active in the short market as buyers, because of the substantial amount of money that has been put into these institutions since the turn of the year. Again, it is the out-of-town commercial banks that have been doing most of the business that is being done in the intermediate and more distant maturities. It is reported that these banks still have a liking for the recently eligible obligations, with the 2⅜% of 1958, getting some attention also. The midwestern and southern banks are the leaders at the moment in these purchases of the bank obligations.

Short-Term Issues in Demand

The short-term Governments are getting what is called good buying from sources other than the savings banks, with corporations reported to be active in the acquisition of Treasury bills. The large commercial banks have likewise been in the near-term market in good volume, with the New York and Chicago institutions evidently the most important buyers among the deposit banks.

Despite the rise in the rediscount rate, there has been no disposition yet to raise the prime rate, although it is reported that quite a few commercial banks have had the question under some discussion. Nonetheless, it is believed that the deposit banks are going to assume a waiting attitude, that is take their time about making any changes in loaning rates, at least until there is more information available about the seasonal trend of loans and the return flow of currency.

B. G. Phillips Opens New Bond Dept.

B. G. Phillips and Company, 44 Wall Street, New York City will expand their facilities by the establishment of a Bond Department, it was announced by B. G. Phillips, General Partner. The department will be managed by Mr. Robert J. Southwell and will be equipped to handle transactions in connection with railroad, industrial, and municipal bonds. Mr. Southwell has been in the investment securities field for several years.

Continued from page 17

Investment Dicta

relation to the common stockholder and must content himself with the consumption of the crumbs that fall from the table of Dives. (To complete the picture, one must exclude from this category so-called convertible preferred stock the owner of which is given an opportunity under certain conditions, to jump upon the band wagon and become the owner of common stock should this seem advisable.)

Not only does the preferred stock owner in general have neither the protection of the bond owner nor the opportunity for profit given the common stock owner. But the current practice is to make the preferred stock callable at the option of the issuing corporation. It is true that there is in existence at the present time some preferred stock which is selling at a premium of 75 to 100% over the issue price. But this preferred stock, issued before the present practice became crystallized, is not callable.

The International Harvester Company, for example, years ago issued some 7% non-callable preferred stock. That preferred stock on a 4% basis is worth approximately $175, the price at which it has been selling recently. But no corporation at the present time, if it has good financial advice, would market such non-callable preferred stock. The preferred stock owner, buying the callable preferred stock which is the type currently issued, therefore, engages in an operation in which it is "tails I lose and heads I do not win." It is perhaps true also that the purchaser of the non-callable preferred stock, now selling at a premium because of low interest rates, would have done better had he purchased in the first instance common stock of the same corporation.

The tax situation also has its effect here. The institutional investor such as life insurance company and trust funds, limited in general to the purchase of bonds and preferred stock, finds the preferred stock worth more to it than to the individual investor. This is true because under the tax law the institutional investor includes in taxable income only 15% of its dividend income whereas the individual investor must include in taxable income 100% of income derived in the form of dividends in a manner comparable to that indicated herein before. As in the case of the relative value of common stock to the rich and the poor, it follows that preferred stock is worth more to the institutional investor than it is to the individual investor.

I do not mean to say that no preferred stock is good. I mean simply that as such it is not a good investment for the individual. It is true that individuals have frequently gained from the purchase of preferred stock which, because of accrued dividends or for other reasons, sells at a distress price. This I should call a speculative gain which is not peculiar to preferred stock.

To state my generalization in more adequate terms, I should say that no individual, under conditions now prevailing, can afford to buy preferred stock at the time of issue if, at that time, the corporation can afford to sell such preferred stock. But the market apparently has not reflected this generalization and even at the present time many corporations find it easy to market preferred stock on terms which ought not to be acceptable to the purchaser except perhaps to the institutional purchaser. My generalization is, beware of preferred stock.

IV
Public Utility Common Stock

Measured by all traditional criteria, the common stock issued by public utility corporations has been selling in recent years at prices very attractive to the investor. Now, as in the past, the public utility corporation is chracterized by a high degree of stability and is protected in large measure from the impact of competition. But this has always been true. There are, however, new factors in the present picture. First, because of the expectation of inflation, many investors, to get onto the industrial band wagon, have attempted to liquidate their ownership in utilities and to shift to an investment in the equities of industrials. Also, the terrific expansion in public utilities since the war has called for the issuance of additional securities in such volume as to make it difficult for the market to absorb all the new issues. In many instances the capital investment in electric utilities since 1945 has equaled or exceeded the total capital investment made up to that date. Since the ordinary investor wishes to have a diversification in his portfolio he has not been able, taking that fact into account, to absorb all the new equities offered to him. For these two reasons, therefore, in the light of the traditional criteria public utilities have recently sold and currently sell at relatively attractive prices. For example, the common stock of the electric utilities which were selling at a price to yield approximately 4% in 1946 have been selling recently at a price to yield from 5½% to 6½%, the quality of the stock remaining constant.

For the future, investment in public utility stock offers attraction. Savings banks and trust funds have been permitted, in a limited degree, by recent legislation to purchase corporation equities. Because of the high degree of stability the public utility stock seems to be tailor-made as an investment outlet for savings banks and trust companies. I saw a recent analysis indicating that the mutual savings banks in New York had purchased utility stock to the extent of about 60% of all the stocks purchased under the new authorization granted recently.

The growth of pension funds is another bullish factor in utility stock. Obviously the higher the rate of earnings on these pension funds the lower is the initial cost to the corporation making provision for such pensions. If the funds are invested in gilt edge bonds the corporation must set aside a sum substantially larger than would be necessary if the fund earned 5 to 6% during the period of accrual. Recent estimates indicate that such funds approach or will in the near future approach $3 billion annually. The public utilities outlet would seem to be very attractive for the utilization of such funds.

If my guess is correct, the investment by saving banks and trust funds and pension funds, together with the completion of the expansion program of the utilities within the next few years, other things being equal, should result in a substantial price increase for the stock of the better placed utilities. But, in the eloquent appraisal of one of my students a few years ago, "*ceteris* is rarely *paribus.*"

While investment is very much like a tailor-made suit in that it must be designed for the bumps and the cavities of a framework on which it is to hang, I would hazard the generalization that in most cases an investment portfolio might well contain at the present time 30 to 50% in good utilities equities.

V
Bonds versus Stocks

Here again one must remember that numerous qualifications but, in general, the only kind of bond which an individual can now afford to buy, if he can afford to buy that, is the E bond issued by the Federal Government. Nowhere else in the bond category will he find comparable safety and liquidity. No industrial corporation, no matter how prosperous, can offer the security and the prospective payment of principal which is available to the Federal Government (I pass over the question of inflation, the possibility of which makes the purchase of every bond in reality a speculation if not a gamble. I refer here only to the government bond relative to the bond issued by a corporation).

If one seeks the reason for this condition, it is not too difficult to find. The institutional investors, chiefly the life insurance companies, have billions of dollars which must be invested annually. The life insurance companies show an increase in assets of $4 to $5 billion a year. With minor exceptions these companies must limit themselves to the purchase of bonds and mortgages. The E bonds sold by the government are not available to institutional investors. In a sense the institutional investors are involuntary purchasers of bonds because they need to earn something and do not have the opportunity to purchase equities to any substantial degree. The institutional investor buys bonds for the reason that the traditional rabbit of Uncle Remus "clumb a tree." The insurance company as an involuntary purchaser of bonds has created a demand which resulted in the sale of such bonds at prices no longer attractive to the individual. In this respect there is a similarity to the contrast between the rich man and the poor man in the purchase of growth stock.

The final generalization is, "keep away from bonds" except to the extent of buying E bonds in whatever measure may be appropriate for the purpose of having an emergency fund upon which to call in the event of unforeseen contingencies.

Regal Plastic Stock Offered

Public offering of 149,500 additional shares of Regal Plastic Co. common stock is being made by S. D. Fuller & Co. at a price of $2 per share.

Proceeds from the sale will be used for additional working capital, for product development and for expansion of the company's facilities in Kansas City, Mo., to meet a substantial increase in business. As of the start of 1953, orders on hand exceeded $1,000,000. Net sales for the year 1952 totaled $832,491. Following the current sale, the company will have 335,500 shares of common stock outstanding.

The company is in the plastics fabrication business. Many of its customers are major factors in the appliance, electronics and chemical fields.

Biggs & Moffat Opens

Biggs & Moffat has been formed with offices at 67 Wall Street, New York City to engage in the securities business.

Hamilton Managem't Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Joseph B. Dyar has joined the staff of Hamilton Management Corporation, 445 Grant Street.

Continued from page 11

Major Issues of 1953

agricultural legislation of the thirties was designed to check price collapse, rather than to support prices at high levels. During World War II, the farm programs were changed to provide price supports at high levels to encourage production. Following the end of the war, the high-level price supports were continued.

Farmers, themselves, through the Farm Bureau organization, took the lead in developing a new farm program based upon flexible price supports which was incorporated in the Agricultural Act of 1949. In supporting this legislation, farmers recognized that any long continuation of rigid, high-level price supports would result in excessive production and a return to acreage controls and marketing quotas. However, as a result of continued delay by Congress, this flexible price support legislation has never been put into actual practice. It is my considered opinion that the last session of Congress performed a great disservice to agriculture when it extended the rigid, high-level, 90% of parity price supports through 1955.

Now is an appropriate time to look critically at past farm program legislation and attempt to benefit by our past mistakes as we plan for the future. Farmers should recognize that agricultural welfare is directly related to and dependent upon the general economic health of our entire nation. Agricultural prosperity is more closely related to the general prosperity than it is to governmental action. Unless farmers are willing to live under a completely regimented economy, the only basis for a farm program in the future is to support farm prices against disastrous collapse. Farm prices do have a tendency to fluctuate widely, and there is danger of a farm price collapse touching off a disastrous national recession. The flexible price support program is a practical means to prevent such a drastic price decline.

Big Government

Perhaps the greatest problem facing America is how to control or check the growth of big government. Many of our troubles during recent years are directly traceable to the tremendous increase in the size of our Federal Government. The inflationary spiral which has increased prices and destroyed the purchasing value of our money is a direct result of the fiscal and financial policies of our national government. We have had inflation by intention. If we are to preserve our freedom, we must check this wild inflationary cycle before it destroys us completely. Inflation can be controlled by encouraging production, by maintaining sound Federal monetary and credit policies, and by drastic economies designed to balance the Federal budget.

It is easy to endorse governmental economy, and it is easy to shout for elimination of non-essential governmental expenditures. The difficulty is that there are few, if any, non-essential expenditures of government. Every governmental service is considered essential by some one or some group. However, many services performed by government could be provided more economically by private enterprise. In addition, we have drifted toward the dangerous philosophy that government should provide income security for all citizens. The huge Federal Government that now threatens to destroy our free enterprise system is a result of our own demands. If we are serious in our desire to halt the ever continuing increase in the size and cost of the Federal Government, we must be willing to reduce these demands upon government for services and for special favors.

Our most important defense against Communism and the other ideologies which would destroy our free America is the sound defense of making our free enterprise system work. It will work successfully only if we abandon the false goal of security and return to those principles which made America great—dependence upon efficient production and upon individual initiative. I am sure that the farmers of America will choose freedom with its greater risks but also its greater opportunities. The greatest issue in the world today is the issue of freedom versus statism. Since the beginning of our American form of government, farmers have been in the foreground in the struggle to maintain freedom. I am sure that they will take the leadership at this critical time and set an example to all other groups in America by turning away from increased dependence upon government toward renewed emphasis upon individual initiative and the freedom of the individual to choose.

Continued from page 16

News About Banks and Bankers

ing promotions in its Central Credit Department at the Main Office: Edgar F. Kirby and Gaius W. Merwin, Jr. to Assistant Secretaries and J. M. Henry Finck to Assistant Manager. At the same time Walter Friedsam was appointed an Assistant Trust Officer at the Stock Transfer Department, 29 Broadway.

* * *

The **Underwriters Trust Co. of New York** has announced the promotion of three officers, viz: J. B. V. Tamney advanced from Vice-President to Executive Vice-President; A. A. Lubatty from Assistant Vice-President to Vice-President; Kenneth W. Landfare, from Assistant Treasurer and Assistant Secretary to Comptroller.

* * *

Contributions by **Clinton Trust Company of New York** to an employees' retirement plan were approved on Jan. 21 by the bank's stockholders at their annual meeting. Under the plan, which becomes effective for the current year, participants will share an amount equal to 10% of the bank's adjusted net income each year or 15% of the participants' aggregate compensation for that year which ever is lesser, subject to qualification under Section 165 of the Internal Revenue Code. At the same meeting, stockholders voted to split the bank's stock on a two-for-one basis and to increase the amount of authorized stock by 10,000 additional shares which will be distributed as a dividend to stockholders on Feb. 9 at the rate of two shares of split stock for each 10 shares of the old stock held of record Jan. 9, 1953.

* * *

E. Chester Gersten, President of the **Public National Bank and Trust Company of New York** announced on Jan. 20 that Herbert K. Baskin and A. Herbert Sandler, lending officers at the 39th Street and Seventh Avenue office have been advanced to Vice-Presidents.

* * *

George J. DeNike of Woodhaven, Long Island, N. Y., Vice-President of the **Irving Trust Company, of New York** died on Jan. 21 after a short illness. He was 60 years of age. Born in New York City, he joined the staff of the Irving in 1908 and spent his entire business career with the bank. He was long identified with the activities of the Company's branch offices and was at the time of his death a senior officer in the branch at 51st Street and Rockefeller Plaza.

* * *

James T. Lee, President of **Central Savings Bank in the City of New York,** announced that at a meeting of the Board of Trustees, Lee J. Marino was elected Vice-President and Comptroller, and Fred W. Klocke Assistant Vice-President in addition to his present title of Assistant Comptroller.

Mr. Marino joined the bank as Assistant Comptroller Sept. 1, 1944. Prior to that, he was Assistant Treasurer of Allied Engineers, Inc., and Accounting Officer of Commonwealth and Southern Corp. He is a graduate of NYU School of Commerce Accounts and Finance; a member of the faculty of the Graduate School of Banking, Rutgers University; Secretary of the Savings Banks Officers Forum and former Chairman of the Employee Relations Committee, Savings Banks Association of New York. In 1950 he was appointed by Governor Driscoll to serve as Vice-Chairman of Legislative Commission to study the problems and needs of retarded children. Mr. Klocke entered the bank's employ as an accountant in June, 1936, and in January, 1940, was appointed Assistant Comptroller.

* * *

Following a meeting of the Board of Trustees of **Fulton Savings Bank of Kings County, Brooklyn, N. Y.,** held Jan. 12, President Paul W. Connelly announced the following promotions: Stephen Wade, Comptroller; Louis Tissot, Secretary, and Eric Hokenberg, auditor. Mr. Wade, who joined the bank in 1923, most recently held the position of Secretary; Mr. Tissot, with 20 years of service, was former Auditor for the bank and the newly named Auditor, Mr. Hokenberg, became associated with the bank in 1936.

* * *

Peter P. Smith, retired Justice of the New York State Supreme Court, was re-elected to the Board of Trustees of the **Bay Ridge Savings Bank of Brooklyn, N. Y.,** it was announced on Jan. 14 by President David B. McVean. Judge Smith was formerly a member of the bank's Board from 1919 to 1934 when he resigned to become a Justice of the Supreme Court.

* * *

George H. Doscher, a trustee and former Secretary to the Board of Trustees of **The Lincoln Savings Bank of Brooklyn, N. Y.** died suddenly on Jan. 17, at his home in Cheshire, Conn. Mr. Doscher had retired from active service with the bank in 1948, and at the time of his retirement, held the post of Vice-President. He was 76 years of age. Mr. Doscher had been with the bank for over 60 years, having risen from office boy to Vice-President.

* * *

The Directors of the **Elmhurst National Bank of Elmhurst, N. Y.** announce the recent election of Donald M. Carlson as President and Director. Mr. Carlson became associated with the bank in June as Executive Vice-President. He succeeds Albert H. Glos, who was President of the bank since 1936 and who was appointed at the Annual Meeting to Chairman of the Board of Directors.

Continued on page 49

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

One of the most significant developments in the insurance business during 1952 was the improvement which occurred in casualty underwriting. While, the results, from present indications, were not entirely satisfactory the trend of underwriting showed improvement throughout the year.

When it is realized that casualty underwriting in 1951 was very unprofitable with some companies showing the largest losses in their history, the developments of 1952 are most encouraging. Most companies are believed to have reached a break-even point sometime in the last half of the year so that if the improvement continues into 1953, as expected, casualty underwriting should be quite satisfactory in the current period.

The primary reason for the improvement last year was the increases in rates on bodily injury and property damage insurance lines. The large increases in the number of automobiles on the roads and the influence of inflationary forces on claim costs and court awards after the outbreak of fighting in Korea produced a set of circumstances in 1950-1951 wherein casualty underwriting was squeezed between inadequate rates and rapidly rising costs.

The severity of this position resulted in substantial increases in rates in 1951 and 1952. Underwriting began to improve as these higher rates became effective in the last half of 1952.

As there is a time lag between the granting of higher rates, and the expiration of old policies and the writing of new ones, the full impact of these increases will not be reflected in operations until almost two years have elapsed.

Thus, unless there is a revival of inflationary pressures within the near future the trend of underwriting suggests a favorable casualty year in 1953.

As an indication of the underwriting trend over the past two years, we show the experience of the Fidelity and Casualty Co. for each six months over the past two years. This is one of the companies in the America Fore Group and one of the first to publish underwriting results for the year.

	Six Months Ended—			
	Dec. 31 1952	June 30 1952	Dec. 31 1951	June 30 1951
Underwriting—	$	$	$	$
Premiums Written	50,881,479	51,256,860	41,242,482	40,121,148
Increase in Unearned Prem. Reserve	1,301,123	7,415,156	2,165,063	4,682,747
Premiums Earned	49,580,356	43,841,704	39,077,419	35,438,401
Losses Incurred	31,161,516	28,673,683	31,372,369	25,071,095
Expenses Incurred	18,031,968	17,736,401	15,474,721	15,091,258
	+386,873	—2,568,381	—7,769,671	—4,723,952
Other Profit and Loss Items	—728	+634	+1,113	—4,932
Underwriting Profit or Loss	+386,145	—2,567,747	—7,768,557	—4,728,885

As can be seen from the foregoing underwriting in the last six months of 1952 became profitable on a statutory basis for the first time in more than two years. As mentioned previously this was primarily the result of a better rate structure.

The volume of business because of higher rates has increased about 25% so that even though losses are up somewhat, a better balance has been obtained between losses and earned premiums.

The results achieved by the above company may not necessarily be indicative of the experience of other casualty companies. We believe, however, that the trends in evidence in the above figures are general throughout the industry and that other concerns reporting over the next few weeks will also show a material improvement in casualty underwriting.

This is significant for the large fire insurance groups that have casualty subsidiaries. They should be able to report some gain in earnings on a consolidated basis because of the better underwriting in casualty lines. This would be true even though fire lines show no material change from the favorable period of 1951.

Joins Fairman Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert H. Chapin has joined the staff of Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. Mr. Chapin was formerly with Marache, Doflemyre & Co. for a number of years.

Charles M. Bull

Charles M. Bull, partner in Prescott & Co., passed away at the age of 70.

Joins Vercoe Staff

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Tom Holevas has become associated with Vercoe & Co., Huntington Bank Building, members of the New York Stock Exchange. Mr. Holevas was formerly with Merrill Lynch, Pierce, Fenner & Beane in Chicago.

Mutual Funds

By ROBERT R. RICH

TOTAL NET ASSETS of 110 mutual funds were $3,931,407,000 on Dec. 31, 1952 compared with $3,129,629,000 a year earlier. Number of shareholders (before duplications were eliminated) increased from 1,110,432 to 1,359,000 during the same period. Gross sales in 1952 were $782,902,000 compared with $674,610,000 in 1951. Repurchases were $196,022,000 and $321,550,000 respectively, and net sales were $586,880,000 for 1952 compared with $353,060,000 in 1951. The National Association of Investment Companies, which compiles these figures, reports that, in the future, it will report only total figures for the open-end funds as a group, with no breakdown among the different types of open-end funds.

THE GROWING importance of mutual funds and investment trust securities in the investment market has resulted in a new course for the spring semester at New York University's School of Commerce, Accounts, and Finance.

The NYU business school will offer "Analysis of Investment Trust Securities" to help investors and dealers who are interested in those special securities. It is also designed for investment company employees and for persons in the investment market.

The course content will include a study of investment trusts, mutual funds, markups, management fees, investment objectives, portfolios, and liquidating values.

Directing the course will be Dr. Thatcher C. Jones, NYU professor of finance, who has a background of experiences as a security analyst, investment counselor, and investment trust portfolio manager.

Classes will be conducted from 6 p.m. to 7:45 p.m. on Monday evenings beginning Feb. 2. Registration will be held from Jan. 28 to Jan. 30 at the School of Commerce, Washington Square.

MASSACHUSETTS Investors Trust, oldest and largest open-end investment company in the United States, in 1952 passed the $500,000,000 mark in total net assets and registered substantial gains in net assets per share, number of shareholders, and number of shares outstanding, according to its annual report now being forwarded to shareholders.

At the year-end, the Trust had total net assets of $512,365,938 compared with $437,873,741 a year ago; 99,126 shareholders compared with 88,023; and 25,093,085 shares outstanding compared with 23,167,850 in 1951. During the year, the Trust split the stock on a 2-for-1 basis and all figures in the report have been adjusted to reflect this 100% distribution. On this basis, net assets amounted to $20.42 per share compared with $18.90 for the previous year.

During the year, four quarterly dividends were paid totaling 92½ cents per share and a capital gains distribution of 27 cents per share was made in December. In 1951, the Trust paid four quarterly dividends totaling 92 cents per share and a capital gains distribution of 55 cents per share.

Commenting on the annual report, Merrill Griswold, Chairman of the Trustees, states: "The size of investment companies has become a subject of some discussion recently. We believe there are definite advantages in larger size to the shareholders of investment companies. In our case, it is the main reason for our low operating cost of 29/100 of 1% of average net assets. Our larger size also enables us to attract and maintain a staff of very capable research specialists and is a prime factor in the matter of continuity of tested management, which is widely recognized as a key element in the successful operation of any type of business."

At the end of 1952, the Trust had investments in the common stocks of 143 different companies, representing 22 different industrial classifications. This investment amounted to $499,988,846, representing 97.6% of the Trust's net assets.

Changes in the Trust's portfolio for the fourth quarter of 1952 included purchases of 10,000 shares of Bethlehem Steel Corp.; 11,000, Continental Oil Co.; 10,000, Detroit Edison Co.; 12,300, Firestone Tire & Rubber Co.; 11,950, Goodyear Tire & Rubber Co.; 15,000, International Paper Co.; 64,000 Niagara Mohawk Power Corp.; 10,000 North American Aviation; 11,000, Northern Pacific Ry. Co.; 17,000, Ohio Oil Company; 11,000, United Aircraft Corp.; and 10,000 U. S. Steel Corp.

Sales included 29,000 shares of American Natural Gas Co.; 16,000, Brooklyn Union Gas Co.; 10,800, Gimbel Brothers, Inc.; 10,000, Great Northern Paper Co.; 17,500, Montgomery Ward & Co.; 17,500, National Lead Co.; and 70,000, North American Co.

IN RESPONSE to a demand from shareholders and investment dealers, and reflecting the trend toward purchase of investment company shares on a monthly program, Calvin Bullock announced a Monthly Accumulation Plan for shares of Canadian Fund Inc.

Using the facilities of Irving Trust Company, New York City, investors may accumulate shares through monthly remittances of not less than $50, with optional reinvestment of dividends. A folder about the plan, "Growing with Canada," is available to dealers and investors.

Net assets of Canadian Fund, Inc., first U. S. mutual fund to provide U. S. investors with a diversified, supervised program in Canada, exceeded $23,000,000 at year-end and shareholders numbered 16,000. Calvin Bullock was the first mutual fund sponsor to offer a monthly accumulation plan utilizing trust company facilities for its Dividend Shares, which plan now accounts for a significant percentage of that Fund's sales. In Canada, shares of Canadian Investment Fund, Ltd., also under Bullock management, have been purchased extensively on a periodic accumulation plan.

NET NEW FUNDS of $3,672,277 during the past year were the main factor in bringing the 1952 net assets of National Investors Corporation to $31,245,836 at the year end, according to the 15th annual report released today by Francis F. Randolph, Chairman of the board and President of this growth-stock mutual fund. Net assets at the end of 1951 were $27,150,752. Assets on Dec. 31, 1952 were equivalent to $12.23 per share after a year-end distribution of 41 cents per share from realized gain on investments. At the end of 1951, the per share asset value was $12.36. Dividends paid each quarter from investment income totaled 42 cents per share in 1952.

Mr. Randolph, commenting on the business situation, said that the national economy at the end of 1952 was again in the upward course it had followed much of the time since World War II and expressed the opinion that the main forces at work in our economy might be expected to continue in 1953. In his message to stockholders, Mr. Randolph added that any expectation that the new Administration's policies and programs will immediately become a major influence in our economy may lead to disappointment as the year progresses, but that a change in business and investment sentiment appears to have been developing since the election and already to have made itself felt in the level of stock prices.

Mr. Randolph viewed 1953 as holding prospects of active though perhaps irregular business. Investor confidence may rise in 1953, he said, but the prudent investor will not forget the greater maturity of the business cycle or overlook the greater investment risk that may be incurred at such time.

National Investors, which has long followed a policy of investing its funds primarily in the stocks of "growth" companies, maintained a fully invested position in 1952, and at the year-end common stocks made up 96.89% of its net assets. No major change in over-all investment position is now planned, according to Mr. Randolph, although changes may be made at any time if considered in keeping with the outlook for business and major market trends.

In 1952, the automobile and broadcasting industries and a special situation in the railroad industry were added to the portfolio, and holdings in public utilities were incresaed substantially. A total of 13 new securities were added and two securities previously held were eliminated during the year. On December 31, oil stocks made up 21.9% of the portfolio, followed by holdings in manufacturing, chemicals and public utilities. American Cyanamid entered the portfolio in the last quarter with 6,000 shares, while Florida Power & Light was increased 7,900 to 9,000 shares; Ford Motor Company of Canada by 2,000 to 7,000; and Idaho Power Company by 4,400 to 5,000. The holding of 4,200 shares of Master Electric was eliminated from the portfolio, and Abbott Laboratories was decreased by 2,000 shares to 6,000; Affiliated Gas Equipment by 13,500 to 15,000; Merck & Company by 2,600 to 13,000; and United Gas by 3,000 to 15,000.

JAMES H. ORR, senior partner of Colonial Management Associates and a director of several leading corporations, said yesterday that "since World War I, not World War II, the use of gas has about doubled every 10 years."

Speaking on the Kidder, Peabody, investment firm, radio program, "Your Money At Work," Mr. Orr told Milton Fox-Martin, Kidder, Peabody's central mutual fund department manager, that "under present price relationships a market exists for all the natural gas that can be produced, distributed and transported" which, he added, "involves a job for the long distance gas pipelines, already doing a spectacular job increasing service."

The Colonial representative explained that this continuing demand will necessitate new gas field discoveries "which will be found in all of the great sedimentary of the continent, particularly the Tidelands off the Gulf Coast which are most likely to yield gas rather than only oil."

"About one-half the size of Texas," Mr. Orr continued, "the Tidelands runs to the shore to a depth of six hundred feet." He defined the sixty foot level as the most economical in which to drill, stating that this horizon constitutes an area of sixteen thousand square miles. "According to geologist Ralph E. Davis," Mr. Orr pointed out, "ten thousand of Pure Oil's twenty-five thousand Tidelands lease acres in Louisiana would indicate a natural gas reserve of over three trillion cubic feet—enough to serve a city the size of Chicago for twenty-seven years and still allow room for expansion."

MASSACHUSETTS Life Fund reports an increase in total net assets to $15,953,403 on December 31, 1952, compared with $14,211,750 at the close of 1951. Net asset value per unit increased to $29.54 from $28.01 a year earlier, after payment of 20 cents a share during 1952 from realized capital gains. The number of units outstanding reached a new high total of 540,065 at the end of 1952 against 507,328 on Dec. 31, 1951.

The Fund is operated as part of an unusual type of investment program combining the principles of a trust fund and a mutual investment trust. The plan provides separate trusts for each individual investor, the Massachusetts Hospital Life Insurance Company as trustee. The Fund is the investment medium for such trusts.

As of Dec. 31, 1952, the portion of the Fund's assets represented by equities was 56.92%, with 43.08% in protective-type securities. Of the protective portion, 1.61% of the total Fund was in cash and receivables, 11.96% was in U. S. Government obligations and 29.51% was in other bonds, loans and preferred stocks.

In the equity portion, public utilities constituted 18.27% of the entire Fund; industrials were 31.06%; bank, finance and insurance stocks 5.79% and railroads 1.80%. Among the industrials, the largest holdings were in oils, chemicals, electrical equipment and retail trade stocks.

ERNEST T. SKINNER has been elected a Vice-President of Boston Fund, according to an announcement by Henry T. Vance, President. Mr. Skinner, who has been associated with investment management and research work since 1927, is also Treasurer of The Bond Fund of Boston and has been on the staff of Boston Management & Research Company since 1946. He was formerly manager of the investment department of Boston Mutual Life Insurance Company.

A native of Newport, Rhode Island, Mr. Skinner is a graduate of Columbia University School of Business. His other business activities have included participation in the formation of Texas Fund, of which he is a director, and of Texas Fund Research and Management Associates.

Mutual Fund Values Increase, According to Henry Long Index

Dividends from investment income of "balanced" mutual funds during the past year averaged 3.56%, according to the Henry Ansbacher Long Index published in "Trusts and Estates" magazine. . . . The five year average return was 4.03%. Common stock funds showed an average return from investment income during the year of 3.67% contrasted with 3.96% for 1951 and a five-year average of 4.21%. Individual returns during the year 1952 for all 43 non-specialized funds in the Index ranged between 5.68% and 2.54%. Capital gains distributions are not reflected in the income figures.

Henry A. Long

The average principal value of "balanced" funds increased 4.7% and that of the "stock funds" rose 6.3% during the year ended Dec. 31, 1952. The Index for the balanced funds stood at 172.7 and the corresponding figure for stock funds was 199.2. The level of prices on Dec. 30, 1939 is used as the base.

Three-quarters of the balanced funds held only 50 to 60% of their assets in common stock during the greater part of the year, while several stock funds had also taken relatively defensive positions. The increase in average principal values over the two and one-half year period since the post-Korea lows was 26.5% for the balanced companies and 40.4% for the stock funds. Three of the latter, however, which maintained fully invested positions during that period, appreciated over 50% in value.

Continued from page 16

Mutual Fund—Modern Investment

the past performance. If they have consistently attained their investment objectives as described in their charter both during good times and bad times, during various market cycles, we can be fairly certain that management knows its business and will continue to be successful. Naturally the older and larger Mutual Funds can afford to have bigger research departments, staffed with the outstanding financial brains of the investment world. Mutual Investment Funds by their very nature are conservative investment media, as all of them are based on spreading the risk through diversification. But more than this is needed. The prudent investor will check into their performance record during downward swings in the market, look at their capital appreciation performance, their dividend payments, and whether they have been in business long enough to operate during depression and boom times.

I personally in my business as an investment advisor to institutions and in the planning of estates for individuals, have found it necessary to visit the work shops of these Mutual Investment Funds. I have found management very cooperative in explaining their investment objectives and how they go about attaining it. The reason for their success is quite obvious. It is the thorough experienced professional investment manager against the average amateur investor.

What are the advantages and the disadvantages in owning shares of a Mutual Investment Fund? The advantages are numerous. We do not put all our eggs in one basket. Professional management carefully selects a widely diversified list of equities. Then it continuously watches these investments. It gives us freedom to devote full time to our job or career. We get reasonable dividends. Most of all, Mutual Investment Funds pride themselves on never having missed a dividend. It gives us freedom from details, keeping records and simplifies our tax problems. They can be liquidated at any time. The law provides that shares must be redeemed on demand.

Now for the disadvantages. Mutual Fund shares fluctuate in proportion to the underlying securities in their portfolio. If an investor were in need of funds and sold his shares when the net asset value of his shares was less than what he paid for them, he would sustain a loss. If you believe, as I do, in the future of American industry, then I think that you must agree that good American stocks are desirable things to own. Diversification and professional management can reduce our risks but cannot eliminate them. Dividends paid by the Funds will vary, because dividends on the stock it owns will vary. Professional managers are trained and competent people. Nevertheless, they will make mistakes, though I think they will make far fewer than amateurs, and will recognize them much more quickly. But they are not miracle men, and they can not make your shares go up when the securities market as a whole is going down. Nor can they maintain dividends unreduced at a time when dividends generally are in a downtrend. They are the risks which accompany what have been the substantial long-term rewards of owning good American equities. They are, in my humble opinion, risks well worth taking.

The Cost

What do Mutual Investment Funds cost? When buying shares of a Mutual Investment Fund the purchaser pays a sales cost, or acquisition charge, which varies with each Fund, but averages in the neighborhood of 7½%. The sales charge is lower when a larger number of shares are purchased. Some Funds lower the cost at $10,000. In lots of $100,000 the cost averages 3%. Thus, the acquisition charge represents the cost of merchandising shares and is included in the per-share "asked" price. In the price quotations of your daily newspaper, the acquisition charge is the difference between the net asset value or "bid" price and price you pay or "asked" price. This acquisition charge also covers the selling cost, as you can redeem your shares at any time without extra cost.

In conclusion, under the Investment Company Act of 1940 and the regulations of the SEC, Mutual Funds are not permitted to buy or sell securities on margin, buy or sell real estate, to invest more than 5% of their assets in the securities of any one company, or to hold more than 10% of the securities of any one company; they cannot lend money, and with the exception of a couple, whose charter provides for it, they do not borrow money. They are not permitted to underwrite securities. They issue a report to their shareholders every three months. Their cash and securities are held by a custodian bank. Mutual Investment Funds live in a goldfish bowl. We can always see what they are doing.

The shares of Mutual Investment Funds can be purchased through your investment dealer. They can be redeemed without cost through your dealer, the custodian bank or the Fund itself. Many have periodic payment plans enabling you to purchase shares each month. There are also several systematic investment plans whereby you may set up your own ten-year investment program.

For example, a $12,000 program would mean $100 a month for 120 months. The automatic reinvesting of all dividends four times a year, in additional shares, plus the security profit distributions and the appreciation of common stocks over the long term, have shown very tangible results for shareholders.

Continued from page 3

The Capital Investment Outlook

share them. Also, I suspect without having anything remotely approaching adequate information about it, that the distribution of business profits may be less stimulating to capital investment than the total investment now planned would suggest. More specifically, I suspect that smaller companies are going to be less well provisioned with profits to encourage and finance the capital expenditures they have planned to make than large companies. Some support for this suspicion is found in the results of surveys of programs of industrial expansion recently made in eight states by their respective Chambers of Commerce (in Indiana, Kansas, Kentucky, Missouri, New Jersey, Ohio, Virginia and Wisconsin) summarized by the Research Office of the Council of State Chambers of Commerce in a bulletin issued in Washington on Jan. 5. These surveys disclosed that "billions of dollars of plant expansion plans have been cancelled by manufacturing companies in the United States within the past 12 to 18 months because of Federal taxes," and that "it is principally the small and medium sized companies whose growth is being stifled."

For these smaller companies, however, and indeed for the entire nation, a new and much more hopeful development has showed up recently. It is the prospect, already noted, that for the fiscal year ending June 30 next, the cash receipts and expenditures of the Federal government will at least be in balance and there may be a substantial excess of receipts. This prospect, produced by the upsurge of business in recent months and a further cutting back of defense expenditures, provides a dramatic contrast with the prospect of a deficit of many billions of dollars portrayed in the official pronouncements on the budgetary outlook. More important, it affords the incoming Administration the prospect of being able to provide some tax relief at mid-year without thereby precipitating a dangerous Federal deficit. As it comes up in normal course, with the excess profits tax scheduled to expire on June 30, unless renewed by act of Congress, such relief would not only be particularly helpful to smaller growth companies whose plans for capital investment are hamstrung by Federal taxation; such relief would also offset the repressive effects on capital expenditures of a decline in **total** volume of corporate profits if that should materialize.

It may develop that the high level of capital expenditure now planned for this year can be carried out without any change in the Federal tax structure as it applies to business. Even so, I personally would unload the excess profits tax at the earliest possible moment primarily because it imposes a peculiarly noxious penalty on the growth of vigorous small companies. But I would understand, if not admire, a decision to let it run on for six months if the stimulus provided by its elimination were not needed to support a high level of capital expenditures by business. In that event, it would serve as a hole card of sorts.

Good Prospects of Balance Federal Budget and Tax Relief

But, in any event, the fact that the Federal burgetary situation is so improved that business taxation can be reduced at mid-year if necessary without inviting a disastrous Federal deficit, adds a new element of strength to the outlook for capital investment by business. It constitutes a sort of second line of defense for that level if the present high level of profits—the key line of defense of the high level of capital investment now planned—should show signs of weakness.

The prospect that the Federal cash budget will at least be balanced in this fiscal year is, as I have indicated, due not only to the recent upsurge of business activity but to the cutting back of defense expenditures. When the Federal budget for the current fiscal year was made up it was estimated that by June 30 next, we could be spending money for defense at an annual rate of $60 billion. Actually the rate will turn out to be much nearer $53 billion per year.

By making sufficiently belligerent moves the Russians could, of course, promote a large and rapid increase in the rate of expenditure for defense. Personally, I do not believe that they are going to do it. Instead I anticipate that a new show of determination on our part to get off the defensive in the wars, which I expect to see, will make the Russians less rather than more belligerent. But, having said as much, I hasten to add that I have absolutely no credentials in this foggy field of speculation. However, I am somewhat supported in the expectation by the findings of some of those with the best credentials as experts on Russian developments which are available. They tell me that the Russians are drastically reorganizing their system of agricultural production in the direction of larger and more tightly controlled collectives—a more forced by the dangerous weakness of their system of food supply. They also tell me that it will be a matter of years before this reorganization, which is attended by seething resentment on the part of the peasants, will be shaken down sufficiently to provide a safe system of food supply and that, in the meantime, the Russian commissary department will be in no shape to provision an all-out war.

Close to Peak of Defense Outlays

If, as I anticipate, we are in fact close to the peak of defense expenditures so far as the years immediately ahead are concerned, it follows that there must be an expansion of civilian consumption to compensate for the absence of mounting expenditures for defense if our growing economy is not to bog down. An analysis of the magnitude of this necessity and chances of meeting it successfully would inevitably involve me in an extended consideration of the operations of our economy as a whole. So, for the purposes of this discussion, I shall simply make the assumption that the necessity will be successfully met. If so, a greatly enlivened application of the art of selling in all of its major dimensions—from produce design through advertising to house-to-house canvassing — will play a decisive role. This is why I have come to characterize the salesman as the key custodian of our prosperity.

The point is made, of course, that even if all of our salesmen were super Paul Bunyans in their line they could not reasonably be expected to produce sales which would indefinitely validate a rate of capital expenditure by business of the sort we have maintained since the end of World War II. Personally, I do not believe the point is well taken. It is true that we cannot expect to add to our manufacturing capacity as rapidly over the next seven years as we have in the past seven years, but that is by no means the end of the matter. A large share of this capacity is old, rickety or obsolete. When the investment requirements of modernization are added to those of new product development, being so notably exploited in the chemical industry, and the needs of investment to meet economic growth, to which the bulk of the tremendous electrical utility investment is directed, there is no basis for the fear that opportunities sufficient to sustain a high level of capital investment by business are running out.

At any rate, we know that for the coming year American industry has plans to carry on at nearly the present record-breaking rate of capital investment. We also know that plans already made would, if successfully carried out, go far to sustain that rate during the years immediately ahead. The chances, already good, that it would be possible to carry out these plans have recently been much brightened by the improvement in the budgetary situation of the Federal government — an improvement which makes possible special stimulus for capital investment by business in terms of tax relief if this becomes necessary. Whether it will be necessary —a key question involving the performance of the economy as a whole to which I have scarcely more than tipped my hat—remains to be seen. But insofar as it can be appraised as a special phase of the total economic outlook, the outlook for capital expenditure by business can be pronounced very good, and potentially excellent.

Continued from first page

As We See It

precautions will be taken not to provide the political sharpshooters with just the targets they seek.

But these are not the real problems by which the Eisenhower Administration is faced. They are important only in the degree in which they get in the way of effective attack upon the real tasks that lie ahead. The work that the new President and his party newly in control of Congress have cut out for them is of a wholly different order. If the controversy—if that is what it was—over the Wilson nomination and confirmation has seriously weakened his effectiveness in dealings with Congress, then the episode is greatly to be regretted. Otherwise, as painful as it doubtless was to a number of people, it can well be forgotten.

His Work Ahead of Him

Mr. Wilson's work still lies ahead of him, and the extent to which he can get accomplished what all intelligent and patriotic men want to see done is what will count in the final appraisal of the man and his work in the service of his country. No one doubts his essential integrity; no one would question his earnest desire to serve his country; every one concedes his outstanding ability. If he seemed a little obtuse as regards matters which he had never in his life before been called upon to consider, an awakened realization of some political facts of life, and a more effective approach to Congress can easily repair the damage.

But the real defense against what the opposition party and its members who take pride in their low political cunning are unquestionably planning to do with the ammunition thus placed in their hands lies in a record of real achievement. If Mr. Wilson proves, as we should and do expect him to do, that he knows how to bring order and efficiency out of the chaos that is now the Defense Department, and displays a singleminded determination to do so, it will not be easy for his detractors to make headway against him or against the Eisenhower regime on the basis of him or of his work. Nor is it likely, we should certainly hope, that men of light and leading in Congress would undertake or would want to undertake to do anything which would stand in the way of his success. This ought to make it possible for him, with the support of the President, to overcome a poor start and succeed in performing an outstanding service to his country.

Much the same story is to be told as to other activities and branches of the new Administration. In no department other than Defense has this particular sort of issue been raised, although, of course, there are men of large means in several of them. And although apparently great care has been taken to avoid even the appearance of evil as respects holdings and connections, there is little doubt that the hatchet men in the opposition party are planning to make use of the old billionaire dinner technique to discredit many of them and along with them the Eisenhower Administration.

The Treasury as an Example

Here again achievement of the sort no one in his sense can well fail to approve and applaud is the answer. Take the Treasury Department as an illustration. The newly appointed Secretary is reputed to be a man of very substantial wealth. According to apparently reliable report he made a very favorable impression before the Senate Committee questioning him. No information has been vouchsafed about his holdings, or his disposition of them, but no whisper of criticism has been heard in connection therewith. The fact remains that he is a wealthy man, and that every move he makes will be watched with malicious care by those who would destroy him.

But we have faith enough in the basic commonsense of the American people to believe that they can be made to see and recognize and applaud real achievements in the interest of all the people, and the Lord knows there is plenty to be done in the Treasury which would be of solid benefit to all, rich and poor alike. The new Secretary and his chief, the President of the United States, will have to take criticism, fair and unfair alike, in their stride and not falter in their determination so to manage the fiscal and financial problems of the country that they will deserve the gratitude of us all. When they have done that, or rather when they have demonstrated that they are doing that, then it should not be difficult to put down the tumult and the shouting even though the achievements are those of what Franklin Roosevelt used to call Bourbons, and economic royalists.

And so we might go down the list. There is crying need of constructive work everywhere. Not only is there inefficiency and waste, and even corruption in many places, but there is a morbid growth throughout the governmental organism. Surgery is in order. At many points pressure groups are demanding and will continue to demand special favors. Almost any program in the interest of the people as a whole will step on the toes of some one of these special interests, some of them upon the pedal extremities of many. All manner of means will be used to discredit those intent upon these necessary changes. Real achievement is the defense in all cases.

These early controversies and blunders—if that is what they are—are, to repeat, important only as they interfere with the work in hand.

Continued from first page

Yesterday, Today, and Tomorrow

of the phrases, "New Deal" and "Fair Deal."

Forces, both identified and unidentified, for the past 20 years have employed every conceivable weapon at their command, political as well as economic, to destroy the driving force of incentive in the individual American and to undermine the integrity and the independence of the banking system of America; to impair the ability of bankers in discharging the greatest responsibility imposed upon them—namely, to provide sound credit and thus insure the American dollar from becoming a postwar, cold-war political casualty.

In the granting of credit during this period, we have learned the necessity of taking into account the loss of incentive to succeed resulting from such forces.

The Banker's Present Job

Our job as bankers is, first, to make good loans and good investments yielding appreciable, fair returns. Not for a moment should we forget our responsibility to the millions of thrifty men and women who bring their savings to us. It is they whom we represent and in whose interests we are honor bound to fight any program calculated to undermine the roots of the thrift and economic security of the people who constitute the very backbone of this country, the great middle class which has been liquidated in almost all other parts of the world.

In the midst of the changing concepts of the functions of government and the rights of the individual, we have not seemed to sense our full responsibility to keep those confiding and trusting depositors informed regarding the causes that brought the interest rates on their deposits to a low level.

These industrious people, unconscious of the effect upon them of such changing concepts, have looked to their savings, as did their ancestors, to insure them old-age security and rest from the toils and uncertainties of life.

Many of us did not tell them in plain language why these hopes were dashed. Our failure to do so has been interpreted as a confession on our part of complicity with the magic money men.

After 20 years of such tragic mismanagement of government, the new Administration faces a desperate situation; and let no one minimize that fact. We must weigh it carefully in evaluating credit risks.

For the last 20 years and up until the present hour, we have had little else but a demonstration of the application of forces which were determined to sweep away a free people and to take into their own hands the control of government and industry.

All this:

By a repudiation of constitutional guarantees in the operation of government;

By attempts to destroy the fine balance of power between the three constitutional departments of government;

By a bureaucracy in full flower, the like and extent and capacity for growth of which was beyond our capacity to believe;

By the destruction of the independence of state and local government through what amounts to outright purchase, through the extension of elaborate and unprecedented grants from a paternalistic central government;

By expenditures of government exceeding its true income annually by vast amounts, and this even though its true income represents an unfair diversion of the earnings of its people from other and more needed uses;

By a highly centralized control, a control daily growing more highly centralized, over the daily lives and activities of the people, a constant and growing interference with their ordinary concerns, restricting, impairing, and hindering their activities—and this all being done under the benevolent-sounding pretext of affording a "more abundant life";

By fear of reprisals, crushing the spirit of independence in our people;

By a steady confiscation of property through the staggering burdens of taxation and through borrowing, which means deferred taxation;

By destroying private initiative to facilitate political manipulation and control;

By the ruthless and unnecessary abandonment of the gold standard which once acted as a warning mechanism and as a means of placing ultimate limits on political inclinations to use credit recklessly;

By abandoning the gold standard, monetization of the Federal debt was made possible and resorted to in large measure.

By the steady encroachment of political control upon managerial skill and experience in our financial system; and

By a questionable practice of seeking to maintain the market value of its own securities.

This is the result: a deficit tumor, progressively developing in the body politic, now rapidly approaching malignancy.

This was true as of Jan. 20, 1953. Now for the $64 question: Are not the basic problems of the United States Treasury more deeply the concern of all of us today than anything else outside of our own individual family relations?

Treasury's Basic Problems

The basic problems with which the Treasury is confronted are:

What obligations will it be called upon to meet, and in what manner will it be allowed to meet them?

Is Uncle Sam to continue to be a modern Atlas, carrying the world on his shoulders? If so, on what is he to stand? How will he carry the load?

Will Uncle Sam be left free to exert his strength, or will he be bound in the red tape of a top-heavy and rabbitlike bureaucracy?

Will the Treasury be called upon to meet the expenses of governing a free people, free to risk their own time and money, free to use their own brains, to profit by their own contributions to the advancement of mankind; or is it to meet the expenses of carrying out the ideas of a group of visionaries confident that they, and they alone, possess the skill and foresight to direct not only the lives of this people but to reform and remodel the whole world?

The undertakings assumed, the activities attempted by Uncle Sam, plus the freedom of action, knowledge, and administrative ability of those entrusted with the execution thereof, measure the obligations of the Treasury. Our concern is in direct proportion to the obligations assumed, for from us, from the people of America, must come every dollar the Treasury spends.

What we will be called upon to contribute to the support of the government will depend not only upon the ideologies of those entrusted with governmental power, but also upon their honesty, freedom from ulterior motives, ability to withstand "pressure groups," knowledge of both national and international conditions, and administrative capacity.

Course During Next Four Years

During the next four years, the course this nation is to pursue, what its future is to be, will be largely determined.

If the people of America are to decide the future of America, it behooves all of us to give thought to these questions:

How much of the dollar we earn do we believe can, with greatest benefit to all—to us and our children—be spent by government?

How much can best be spent by us?

When you have answered these, you have decided whether you want to preserve what is left of the America we knew—the America in which the cost of government was low, where the control of government was not felt at every turn—or whether you want to be taxed and regulated to such a point that you retain little freedom of individual initiative and look to the "elective" intelligence of government to replace the collective intelligence of the whole people functioning in a free field.

To my mind, one of the strangest hallucinations ever entertained by an informed public was that the welfare of the nation depended principally upon the success of one or another political party—upon whether this policy or that policy was put into effect.

As I see it, this nation could have survived the ill effects of the adoption of the most absurd political theories just so long as the government left the individual free himself to spend substantially all of every dollar he earned; to venture his time and money as his own judgment dictated, subject only to the limitation that he should not invade the rights of others.

I do not believe that even this nation can survive the adoption of even the most solid political theories if they involve entrusting to government the spending of the larger part of the dollar you and I earn.

I do not have that confidence in "elective" intelligence, and by that I mean to identify the strange phenomenon which occurs when a man, elected to some high office, suddenly becomes imbued with the idea that he knows all about something of which he knew little or nothing prior to his election. It is a phenomenon of which we have seen a great deal in recent years—not that it is anything new—and which becomes more and more noticeable as government takes to itself more and more power.

When I think of the spontaneity with which are spawned the thousands and thousands of proclamations, orders, directives, and regulations by which we today are governed and controlled in our simplest activities — laws made without that debate, consideration, and opportunity for those affected to be heard, which even a rubber-stamp Congress would allow — it seems to me the bureaucrats have come to consider that they possess all the qualifications of an omnipotent Creator.

What Route We Take Will Determine Credit Policies

Gentlemen, do we want to mind our own business, take an intelligent part in world affairs, keep our feet on the ground, limit our undertakings to our capacity to do; or do we want Uncle Sam to become the modern Atlas, even though standing on a cloud?

The route we take will basically determine credit policies.

Listening to the cry of the new money philosophers, "We never had it so good" (and we might add: we never borrowed so much, or spent so freely, or wasted so flagrantly), many millions were led to believe that if we spent all we had and borrowed and went into debt, we would somehow become more prosperous; and if we "never had it so good," maybe we ought to double the debt and make it just so much "gooder"; and if a $265 billion debt is a good thing, then why is not a $530 billion debt twice as good? It would certainly give us a bigger deficit pool of phony money to give us a hypodermic-needle prosperity. As a result of "never having had it so good," we have acquired an all-time high Federal debt, and in acquiring it have destroyed half of the value of the people's money and multiplied the burden of taxation dangerously near the point of confiscation.

We all know that a man who has long lived under opiates would suffer some damaging shock if suddenly he were cut off completely.

I think we all know that we cannot turn too quickly when we are driving at 80 miles an hour on the wrong road. If we try to make too sharp a turn before we have slowed down to a safe speed, we will upset the economic automobile. None of us is asking, nor would we be wise to ask, an overnight reversal. But we are asking, and we must ask, that we slow down this racing on the wrong road as quickly as we can and that we turn in the right direction as soon as we consistently can.

Danger of Increasing Private Debt

Now, I would direct your attention to one more danger point—a point sometimes minimized because of great concern about public debt. But I would speak of the danger point of increasing private debt. I think we should face the fact that there are those who would lull us into sweet slumber with a fine-sounding phrase that has come to be called "disposable income" — a phrase which I am afraid will not soften the facts when they are placed in their proper perspective. Statistics on disposable income (as is true of statistics on most other matters) must necessarily deal with averages, and averages will not save the individual when a debt is due.

There are those who would tell us that we have not reached the danger point of 1929 in the ratio between total debt and total output. That is a bit like telling a man that he does not have to worry how fast he is driving because nothing is hurt until he hits! Who wants to wait until we reach the danger point of 1929! And who knows how close we can come and still be safe!

The world is organized to get people into debt, but the people are not organized to get out of debt. Every conceivable agency and facility which the ingenuity of man could invent, aided and encouraged by a spendthrift government has acted in unison to take the dollars away from people and to load them with obligations. Here are some supporting figures:

Net Public and Private Debt
(Billions of Dollars)

	Total Public and Private	Public	Total Private	Corporate	Individual and Noncorporate
1929	191.1	29.7	161.5	88.9	72.6
1940	190.8	61.3	129.6	75.6	54.0
1946	398.7	243.3	155.4	93.5	61.8
1951	519.2	242.0	277.2	155.8	121.4

An analysis of these figures indicates an actual decline in private debt in the period from 1929 to 1946 in spite of the growth of the economy and the lower purchasing power of the dollar. It is true that there was a much larger decline in the period between 1929 and 1940 and that an increase in debt took place between 1940 and 1946. It should be noted, however, that this six-year increase which took place during the war was only about equal to the average annual increases in private debt which have been taking place since. If the 1946 and 1951 figures are compared, it will be seen that individual and noncorporate debt nearly doubled in this period and that corporate debt increased by about 67%. As a matter of fact, the increase in total private debt of $122 billion in the six-year period is an average of nearly $25 billion a year; and for the years 1950 and 1951, the increase averaged over $33 billion a year. Based on the increase in total consumer credit for the first 10 months of 1952 and on the relaxation of real estate credit restrictions, there seems every reason to feel that there has been a further large increase in private debt in 1952.

Debt is now popular. People are no longer afraid of it. Good credit in the days gone by was usually founded on the fear of debt.

Bankers Again Can Give Advice to Government

For the first time in two decades, bankers will be listened to in high places of government. Their counsel will be sought and followed. Already this is evidenced by the appointments made in important fiscal government positions. We should welcome this opportunity to be heard, but also we should realize that our responsibility is correspondingly great.

As I have tried to outline, on the doorstep of the new Administration will be piled many trying problems, foremost of which is the maintenance of prosperity, a sound foundation for the extension of credit—government, corporate, and personal — and the restoration of peace. The present boom has operated on borrowed time and has been artificially supported by the colossal outpouring of Federal funds. Practically all major segments of our economy are dependent upon Federal aid, which has been accomapnied by the extension of government control. The net effect has been an expansion in government operations and a shrinkage in individual freedom. In order to restore the fundamental principles and ideals of the American system, it is essential to deflate Big Government; adopt sound domestic, international, economic, and fiscal policies; create a favorable business climate; and reestablish faith and confidence in the future growth of this country.

Twenty years of deficit spending has demonstrated the fallacy of all the claims of the "New Dealers" and "Fair Dealers" as to the possibility of spending ourselves into prosperity, and has demonstrated that with respect to a government or a nation, as with respect to an individual, there is only one way to live and prosper, and that is to live within your income.

We must never forget that the Government of the United States is not the base of our financial structure, but only the superstructure. The base is the soundness and the integrity of the citizenry of the country. If the base disintegrates, the superstructure must collapse.

The banks are not only the guardians of the funds of our depositors; they are also charged with the duty, whether we like it or not, of protecting our customers against themselves.

Government's Pressure in Making Loans

We all know the pressure that has been exerted to induce — indeed, almost to compel — us to make improvident loans. For 20 years, the government has, in effect, denounced conservatism in banking, just as it has forsaken conservatism in its own affairs.

It has seemed to say: "Get money into the hands of the people. Banks must take chances like every one else. People cannot do business without money. They cannot enjoy the American high standard of living unless they have American conveniences. They cannot be expected to be satisfied without good homes, automobiles, television, and other things to make them happy. You bankers must relax your rules. You must change your policy."

Well, that is exactly what we have done. No bank is stronger than the loans it has outstanding. If loans are made to those whose financial condition does not justify such loans, to that extent the bank's condition is impaired, and the interest of its depositors is jeopardized.

In a time of such danger and uncertainty, as the present, it is especially foolish to risk the depositor's money. Banks must always be prepared for changes in our economic system. Depositors' money is not to be loaned merely on the assumption that the borrower will keep his job or that he will continue in good health. It should be loaned only when the factors of safety far outweigh the chances of default and only when repayment is adequately assured.

In determining when credit is justified, a point of first importance is to what extent the "incentive to succeed" is present. If, as we hope and believe, changed policies of government will tend and in the long run serve to restore the incentive to succeed which built this country, then credit policies can, with safety, be liberalized.

Banking Should Be Assured of a Healthy Basis

While the banking fraternity should champion the cause of private enterprise and sound national policies, it should make sure that the banking system is on a healthy basis. It is true that the bankers engaged wholeheartedly in the Voluntary Credit Restraint Program which helped place a damper on inflation. Nevertheless, outstanding loans of all commercial banks in this country aggregate more than $61 billion, or three and a half times as much as in 1939. This boom is the longest and biggest in history. Some day there will be a reckoning. Will we be prepared to meet the test? It is timely to appraise the overall situation and constantly to scrutinize our loan and investment portfolios. For more than a decade we have been riding the rising tide. A turn in the tide would undoubtedly reveal many sour loans because of a too-generous extension of credit. To cut this to a minimum, we shall be rendering a service to our customers, our banking institutions, as well as to the entire country. Let us do, now, what we wished we had done, when the showdown comes.

America must maintain a sound and strong economy in order to survive. The achievements of American industry in peace and in war are a tribute to the resourcefulness, ingenuity, and know-how of business enterprise. Furthermore, despite the great strain under which our economy operated during the war years, it has demonstrated great vitality and flexibility, and is far from the decadent system that some quarters proclaim it to be. The propelling power behind our progress is private initiative and the unleashing of personal energy in response to rewards for achievement. Upon these principles there has been built the American system, which is the best that has yet been devised for the satisfaction of human wants and individual freedom. Every possible measure should be adopted to provide for a dynamic and expansive economy.

But let us not forget that there can be no incentive to succeed by the individual if the country is not to survive; and here, as with respect to the individual, the truth remains that to survive means to live within your income.

I know that the people have had an awakening, as evidenced in the November election; therefore, we look forward to the future with encouragement knowing that the America as we have known her, will survive, IF, as Dr. Douglas Freeman said at The Graduate School of Banking: ". . . . if her sons will cease to think of her as a Lady Bountiful and regard her as a mother for whom, from the love they bear her, they are willing to sacrifice. The road of individual self-discipline and self-denial is the road to America's safety, to her happiness, and to her world service."

Let's Have Sound Money Based on Gold Standard

History records that an important fundamental in the road Douglas Freeman had in mind is built on a foundation of sound money, redeemable in gold, which provides a stable medium of exchange, a measure of value, and a storehouse of value.

Under the gold standard, the granting of public, corporate, and private credit is insured against political abuse and excessive use. In other words, it is an automatic restraint or a curb.

I do not suppose that any one of us likes to be bridled or curbed. Certainly no horse does; and it is doubtful if humans like to be restrained any more than horses do.

But we have to learn to live with law. And the gold standard is both a reminder and an automatic enforcer of fiscal and financial laws. It is, in a sense, a speed limit which, in a sense, effectively enforces itself.

The gold standard does not positively guarantee safety any more than brakes on a car guarantee safety. No matter what standard we are on, some fiscal darn fool is always going to ignore his brakes and push his throttle to the floor, and flaunt the laws of the road. But that is no reason why brakes should not be standard equipment.

And I say to you—and I should like to read into the record of this occasion—that the gold standard should be "standard equipment" in this country. It is a safety factor without which there is little effective control on credit or currency and without which the value of the dollar can scarcely move anywhere but down — which is what it has steadily done since the gold standard was eliminated as part of this country's "standard equipment."

Continued from page 45

News About Banks And Bankers

At their annual meeting on Jan. 21 the stockholders of **The County Trust Company of White Plains, N. Y.** voted in favor of a 5% dividend or one new share for each 20 now held, according to a statement released by Andrew Wilson, Chairman of the bank's board of directors. The dividend, pending formal approval by the Superintendent of Banks, will go to stockholders of record as of Jan. 21. Stockholders entitled to fractional shares on the one for 20 basis will receive scrip certificates and will be advised of an arrangement under which these certificates may be sold for cash or used to acquire additional shares. In making his announcement Mr. Wilson pointed out that as a result of the dividend action the number of outstanding shares of County Trust capital stock will be increased from 185,375 to 193,750 with a corresponding increase in par value from $2,966,000 to $3,100,000. A $500,000 increase in the bank's stated reserves was also announced. Capital funds now total $14,678,985.

* * *

Alex Seidler, Jr. has been elected Vice-President of the **National State Bank of Newark, N. J.**

* * *

William F. Kelly, Executive Vice-President of **The Pennsylvania Company for Banking & Trusts of Philadelphia** was elected to the board of directors of the bank at the annual meeting of stockholders on Jan. 19. Directors re-elected by the stockholders were Leonard T. Beale, W. J. Jenks, E. A. Roberts, Anthony G. Felix, Charles R. Tyson and Albert J. Nesbitt. Two new Vice-Presidents were named at the organization meeting of the board. Alfred C. Graff, with the company since 1929, was advanced from Treasurer to Vice-President and Treasurer. Harry I. Lauer, who joined the bank in 1921, was promoted from Assistant Vice-President to Vice-President. Mr. Kelly was elected Executive Vice-President last September and has charge of the bank's loan and credit activities. He is a member of the Pennsylvania Bar and began his banking career with the Continental Equitable Title & Trust Company in 1925. He joined The Pennsylvania Company in 1931 when Continental was absorbed by the bank.

Other executive promotions approved by the board were: John A. Eiseman, Ernest H. Bayer, E. Kenneth Wallace, Donald F. Conway, Willard L. Case Jr., and Henry S. Faus, from Assistant Treasurer to Assistant Vice-President. John W. Clegg Jr., Trust Officer; Fred E. Ashbridge Jr., Trust Investment Officer; David W. Measuroll, Trust Investment Officer, and John M. Cookenbach, Trust Operations Officer, all to Assistant Vice-President. William F. Delafield, from Assistant Secretary to Trust Officer. May A. Naylor and Henry Mck. Baggs, from Assistant Trust Officer to Trust Investment Officer. New officers named were Ralph Henry, Frank J. Corbal, George W. Kerchner, Frank O'Hara, Jack L. Appleton and Charles J. Regler, Assistant Treasurers; Philip M. Tucker, Assistant Trust Investment Officer, and C. Leslie Applegate, Assistant Secretary.

Continued from page 14

Eisenhower Regime's Policy For Defeating Communism

going for us in the Pacific. Stalin has boasted that with Japan the Soviet Union would be invincible. We don't need to believe that, but at least we can see that it would be pretty tough going.

Now the Soviet Russians are making a drive to get Japan, not only through what they are doing in northern areas of the islands and in Korea, but also through what they are doing in Indo-China. If they could get this peninsula of Indo-China, Siam (Thailand), Burma, Malaya, they would have what is called the rice bowl of Asia. That's the area from which the great peoples of Asia, great countries of Asia such as Japan and India, get in large measure, their food.

And you can see that if the Soviet Union had control of the rice bowl of Asia that would be another weapon which would tend to expand their control into Japan and into India. That is a growing danger and it is not only a bad situation because of the threat in the Asian countries that I refer to but also because the French who are doing much of the fighting there are making a great effort and that effort subtracts just that much from the capacity of their building a European army and making the contribution which otherwise they could be expected to make. I'll touch on that problem later on when we get to Europe.

Now, then, we can go on to the next area which is the Arab world. And in the Middle East we find that the Communists are trying to inspire the Arabs with a fanatical hatred of the British and ourselves. Now that area contains the greatest known oil reserves that there are in the world, and the Soviet interest is shown by the fact that Stalin when he was negotiating with Hitler in 1940 said that that area must be looked upon as the center of Soviet aspirations.

If all of that passed into the hands of our potential enemies that would make a tremendous shift in the balance of economic power. And furthermore this area also has control of the Suez Canal and that is the portion of the world and the seaways of the world which has long been guarded and called the life-line which made it possible for Europe to be in communication with Asia. There, there are difficulties at the present time between the British Government and the Government of Egypt which relates to the question of the defense and control of the Suez Canal.

Then if we move on further, we can go to Africa. And throughout Africa the Communists are trying to arouse the native people into revolt against the Western Europeans who still have political control of most of Africa. If there should be trouble there, that would break the contact between Europe and Africa, Africa being a large source of raw materials for Europe.

And then we come now, as we go around the globe, to Western Europe itself. And in Western Europe we find that there is in existence there one of our major foreign policies, the foreign policy that is called by the word, NATO; NATO standing for North Atlantic Treaty Organization. The purpose there was to tie the Western European countries together with association from United States and from Canada so as to create there a community which would be strong enough to deter any attack on Western Europe by the Red Armies. This area of Western Europe has always been historically an area which was strong in the military sense.

And the countries have quite a considerable military tradition. The trouble has been that in the past these Western European countries have used their military strength with which to fight each other and to bleed each other. Particularly France and Germany, as you know, have been fighting each other about once in every generation for quite a long time. The present hope is that Germany and France will join in a single European Defense Community and then we would have a situation where they could not fight each other and where their combined strength with that of their other allies would make it unlikely that the Red Armies would attempt to invade Western Europe.

No Unity Yet in Western Europe

That's a good idea and it has had in this country bipartisan support. Unfortunately the plan now seems to be somewhat stalled. And it seems as though some of the French people and some of the German people want again to go in their separate ways. That's one of the reasons why President Eisenhower asked me and Mr. Stassen, who directs the Mutual Assistance Program, to go to Europe this week. We want to look the situation over at first hand and see whether this trend to unity is on the upgrade or is on the downgrade.

Let me say to you first of all that in this trip we are taking we are not going to make any commitments of any kind, sort or description. The problem of making commitments is for the Congress of the United States working in cooperation with the executive departments of the Government. We shall be there to observe and to listen but not to make commitments.

The United States has made a big investment in Western Europe on the theory that there could be unity there. Of the $40,000,000,000 which we have sent abroad since the end of the Second World War, almost $30,000,000,000 have gone into Western Europe. If, however, there were no chance, and that I just refuse to believe, but if it appeared there were no chance of getting effective unity, and if in particular France, Germany and England should go their separate ways, then certainly it would be necessary to give a little re-thinking to America's own foreign policy in relation to Western Europe.

So you see that as we look around the world so far we've looked at Asia and we've looked at Europe, and we've looked at Africa, but then also we've got this hemisphere to look at. And we have to look at South America.

Sometimes we're inclined to take South America for granted. But the reality is that there are strong Communist movements in South America and Fascist influences in some quarters which are working away, largely underground so far, and they're trying to destroy the traditional friendship between the people of the American republics. The past Administration has been so preoccupied with some of these problems of Europe and Asia and Africa that I referred to, that I fear it may have somewhat neglected South America and taken it for granted that we could forget about South America for a time and then go back again and find everything the same as it was before. But actually any such policy of neglect would lead to growing danger.

Well, you can see that there is plenty of trouble around the world; I've pointed out some of the high spots of trouble, but there are many more. There are plenty of areas which are vulnerable to the political warfare which the Russians are waging and if these areas were lost then the Russian Communists would have largely completed their encirclement of the United States and be ready for what Stalin has called the decisive blow against us with the odds overwhelmingly in their favor.

That's a gloomy picture but it need not and it must not discourage us. These Russian Communists are not supermen and their strategy is not irresistible. I feel absolutely confident that we can make it fail. Now as I said I'm not going to attempt to tell you tonight in any detail what will be the foreign policies of President Eisenhower's Administration. It would be foolish to attempt to do that so quickly—it's only a week ago today that President Eisenhower was inaugurated — but I think I can on the basis of what I know about him give you two indications as to the outline of our foreign policy, one negative and the other positive.

Will Have no Preventive War

Now first the negative one. We will not try to meet the Soviet strategy of encirclement by ourselves starting a war. Take that for certain. A few people here and there in private life have suggested that a war with Soviet Russia was inevitable, and that we'd better have it soon rather than later because they said time is running against us. President Eisenhower is absolutely opposed to any such policy and so, of course, am I and all of my associates in the State Department and the foreign service. We shall never choose a war as the instrument of our policy.

It says in the Bible, you recall, that all they that take the sword perish with the sword. And even people who do not accept that as a doctrine of faith, they should at least remember that twice within our generation great and powerful despots have taken the sword. Germany and Japan, for example, have taken the sword with seemingly overwhelming power only in the end to perish miserably.

Now, of course, we know that our enemies do not have moral scruples, in fact they deny that there is such a thing as a moral law. They preach violence. Stalin has said and it is taught to every one of his Communist followers that the world transformation which they seek cannot, they say, be achieved without violence. And Stalin went on to say that any who thought that their goals could be achieved peacefully have either gone out of their minds or are traitors to the Communist cause.

We know that they've used violence, at least on a local scale in several countries of the world including Korea and Indo-China. They're building up a vast military machine; they've rejected United Nations proposals for an armistice in Korea; and they've rejected United Nations proposals for effective limitation of armament. Therefore, we ourselves must have a strong military establishment and we should encourage the creation of military strength among our friends but the purpose is never to wage war but only to deter war.

Not only shall we never invoke war to achieve our purposes but we shall try to the best of our ability to stop the wars that are now going on in the world, notably these wars in Korea and Indo-China. Today these wars go on because the enemy thinks he's getting an advantage by continuing the war. I believe that General Eisenhower will find the ways to make the enemy change his mind in that respect so that they too will want peace.

Now the other purpose of our foreign policy, and this is the positive aspect, must be to create in other peoples such a love and respect for freedom that they can never really be absorbed by the despotism, the totalitarian dictatorship of the Communist world. The Russian Communists, as I've pointed out, have swallowed a great many people to date, approximately 800,000,000, but you know there is such a thing as indigestion. People don't always get stronger by eating more; sometimes they eat more than they can digest and then they get weaker instead of getting stronger.

Signs of Indigestion in Communist World

And already there are signs of indigestion within the Russian Communist world. The purges and the trials that are going on in Eastern Europe, the wholesale executions that are going on in Communist China, all these things show the people are restive and are unhappy. The fact that the Communist rulers feel that they have to resort to these tactics of terrorism in order to make the people do their will, that fact is a sign of weakness, not a sign of strength.

And a great deal can be done to make these peoples, these captive peoples, retain such a love of freedom and independence and to bring such a love and determination to keep independence on the part of these peoples that I've talked about who are menaced that they can't be swallowed and digested by Soviet Communism. And perhaps in time the indigestion will become so acute that it might be fatal.

Now what's our job and our task in that respect? Our job is to serve our own enlightened self-interest by demonstrating by our own performance, by our own examples, how good freedom is and how much better it is than despotism is. Now who can put on that performance, that demonstration to show that example? The only people in the world that can do it are you, the people of the United States of America.

And it means that each of you has a task in foreign policy. Foreign policy isn't just something that's conducted by Secretaries of State and by Ambassadors in different parts of the world; everyone of you has got a part in making a successful foreign policy for the United States, because whether or not we peacefully succeed will largely depend upon the demonstration you make as to the value and productivity of liberty.

You must work hard enough at whatever your task is to show that freedom is more productive than slavery. You must be resourceful and inventive enough so that our instruments of peace and if need be war are better than any that can be invented by the despots and their captives. And we must be compassionate and friendly and good neighbors because people who are wholly selfish are never an attractive people.

If each of you will recognize that you have a part to play in making freedom seem desirable, then all of us together will make freedom so sought after throughout the world that the Russian Communists will be bound to fail in their strategy of encircling us by swallowing up the rest of the world.

"We Will Not Be Intimidated"

The point I want to emphasize is that the heart of a successful foreign policy is our national conduct and example and that is a matter for every individual and not just the diplomats. So far as your government is concerned you may be sure that it will not be intimidated, subverted or conquered. Our nation must stand as a solid rock in a storm-tossed world. To all those suffering under Communist slavery, to the timid and the intimidated peoples of the world, let us say this: you can count upon us. Together with the other free peoples of the world we can, I am confident, peacefully achieve an honorable peace.

Now I suppose some of you are wondering whether the State Department can really be trusted to take a strong lead against Russian communism. There have been some shocking revelations which showed that some Communists and sympathizers have found their way into high places and betrayed secrets—even that of the atomic bomb. I can assure you that all of the resources of government, and that includes the F.B.I., are going to be employed to be sure that any such people are detected and cleaned out. I can promise you that our foreign policies, our new policies, will never to the slightest degree reflect any lack of faith in the ideals and the principles on which this nation was founded.

And let me now in conclusion say that I believe that our foreign policies should be open so that you can know what they are and they should be sufficiently simple so that you can understand them and judge them and they should be sufficiently decent and moral so that they will fit into your idea of what you think is right. These principles of openness, simplicity and righteousness—those principles are those which are in accord with what used to be the great American traditional foreign policy—that has been our great tradition and I am pround that we here in the State Department and in our foreign service will have a chance to carry on that great tradition and to live up to it. And in that way we shall, I think, deserve and I hope we shall receive the support, the confidence and the cooperation of the American people.

$15 Million Bonds of State of New Jersey Offered to Investors

The National City Bank of New York and associates are offering $15,000,000 State of New Jersey 3%, 1½% and 1¾% State Teachers College Construction bonds maturing Feb. 1, 1955 to 1968. The bonds are priced to yield from 1.10% to 1.80%, according to maturity.

Other members of the offering group include The Chase National Bank; First National Bank, New York; Harriman Ripley & Co., Inc.; The First Boston Corp.; Chemical Bank & Trust Co.; The Northern Trust Co.; Blyth & Co., Inc.; Kidder, Peabody & Co.; Kuhn, Loeb & Co.; Estabrook & Co.; R. W. Pressprich & Co.; F. S. Moseley & Co., Inc.; Chas. E. Weigold & Co., Inc.; Bacon, Stevenson & Co.; First of Michigan Corp.; Eldredge & Co., Inc.; A. Webster Dougherty & Co.; MacBride, Miller & Co.; Van Deventer Brothers, Inc.; Camden Trust Co.; Cook & Quinlan; and Stubbs, Smith & Lombardo, Inc.

Walter M. Wells With Douglass & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Walter M. Wells has become associated with Douglass & Co., 464 North Bedford Drive. Mr. Wells was formerly with First California Company and Shearson, Hammill & Co.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Wilber A. Barton is now connected with Waddell & Reed, Inc., 8943 Wilshire Boulevard.

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)	Feb. 1	§99.3	*99.7	107.2	98.8
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 1	§2,238,000	*2,248,000	2,226,000	2,053,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls of 42 gallons each)	Jan. 17	6,524,000	6,468,300	6,610,800	6,196,500
Crude runs to stills—daily average (bbls.)	Jan. 17	¶7,081,000	7,117,000	6,928,000	6,639,000
Gasoline output (bbls.)	Jan. 17	24,037,000	23,768,000	23,497,000	22,056,000
Kerosene output (bbls.)	Jan. 17	2,791,000	*3,080,000	2,942,000	2,872,000
Distillate fuel oil output (bbls.)	Jan. 17	10,903,000	*10,900,000	10,583,000	9,606,000
Residual fuel oil output (bbls.)	Jan. 17	9,023,000	9,350,000	9,134,000	9,121,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 17	143,344,000	*140,741,000	131,017,000	140,941,000
Kerosene (bbls.) at	Jan. 17	24,932,000	*26,234,000	28,652,000	24,060,000
Distillate fuel oil (bbls.) at	Jan. 17	88,683,000	*94,323,000	105,884,000	75,356,000
Residual fuel oil (bbls.) at	Jan. 17	47,745,000	48,876,000	48,504,000	41,059,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 17	705,479	688,232	710,358	747,660
Revenue freight received from connections (no. of cars)	Jan. 17	648,987	578,418	660,784	676,407
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 22	$229,078,000	$548,827,000	$154,502,000	$309,273,000
Private construction	Jan. 22	122,994,000	382,967,000	87,365,000	242,207,000
Public construction	Jan. 22	106,084,000	165,860,000	67,137,000	67,066,000
State and municipal	Jan. 22	77,809,000	101,414,000	40,771,000	50,000,000
Federal	Jan. 22	28,275,000	64,446,000	26,366,000	17,066,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 17	*9,500,000	*9,600,000	10,210,000	11,330,000
Pennsylvania anthracite (tons)	Jan. 17	703,000	667,000	706,000	988,000
Beehive coke (tons)	Jan. 17	112,400	110,800	101,000	148,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Jan. 17	92	89	237	90
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 24	8,144,074	8,121,357	7,549,730	7,616,421
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Jan. 22	173	158	95	142
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 20	4.376c	4.376c	4.376c	4.131c
Pig iron (per gross ton)	Jan. 20	$55.26	$55.26	$55.26	$52.72
Scrap steel (per gross ton)	Jan. 20	$42.00	$42.00	$42.00	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Jan. 21	24.200c	24.200c	24.200c	24.200c
Export refinery at	Jan. 21	34.950c	34.875c	34.350c	27.425c
Straits tin (New York) at	Jan. 21	121.500c	121.500c	121.500c	103.000c
Lead (New York) at	Jan. 21	14.000c	14.000c	14.000c	19.000c
Lead (St. Louis) at	Jan. 21	13.800c	13.800c	13.800c	18.800c
Zinc (East St. Louis) at	Jan. 21	12.500c	12.500c	12.500c	19.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 27	95.72	95.97	96.05	96.43
Average corporate	Jan. 27	108.70	108.88	109.60	109.24
Aaa	Jan. 27	112.19	112.37	113.50	114.08
Aa	Jan. 27	110.88	111.07	112.19	112.56
A	Jan. 27	108.16	108.34	108.88	107.62
Baa	Jan. 27	103.80	103.97	104.14	103.13
Railroad Group	Jan. 27	106.21	106.39	106.92	105.17
Public Utilities Group	Jan. 27	108.52	108.70	109.42	109.24
Industrials Group	Jan. 27	111.25	111.44	112.37	113.50
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Jan. 27	2.80	2.78	2.80	2.74
Average corporate	Jan. 27	3.24	3.23	3.19	3.21
Aaa	Jan. 27	3.05	3.04	2.98	2.95
Aa	Jan. 27	3.12	3.11	3.06	3.03
A	Jan. 27	3.27	3.26	3.23	3.30
Baa	Jan. 27	3.52	3.51	3.50	3.56
Railroad Group	Jan. 27	3.38	3.37	3.34	3.44
Public Utilities Group	Jan. 27	3.25	3.24	3.20	3.21
Industrials Group	Jan. 27	3.10	3.09	3.04	2.93
MOODY'S COMMODITY INDEX	Jan. 27	404.5	405.4	407.7	456.4
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 17	239,772	‡295,157	178,124	193,052
Production (tons)	Jan. 17	244,187	‡260,644	242,594	204,021
Percentage of activity	Jan. 17	95	‡83	96	85
Unfilled orders (tons) at end of period	Jan. 17	500,300	‡512,208	441,859	392,482
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Jan. 23	108.58	*108.63	108.77	113.80
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	Jan. 10	36,946	26,709	28,876	40,248
Number of shares	Jan. 10	1,074,494	758,703	867,325	1,122,380
Dollar value	Jan. 10	$46,713,904	$33,201,396	$37,618,852	$54,174,482
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 10	32,700	25,868	32,435	27,542
Customers' short sales	Jan. 10	147	85	105	225
Customers' other sales	Jan. 10	32,553	25,783	32,330	27,327
Number of shares—Total sales	Jan. 10	905,070	734,213	920,904	770,803
Customers' short sales	Jan. 10	4,906	2,568	3,194	7,701
Customers' other sales	Jan. 10	900,164	731,645	917,710	763,102
Dollar value	Jan. 10	$37,682,687	$26,981,457	$36,125,595	$32,714,977
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 10	285,170	234,940	327,780	182,340
Short sales	Jan. 10	------	------	------	------
Other sales	Jan. 10	285,170	234,940	327,780	182,340
Round-lot purchases by dealers—					
Number of shares	Jan. 10	411,750	241,260	281,220	537,570
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	Jan. 3	158,240	197,020	238,270	238,790
Other sales	Jan. 3	7,516,380	7,223,140	9,001,240	5,623,450
Total sales	Jan. 3	7,674,620	7,420,160	9,239,510	5,862,240
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Jan. 3	780,320	744,490	935,280	613,830
Short sales	Jan. 3	101,100	105,060	161,530	113,340
Other sales	Jan. 3	665,170	611,870	704,900	575,510
Total sales	Jan. 3	766,270	716,930	866,430	688,850
Other transactions initiated on the floor—					
Total purchases	Jan. 3	163,600	184,500	231,840	131,000
Short sales	Jan. 3	5,600	15,200	9,400	6,500
Other sales	Jan. 3	173,700	175,140	242,850	137,850
Total sales	Jan. 3	179,300	190,340	252,250	144,350
Other transactions initiated off the floor—					
Total purchases	Jan. 3	386,211	299,550	364,330	226,857
Short sales	Jan. 3	17,880	28,420	22,400	57,310
Other sales	Jan. 3	222,475	268,843	392,455	333,520
Total sales	Jan. 3	240,355	297,263	414,855	390,830
Total round-lot transactions for account of members—					
Total purchases	Jan. 3	1,330,131	1,228,540	1,531,450	971,687
Short sales	Jan. 3	124,580	148,680	193,330	177,150
Other sales	Jan. 3	1,061,345	1,055,853	1,340,205	1,046,880
Total sales	Jan. 3	1,185,925	1,204,533	1,533,535	1,224,030
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Jan. 20	109.6	*109.8	109.5	------
Farm products	Jan. 20	100.1	100.7	101.0	------
Processed foods	Jan. 20	104.1	*104.4	102.8	------
Meats	Jan. 20	98.1	*99.3	92.5	------
All commodities other than farm and foods	Jan. 20	112.8	112.8	112.7	------

*Revised figure. ¶Includes 659,000 barrels of foreign crude runs. §Based on new annual capacity of 117,547,470 tons as of [illegible] as against the Jan. 1, 1952 basis of 108,587,[illegible]70 tons. ‡Ten days.

	Latest Month	Previous Month	Year Ago
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES — Month of Nov. (millions of dollars):			
Manufacturing	$43,512	*$43,415	$42,692
Wholesale	10,178	*10,122	10,373
Retail	20,966	*20,652	20,818
Total	$74,656	*$74,189	$73,883
CASH DIVIDENDS — PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPARTMENT OF COMMERCE — Month of December (000's omitted)	$1,742,000	$248,700	$1,819,600
CONSUMER PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES—1935-39=100—Adjusted as of Dec. 15:			
All items	190.7	191.1	189.1
All foods	229.9	232.3	232.2
Cereals and bakery products	194.5	194.3	190.4
Meats	257.6	263.8	274.6
Dairy products	217.1	228.2	213.2
Eggs	201.8	226.0	216.7
Fruits and vegetables	236.4	236.7	236.5
Beverages	347.0	346.1	346.8
Fats and oils	139.8	140.3	157.8
Sugar and sweets	190.5	190.6	186.4
Clothing	201.1	201.3	206.8
Rent	145.3	143.9	139.2
Fuel, electricity and refrigerators	149.9	149.0	144.9
Gas and electricity	99.6	99.4	97.5
Other fuels	216.5	213.7	206.6
Ice	166.5	166.5	156.3
Housefurnishings	205.3	204.9	210.2
Miscellaneous	175.0	174.7	169.1
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Lint—Consumed month of December	697,984	759,737	671,803
In consuming establishments as of Dec. 27	1,602,810	1,464,783	1,596,805
In public storage as of Dec. 27	7,802,862	7,462,269	5,683,708
Linters—Consumed month of December	114,027	109,328	116,538
Stocks Dec. 27	903,432	789,906	539,033
Cotton spindles active as of Dec. 27	20,290,000	20,180,000	20,252,000
COTTON GINNING (DEPT. OF COMERCE):			
Running bales (exclusive of linters) prior to Jan. 16	14,714,878	------	14,529,763
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Dec. 27	23,070,000	------	23,152,000
Spinning spindles active on Dec. 27	20,290,000	20,180,000	20,264,000
Active spindle hours (000's omitted) Dec.	8,637,000	9,219,000	7,823,000
Active spindle hours per spindle in place Dec.	483.3	499.0	438.7
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of October			
All manufacturing (production workers)	13,337,000	*13,246,000	12,997,000
Durable goods	7,553,000	*7,417,000	7,296,000
Nondurable goods	5,784,000	5,829,000	5,701,000
Employment Indexes (1947-49 Avge.=100)—			
All manufacturing	107.8	*107.1	105.1
Payroll Indexes (1947-49 Average=100)—			
All manufacturing	143.8	*141.7	129.8
Estimated number of employees in manufacturing industries—			
All manufacturing	16,493,000	*16,389,000	15,965,000
Durable goods	9,336,000	*9,190,000	8,942,000
Nondurable goods	7,157,000	*7,199,000	7,023,000
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE-INSURANCE—Month of November:			
Death benefits	$141,626,000	$154,860,000	$136,825,000
Matured endowments	32,337,000	39,111,000	42,448,000
Disability payments	7,874,000	9,220,000	8,311,000
Annuity payments	28,595,000	31,605,000	30,560,000
Surrender values	45,127,000	52,916,000	46,769,000
Policy dividends	48,501,000	51,845,000	50,458,000
Total	$304,060,000	$339,557,000	$315,371,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE—Month of November (000's omitted):			
Ordinary	$1,669,000	*$1,816,000	$1,547,000
Industrial	474,000	499,000	453,000
Group	373,000	*346,000	398,000
Total	$2,516,000	$2,661,000	$2,398,000
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES—Month of November (millions of dollars):			
Inventories:			
Durables	$23,795	*$23,615	$22,337
Nondurables	19,717	*19,800	20,355
Total	$43,512	*$43,415	$42,692
Sales	23,510	*24,728	22,373
MONEY IN CIRCULATION—TREASURY DEPT.—As of November 3 (000's omitted)	$30,228,000	$29,644,000	$28,809,000
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of November (in billions):			
Total personal income	$276.1	*$276.1	$260.9
Wage and salary receipts, total	187.9	*187.5	174.8
Total employer disbursement	184.5	*184.0	171.3
Commodity producing industries	83.2	*82.9	75.8
Distributing industries	50.1	*49.9	46.5
Service industries	21.9	21.8	20.8
Government	32.7	*32.9	31.7
Less employee contributions for social insurance	3.7	3.8	3.5
Other labor income	4.6	4.6	4.2
Proprietors and rental income	53.2	*53.5	52.5
Personal interest income and dividends	21.3	*21.3	20.5
Total transfer payments	12.8	13.0	12.4
Total nonagricultural income	256.0	*255.4	239.5
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE — August, 1909-July, 1941=100—As of November 15:			
Unadjusted—			
All farm products	277	282	301
Crops	257	260	267
Food grain	248	240	249
Feed grain and hay	213	219	224
Tobacco	412	429	424
Cotton	288	311	345
Fruit	195	215	172
Truck crops	238	189	249
Oil-bearing crops	300	304	[illegible]
Livestock and products	295	301	[illegible]
Meat animals	310	328	[illegible]
Dairy products	318	316	305
Poultry and eggs	238	228	249

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

For all the market accomplished in the past few days it seems as if the Stock Exchange could have saved on current and other expenses by just closing up. Fluctuations amounted to about three-eighths of a point either way. Many stocks didn't even swing that widely.

* * *

It might be timely to observe that markets, like nature, abhor vacuums. A state of suspended animation can exist so long, then something happens. The chief question, I imagine, that concerns most readers, is in which direction will this "something" go. Try as one might, it all comes down to the same thing — which way will they go?

* * *

Based on the market action of the past two or three days, it looks as if the immediate move will be on the up-side. How far it will go and how long it will stay there are accompanying questions.

* * *

To answer them with any certainty requires a great deal more clairvoyance than this writer has. There are many reasons why stocks should go up; there are just as many reasons why they shouldn't. Yet, with the great majority of the public, those already long, and those who expect to be long (bullish) the chances favor the up-side, for the time being in any case.

* * *

It's not exactly a secret to regular readers of this column that I'm not wildly enthusiastic about the future of the stock market. Nothing has happened in the past week or so to change that opinion. Yet, I see an intermediate rally forming which can get started from these levels.

* * *

There's been a great deal of talk about undervalued stocks. The favorite yardstick trotted out for comparative purposes is market price times earnings. I don't know what the current popular belief is, but I dare say that stocks selling around five times earnings would be considered "good potentials." Anyway I'm assuming that to be the case. Continuing this logic the rails show as much potential as any other group. For example, there is Delaware & Hudson selling around 48, or at less than five times earnings. Or there is Seaboard Air Line selling just over five times; or Kansas City Southern at less than five times. Then there is Illinois Central, Chesapeake & Ohio and probably a few more rails.

* * *

Unfortunately there is no rule of thumb that says stocks have to sell at certain prices in ratio to their earnings. It would be very convenient if there was.

* * *

Fundamentally, I still feel that even if there be a rally in the immediate offing, the longer viewpoint calls for reaction.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Continued from first page

Economic Picture for 1953

of banking operations. But you also know that what you report to stockholders next year will be substantially influenced by the general business situation and how well you adapt to these conditions. It is, in other words, much easier to turn in a good year-end report for a 1952 than a 1932. Thus, our interest in exploring future prospects and problems, even though we can never be too sure of our ground.

Prospects for the current year seem to be shaping up something like this:

(1) Business conditions generally look good for about as far ahead as we can ever see such things at all clearly.

(2) When the sales reports are added up at the end of 1953, businesses will find that they sold about $10 billion more output than in 1952. Stepped-up consumer spending will account for about $6 billion of this, and increased government spending the remainder.

(3) Because of additions to productive facilities in virtually all lines, businesses will be able to produce roughly $15 billion more output this year than in 1952. Thus more can be produced this year than people will readily be inclined to buy. This will almost certainly mean sufficiently intensified competition to hold the price level quite stable; it might even drift slightly downward.

(4) This all adds up to another good though somewhat unspectacular year for banking. Once again the demand for loans should be brisk; deposits should rise slightly; and net earnings should show some further improvement over 1952 for most banks. The more competitive situation which seems to be emerging will, of course, separate the men from the boys in many lines. Lending officers will need to be more than ordinarily careful, of course, that they bet their loans on the men and not the boys.

Why 1953 Looks Good

Whether things look good for a businessman depends heavily on whether his customers show an inclination to buy or not. What is true for one is, of course, true for all put together. In 1952, for example, consumers represented a market for $216 billion. Federal, State and local governments spent $78 billion.

Market for Total Output, 1952
(In billions)

Consumer purchases	$216
Government purchases	78
Capital outlays	51
Total gross nationl product	$345

About $51 billion of new machinery and new construction accounts for the remainder of the $345 billion of output last year.

What is the evidence that there will be a market for a larger output in 1953 than last year? It all depends, of course, on the answers to three key questions:

(1) **Will Consumers Spend More in 1953?** It is a tribute to the American enterprise system that this question must be raised. There are very few parts of the world where people have a sufficient margin above subsistence to afford the luxury of "not spending." Here the typical consumer can cut back his pace of spending and still remain quite comfortable. During much of 1951, for example, consumers seemed quite impervious to the blandishments of retailers trying to work off congested inventories of those hard goods "everybody knew" would be hard to get in 1951.

There are three reasons for thinking consumer spending will be higher in 1953. Pay envelopes will contain at least $6 billion more in take-home pay, reflecting some increase in employment and the somewhat higher average wage rates. Instalment debt, though growing rapidly, is still low relative to income levels. If the prewar relationship to incomes were to be reestablished, instalment debt could rise another $3 billion or 20%. Some further expansion of instalment credit can, therefore, help to market the increased output of consumer hard goods when the defense program makes that possible. Moreover, consumers have been showing more inclination to spend in recent months. The Christmas trade was generally good. Consumer spending is now about 6% above the low point of two years ago. In spite of the substantial recent pickup in retail trade, there is no evidence that consumers are overspending. In fact, the amount of savings tucked away out of incomes is on the high side. There is thus no reason to be pesimistic about retail trade and consumer demand in the months ahead.

(2) **Will Government Spending Represent a Larger Market for Output Next Year?** If so, how much? In recent years, government spending has represented a large and assured or automatic market for over one-fifth of our total output. Furthermore, since 1950 the cretain increases in government spending have guaranteed that there would be a market for any increase in output which additions to capacity might make possible. In fact, since the invasion of South Korea, government purchases of output have increased about $20 billion each year, and are now running at the rate of about $80 billion per year.

Prospects now are less certain. We seem to be close to the peak of our defense program. The new Administration and Congress are strongly committed to budget reductions. Even so, government spending will represent a moderately larger market for output in 1953. Defense outlays will be somewhat larger. Time will be required for Detroit's Mr. Dodge to regain control of the budget.

State and local spending is almost certain to rise substantially. This last point is worth some emphasis.

An additional $5 billion of State and local spending would be required just to restore State and local government spending to its prewar importance relative to national income. The results are obvious. Street and highway systems are in disrepair and wholly inadequate for the 50% increase in our car population since prewar. Improved street systems will be of little value unless substantial additions to parking facilities are provided. Recently built communities are without the customary standard of urban services.

Even the relatively low spending involved in this inadequate scale of State and local government services has put many localities into a serious financial condition. My own State of Michigan, for example, a wealthy State in a period of unparalleled prosperity, is currently on a hand-to-mouth basis and unable to meet some of its current commitments.

In fact, an important reason for insisting that Federal expenditures be pared down is to give State and local expenditures room for expansion. We should, therefore, expect that a major part of any early relief from heavy Federal taxation will be offset by a corresponding increase in State and local taxation.

(3) **How Will the Demand for Machinery and Equipment and New Construction Compare With Last Year?** These so-called capital outlays accounted for a $52 billion market last year. Indications are that the figure will be about the same for 1953, or possibly somewhat less.

In 1952, about 1,100,000 new dwelling units were built. The F. W. Dodge Corporation estimates that 1953 will show about 150,000 fewer homes built. Other experts indicate that the pace of residential construction for 1953 will be about the same as last year.

The picture is very much the same for plant and equipment expenditures of businesses. Expansion plans in many lines are approaching completion. The steel industry, for example, will spend this year about 17% less on plant and equipment. The auto industry has scheduled a similar reduction. Other lines, however are planning moderate increases, so that total plant and equipment expenditures for 1953 are not expected to be significantly different from last year.

A Coming Recession?

There is, I think, general agreement that 1953 will be a good year as a whole. In recent weeks, however, you may have noticed an undertone of skepticism about what conditions are going to be by year-end. Many have expressed the fear that business activity would reach a peak by the latter part of the year and then start into a recession.

Now predictions of a recession "six months from now" are not a new thing. Similar predictions have been made all during the postwar period. They may all simply reflect a sort of near-sightedness. Because we can never see clearly what will support business activity in the period ahead, we may be assuming that no supports will be there, and we shall have a recession. At any event, these gloomy predictions have all thus far fortunately come to no avail.

We will do well this time, however, to examine this matter a bit. Because such forecasts have been wrong in the past does not prove that we can be complacent this time. In Aesop's story there was a wolf the third time.

As I understand it, those who are disturbed about year-end 1953 prospects emphasize four points:

(1) The defense program is at its peak, and nondefense Federal expenditures will be cut. Consequently, enlarged government spending will no longer provide an assured market for whatever output private buyers will not take off the market. Indeed, Federal spending will be cut. Therefore, private demand must increase by enough to offset this and to absorb the $15 billion per year increase in output made possible by additions to productive capacity. Where is this added private demand to be found?

(2) It is not apparently to be found in residential or industrial construction, or in the machinery and equipment industries. Indeed, as just indicated, these industries will do well to hold their own. To the extent that the trend of capital outlays changes at all, it will apparently be in the downward direction.

(3) Our export markets cannot be significantly expanded. Foreign demand for American products is, of course, largely limited by the dollars flowing to the rest of the world through our imports, loans to the rest of the world, and gifts. Neither Congress not public opinion seems inclined to increase aid (gifts), which is probably a thoroughly sensible position. Conditions abroad do not make lending to foreign borrowers a very attractive proposition to American investors. We shall probably, therefore, do well if we can expand our imports by enough to maintain roughly our present volume of exports.

(4) Many consumer markets seem to be approaching saturation. Production of passenger cars is about 25% below peak 1950 production rates. Production of household appliances is similarly lower, though up considerably from year-ago levels. Yet all these items are readily available to consumers. Present market conditions raise the question as to whether any significant increase in production of these items could be sold even if industry could switch out of defense production.

There is the problem. Will a decline in government demand and capital spending coincide with a saturated consumer-goods market situation and produce our first real postwar recession? If so, reduced employment and payrolls would further shrink consumer demand, force additional cuts in construction and equipment purchases—and we would be in the familiar recession spiral.

We must admit, I think, that here is a question of considerable substance and well worth rasing. It is none too early for us to explore the lines along which answers to this problem are to be found.

(1) Tax policy will provide part of the answer. Because the cash budget is still roughly in balance, we are in the fortunate position of being able to cut taxes by a dollar for every dollar reduction in Federal expenditures.[1] This is a highly significant point. With the pre-Korea tax structure, and current levels of incomes before taxes, private demand would be at least $8 billion higher than it now is. Therefore, for every dollar that government spending and demand goes down, an additional dollar of take-home pay will be available to finance stepped-up private spending.

This does not, of course, solve the whole problem. One difficulty is the problem of timing. By the time conditions have developed far enough to make a tax change (up or down) clearly in order, the tax change is usually overdue. In our very proper concern to balance the budget, and perhaps make some headway toward whittling down the debt, we may be inclined to retain our present heavy tax system too long.

One thing would clearly be in order—a high-level Hoover-Commission appraisal of our whole tax structure. Our present structure, pretty much like Topsy, just growed — on the least-squawk

1 The cash budget is somewhat different from the ordinary budget. It includes all cash income, including social insurance taxes, as receipts, for example, and excludes from expenditures all items not representing cash actually paid out, such as interest accruing on Savings Bonds outstanding. It is considered to be a more significant measure of the effect of the government's fiscal operations on business activity than the orthodox or administrative budget.

basis of imposing taxes where the fewest votes would be lost.

What taxes do depress private demand most? What kind of tax system would best promote the continued vigor and vitality of our enterprise system? These are some of the questions to which more attention should be given.

(2) Tax reductions can increase take-home pay; they do not assure that the added take-home pay will be spent. It is the job of businesses to persuade consumers to spend these extra dollars. This means a great many things.

New products and really now models are the only way to desaturate otherwise saturated markets. The American consumer is understandably not inclined to buy a new car or refrigerator if the "new" model will do nothing more for him than his present pretty-good machine will do. On the other hand, he has never demonstrated much capacity to resist a really new item.

Obviously, much selling effort is ineffectual, reflecting a decade of doing business in virtually an assured market. We have, in fact, substantially a whole generation of people whose merchandising experience is in a period of easy business. It would be unrealistic to pretend that this may not some day pose a problem.

Businesses should be encouraged to strengthen their market research activities. Bad guesses about customer reactions to price, product, and marketing policies can mean serious loss of business, a worsened competitive position, and losses. Lending officers increasingly should insist that, where appropriate, borrowers provide themselves with such marketing information.

High cost operations should be examined. They will be the first casualty of more competitive markets. Could better equipment melt down excessive costs? Would additional credit do the job? These are some of the questions which the banker might then help his customer to answer.

(3) Public works spending is bound to increase substantially—not to make work but to provide essential facilities. The American Association of Highway Officials estimates that outlays of over $30 billion will be necessary to restore our Federal-aid highway systems to a condition of adequacy.[2] The Bureau of Public Roads estimates that $1.8 billion must be spent each year just to maintain our present highway system investment. Evidence is all around us that our present highway system is appallingly inadequate for the 50% increase in our car population.

More than six million school children are "housed in buildings which are beyond feasible rehabilitation and repair."[3] Close to one million more children must resort to multiple sessions. The increased birthrate, and higher income levels, will create additional demands for higher education—for which facilities must be provided. The capacity of such urban facilities as water and sewage disposal has not kept pace with the growth of our urban areas, and these arrears must be made good.

Clearly, public works will continue to play a substantial role in the business situation during the period ahead. The problem will be not to make work but to provide us with things we need, must have, and are in many cases already long overdue.

(4) To an important extent, whether past rates of growth in production and business activity are continued will depend on banking. Suppose the decade ahead were destined to become known as the "Eisenhower Prosperity" — a period of good business, normal expansion, and relatively stable prices. The "Coolidge Prosperity of the Twenties" was such a period. The price level was quite stable, and business activity generally was rising. What would a recurrence of such a period mean for banks? Your note pouch would expand by at least another 50%. Total loans at all commercial banks would be approaching $100 billion, compared with about $65 billion now. Will lending officers be able to find enough good loans to assure this needed growth in bank credit?

Deposits would need to expand at least 40%—for all commercial banks a rise in deposits from about $165 billion now to perhaps $230 billion a decade hence. Will our banks be prepared to service these additional deposits? How will banks attract the necessary $5 billion of new capital funds which would be needed just to maintain their present average capital to deposit ratio of about 8%?

Will the nation's bankers be able to find answers to these questions? Obviously, they will. But they must be answered if this era of prosperity is to be achieved.

2 "Markets After the Defense Expansion," U. S. Department of Commerce, 1952, p. 30.

3 Ibid., p. 31.

Continued from page 5

The State of Trade and Industry

alter their buying policy. Any weakness in sales of consumer durable goods could bring an inventory correction both sharp and painful. This is the thinking behind some words of caution that have been voiced, concludes "The Iron Age."

Steel Output Scheduled to Decline Slightly This Week

The strong demand for steel is making itself felt as far ahead as May, says "Steel," the weekly magazine of metalworking.

With the approach of the government deadline of Feb. 1 for steel companies to open their order books for May delivery of non-defense steel, the companies are being deluged with requests for space for steel products now in tightest supply. Included are heavy and wide sheared plates, hot-rolled and cold-finished carbon and alloy bars over an inch in diameter, hot-rolled and cold-rolled carbon sheets, states this trade journal.

Further evidence of the sustained strong demand for the major products is the eagerness with which consumers, particularly automakers, seek conversion arrangements for sheets and bars. Under this method consumers get semifinished steel from producers short on rolling capacity and engage other producers with surplus rolling capacity to roll it into finished forms.

As the year progresses, deliveries of steel should speed up, declares this trade weekly. The steel industry has a capacity bigger than ever before, it is operating near capacity, and it is planning substantial further expansion.

This year, steel companies plan to spend about $1 billion for additional expansion, the American Iron & Steel Institute reports. This will provide for approximately 4 million tons of steel and other necessary additional facilities.

Temporarily the industry dropped from its record-breaking production pace. A strike in the Youngstown district cut the national rate of steelmaking to 98% of capacity in the week ended Jan. 24, "Steel" reports. This is equivalent to 2,209,370 net tons of steel for ingots and castings. In the preceding week when the national rate was 99.5%, the output was at an all-time high of 2,243,000 tons.

Scrap steel, an important ingredient in the making of new steel, continues to be adequate in supply despite the increased needs of the expanding steelmaking capacity, this trade publication notes.

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 99.3% of capacity for the week beginning Jan. 26, 1953, equivalent to 2,238,000 tons of ingots and steel for castings. In the week starting Jan. 12, the actual rate was 99.7% of capacity and output totaled 2,248,000 tons. A month ago actual output stood at 97.3%, or 2,226,000 tons, while a year ago when the capacity was smaller actual output was 2,053,000 tons.

Electric Output Exceeds Level of Previous Week

The amount of electric energy distributed by the electric light and power industry for the week ended Jan. 24, 1953, was estimated at 8,144,074,000 kwh., according to the Edison Electric Institute.

The current total was 22,717,000 kwh. above that of the preceding week when output totaled 8,121,074,000 kwh. It was 527,653,000 kwh., or 6.9% above the total output for the week ended Jan. 26, 1952, and 1,174,508,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Reflect Mild Progress in Latest Week

Loadings of revenue freight for the week ended Jan. 17, 1953, totaled 705,479 cars, according to the Association of American Railroads, representing an increase of 17,247 cars, or 2.5% above the preceding week.

The week's total represented a decrease of 42,181 cars or 5.6% below the corresponding week a year ago, and a decrease of 74,271 cars, or 9.5% below the corresponding week in 1951.

United States Auto Output Makes Gains Despite Labor Disputes

Passenger car production in the United States last week despite labor disputes rose to its highest point in 11 weeks, according to "Ward's Automotive Reports."

It aggregated 112,876 cars compared with 110,885 cars (revised) in the previous week and 63,523 cars one year ago.

Total output for the past week was made up of 112,876 cars and 27,441 trucks built in the United States, against 110,885 cars and 27,893 trucks the previous week and 63,523 cars and 25,012 trucks in the comparable 1952 week.

Canadian plants turned out 7,359 cars and 1,795 trucks against 7,225 cars and 2,406 trucks in the prior week and 3,306 cars and 2,881 trucks in the comparable 1951 week.

Business Failures Reach Highest Point in 7-Month Period

Commercial and industrial failures increased to 173 in the week ended Jan. 22 from 158 in the preceding week, Dun & Bradstreet, Inc., reports. At the highest level in seven months, casualties exceeded the 142 occurring in the comparable week of 1952, but were slightly below the 1951 total of 193 and off sharply, 55%, from the prewar toll of 385 in 1939.

Wholesale Food Price Index Moves Side-wise

The wholesale food price index, compiled by Dun & Bradstreet, Inc., stood at $6.25 on Jan. 20, unchanged from last week's level when it reached the highest since the $6.27 on Nov. 18. It was down 4.9% from the year-ago comparative of $6.60.

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 Made Slight Recovery In the Latest Week

A slight rise in the general price level last week was reflected in the Dun & Bradstreet wholesale commodity index. Closing at 279.61 on Jan. 20, the index compared with the two and a half year low of 278.24 a week ago, and 307.01 a year ago.

While there was a slight rally in grain prices in the week ended on Tuesday of last week, the grain markets generally reflected a limited volume of bidding for the increased offerings. Wheat, corn, and rye prices fluctuated mildly, firming slightly at the close of the week.

The rise in corn prices was restricted by the large farm reserves and a moderate increase in marketings, while trading in wheat generally reflected some sluggishness in both the domestic and export demand.

Transactions under the International Wheat agreement totaled 2.9 million bushels in the week ended Jan. 13, bringing the total for the season to within 106.2 million bushels of the quota. Oat prices dipped, in contrast with continued strength in soybeans.

Coffee futures firmed noticeably in the face of light current buying. A reduction in refined sugar prices, anticipated in the Eastern markets for some weeks, became effective on Jan. 19; refined prices there are now on a par with those in other areas. Trading in raw sugar remained limited. Earlier gains in cocoa futures were erased when prices dropped on the New York Cocoa Exchange; activity in the spot markets revived somewhat from last week's virtual standstill.

Livestock prices sagged considerably the past week. While lamb prices recovered somewhat, in later trading, they closed below the previous week's level. Hog prices, on the other hand, dipped toward the end of the week but closed above a week ago. Cattle marketings continued to be very heavy, with receipts of live animals 5% above last week's high level and 37% above a year ago. Prices for prime steers and heifers declined, in contrast to the steadiness in veal cattle.

Trading in the wool markets increased noticeably last week, with the demand predominantly for greasy fine domestic wools.

Trade Volume Shows Slight Change from Week Previous

There was little variation in retail trade in most parts of the nation in the period ended on Wednesday of last week. As during most of last year, the total dollar volume of retail trade continued to surpass the comparable level a year earlier. However, it did not exceed the record level of two years ago when waves of scare-buying boosted sales.

Extended shopping hours and relaxed credit terms were used by many retailers to bolster buying; shoppers were more deeply in debt than ever before.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 1 to 5% higher than that of a year ago. Regional estimates varied from the year ago levels by the following percentages: New England 0 to +4; East −2 to +2; Midwest +1 to +5; South and Pacific Coast +3 to +7; Southwest +4 to +8; Northwest +2 to +6.

The recent active interest in apparel began to falter in many parts of the nation last week. Shoppers displayed decreasing interest in Winter wear while the response to promotions of Spring clothing in many parts was not overly enthusiastic as yet.

The sharpest gains over the year-ago levels were in the demand for men's clothing, particularly haberdashery and slacks. In parts of the South and Pacific Coast, Spring clothing was increasingly popular.

Food stores sold slightly more than in either the preceding week or the comparable 1952 week. In rising demand were dairy foods, seafood, pork and canned meats. The consumption of oleomargarine and frozen foods was substantially above that of a year ago.

Shoppers reduced their purchases of household goods slightly the past week but continued to spend more than in the corresponding week last year.

In widest popularity were washers, floor coverings, decorating materials and incidental furniture. The demand for television sets was quite mixed with steadily sliding sales noted in the East and soaring interest in the Southwest and Pacific Coast.

As many buyers continued their preparations for the Spring and Summer seasons, the total dollar volume of wholesale trade in the period ended on Wednesday of last week held close to the record level reached in the prior week, which was the highest yet attained for this time of the year. However, not all lines topped the records set two years ago after the start of the Korean clash.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended Jan. 17, 1953, increased 2% from the level of the preceding week. In the previous week a drop of 3% was reported from that of the similar week of 1952. For the four weeks ended Jan. 17, 1953, an increase of 16% was reported. For the year 1952, department store sales registered an increase of 1% above 1951.

Retail trade in New York last week rose about 2%, stimulated by clearance sales and special promotions.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Jan. 17, 1953, increased 1% above the like period of last year. In the preceding week a decrease of 11% was reported from that of the similar week of 1951, while for the four weeks ended Jan. 17, 1953, an increase of 7% was recorded. For the year 1952, volume declined 7% under the preceding year.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

• ACF-Brill Motors Co.
Jan. 12 (letter of notification) 6,000 shares of common stock (par $2.50). **Price**—At market (about $5.87½ per share). **Proceeds** — To Investment Co. of Philadelphia for 4,000 shares and William S. Wasserman for 2,000 shares. **Underwriter**—None, but Vilas & Hickey, will act as broker. No general public offer planned.

• 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. Statement effective Jan. 21.

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 Pipeline Producers, Inc.
Jan. 5 (letter of notification) 599,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—To drill wells. **Office**—Room 308, Texas Eastern Bldg., Shreveport, La. **Underwriter**—W. C. Doehler Co., Jersey City, N. J.

★ American Underwriter & Funding Corp.
Jan. 19 (letter of notification) 50,000 shares of class A common stock (par $1) and 50,000 shares of class B common stock (par $1) to be offered to holders of conversion policies issued by Insurance Corporation of America. **Price**—The "A" stock at $5 per share and the "B" stock at par. **Proceeds**—For investment of life insurance funds. **Office**—3623 North Central Ave., Phoenix, Ariz. **Underwriter**—None.

★ Associated Advisers Fund, Inc. (N. Y.)
Jan. 22 filed 36,025 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

★ Audio & Video Products Corp., N. Y.
Jan. 23 (letter of notification) 100,000 shares of common stock (par one cent). **Price**—At market (about 35 cents per share). **Proceeds** — To certain selling stockholders. **Underwriter**—None.

• Automobile Banking Corp., Philadelphia, Pa.
Jan. 15 (letter of notification) 29,000 shares of 6% cumulative preferred stock, series A, of which a maximum of 15,927 shares were offered on Jan. 27 (for a 30 day period) first for subscription by class A and common stockholders at rate of one new share for each five old share held (with an oversubscription privilege). **Price**—At par ($10 per share). **Proceeds**—To increase working capital. **Underwriter**—Bioren & Co., and H. G. Kuch & Co., both of Philadelphia, Pa.

★ Axe-Houghton Fund B, Inc., Pittsburgh, Pa.
Jan. 26 filed 1,000,000 shares of capital stock. **Proceeds**—For investment. **Underwriter**—None.

★ Baker Properties, Inc., Minneapolis, Minn.
Jan. 26 filed 5,181 shares of common stock (par $1) and "deferred obligations" to pay an aggregate of $333,-492.75. **Proceeds** — To defray cost of making payment of deferred obligations issued pursuant to the warrants and, if there is excess, for working capital. **Business**—Real estate. **Office**—510 Baker Bldg., Minneapolis, Minn. **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.

★ Bunker-Chance Mining Co., Portland, Ore.
Jan. 12 (letter of notification) 1,000,000 shares of class B assessable stock. **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office** — 6485 N. W. St. Helens Road, Portland, Ore. **Underwriter**—Standard Securities Corp., Spokane, Wash.

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 Electric Power Co., Riverside, Calif.
Jan. 8 (letter of notification) 9,066 shares of common stock (par $1). **Price**—At market (approximately $10.50 per share). **Proceeds**—To Mono Power Co., the selling stockholder. **Underwriter**—Wagenseller & Durst, Inc., Los Angeles, Calif.

• Canadian Prospect Ltd. (2/2-6)
Nov. 24 filed 303,595 shares of common stock (par 33⅓ cents), of which 235,000 shares are to be issued upon exercise of share rights and 68,595 shares are to be sold for account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To company to be used for operating expenses to pay for future exploration and development of leases, etc. **Underwriters**—White, Weld & Co., New York, for an undetermined number of shares; balance through a Canadian underwriter to be named later. **Offering**—Expected week of Jan. 26.

★ Case (J. I.) Co., Racine, Wis. (2/11)
Jan. 21 filed $25,000,000 of 25-year debentures due Feb. 1, 1978. **Price** — To be supplied by amendment. **Proceeds**—To retire short-term bank loans and for working capital. **Underwriters** — Morgan Stanley & Co. and Clark, Dodge & Co., both of New York.

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.

Commercial Credit Co. (2/3)
Jan. 13 filed $25,000,000 of junior subordinated notes due 1973 (to be convertible into common stock for a period of five years). **Price**—To be supplied by amendment. **Proceeds** — To finance an increased volume of business. **Underwriters**—Kidder, Peabody & Co. and The First Boston Corp., both of New York.

Consolidated Edison Co. of New York, Inc. (2/17)
Jan. 16 filed $40,000,000 of first and refunding mortgage bonds, series I, due Feb. 1, 1983. **Proceeds**—To repay $22,000,000 bank loans and the balance to reimburse the treasury, in part, for expenditures made in connection with company's construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—Tentatively expected to be received about Feb. 17.

Consumers Power Co.
Dec. 16 filed 617,669 shares of common stock (no par) being 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**—$35 per share. **Proceeds**—For new construction. **Underwriters**—Morgan Stanley & Co., New York.

★ Cro-Plate Co., Inc., Hartford, Conn.
Jan. 19 (letter of notification) $50,000 of 5-year 5% serial notes (with stock purchase warrants to buy 30 shares of stock per $1,000 of notes at $5 per share). **Price**—At principal amount. **Proceeds**—For equipment and supplies. **Office**—747 Windsor St., Hartford 5, Conn. **Underwriter**—None.

★ Curta Calculator Co., Chicago, Ill.
Jan. 21 (letter of notification) 15,600 shares of common stock (no par), of which 10,000 shares are to be offered by the company and 5,600 shares by Russ Brown, a selling stockholder. **Price** — $5 per share. **Proceeds** — For working capital. **Office**—3851 West Madison St., Chicago 24, Ill. **Underwriter**—None.

★ Curta Sales, Inc., Chicago, Ill.
Jan. 21 (letter of notification) 312 shares of common stock (no par), of which 200 shares are to be offered by the company and 112 shares by Russ Brown, a selling stockholder. **Price**—$1 per share. **Proceeds**—For office expenses. **Office**—3851 West Madison St., Chicago 24, Ill. **Underwriter**—None.

NEW ISSUE CALENDAR

January 29, 1953
National Ceramic Co. — Common
(Bids invited)
Southern Ry. — Equip. Trust Ctfs.
(Bids noon EST)

January 30, 1953
Bank of the Manhattan Co. — Common
(The First Boston Corp.)
Louisville Gas & Electric Co. — Common
(Offering to stockholders—underwritten by Lehman Brothers and Blyth & Co., Inc.)

February 2, 1953
Canadian Prospect Ltd. — Common
(White, Weld & Co. in United States)
Pan American Sulphur Co. — Common
(Kuhn, Loeb & Co. and Carl M. Loeb, Rhoades & Co.)
Ramie Corp. — Common
(Grayson-Eigles Co.)

February 3, 1953
Commercial Credit Co. — Notes
(Kidder, Peabody & Co. and First Boston Corp.)
Garrett Freightlines, Inc. — Debentures
(Allen & Co.; Peters, Writer & Christensen; and Edward D. Jones & Co.)
Hooker Electrochemical Co. — Preferred
(Offering to stockholders—underwritten by Smith, Barney & Co.)
Northland Oils Ltd. — Common
(M. S. Gerber, Inc.)
Pennsylvania RR. — Equip. Trust Ctfs.
(Bids noon EST)
Southwestern Public Ser. Co. — Bonds & Preferred
(Dillon, Read & Co. Inc.)
Southwestern Public Ser. Co. — Common
(Offering to stockholders—underwritten by Dillon, Read & Co. Inc.)

February 4, 1953
Famous Foods of America, Inc. — Common
(Weber-Millican Co.)
Virginian Ry. — Equip. Trust Ctfs.
(Bids noon EST)

February 5, 1953
Illinois Power Co. — Preferred
(Merrill Lynch, Pierce, Fenner & Beane and The First Boston Corp.)
Illinois Power Co. — Common
(The First Boson Corp. and Merrill Lynch, Pierce, Fenner & Beane)

February 6, 1953
Diamond Alkali Co. — Debentures
(The First Boston Corp.)
English Oil Co. — Common
(J. A. Hogle & Co)

February 9, 1953
Baltimore & Ohio RR. — Equip. Trust Ctfs.
(Bids noon EST)
Sylvania Electric Products, Inc. — Common
(Paine, Webber, Jackson & Curtis)
Sylvania Electric Products, Inc. — Debentures
(Paine, Webber, Jackson & Curtis and Halsey, Stuart & Co. Inc.)
Tennessee Gas Tranmission Co. — Bonds
(Bids 11:30 a.m. EST)

February 10, 1953
Food Fair Stores, Inc. — Debentures
(Eastman, Dillon & Co.)
May Department Stores Co. — Debentures
(Goldman, Sachs & Co. and Lehman Brothers)
New York, Chicago & St. Louis RR. — Bonds
(Bids to be invited)

February 11, 1953
Case (J. I.) Co. — Debentures
(Morgan Stanley & Co. and Clark, Dodge & Co.)
Equitable Gas Co. — Preferred
(The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane; and White, Weld & Co.)
Gulf Insurance Co. — Common
(Offering to stockholders—no underwriter)

February 16, 1953
Frito Co. — Preferred
(Dittmar & Co.)
Niagara Mohawk Power Corp. — Common
(Bids to be invited)
Texas Oil Exploration Co. — Common
(Peter W. Spiess Co.)

February 17, 1953
Con. Edison Co. of New York, Inc. — Bonds
(Bids to be invited)
Iowa Southern Utilities Co. — Bonds
(Bids to be invited)

February 18, 1953
Niagara Mohawk Power Corp. — Bonds
(Bids to be invited)
South Carolina Electric & Gas Co. — Common
(Offering to stockholders)

February 25, 1953
Maryland Casualty Co. — Common
(Offering to stockholders—underwriters may include Merrill Lynch, Pierce, Fenner & Beane; First Boston Corp.; Lehman Borthers; and Paine, Webber, Jackson & Curtis)

March 17, 1953
Mississippi Power & Light Co. — Bonds
(Bids to be invited)

March 24, 1953
Dallas Power & Light Co. — Bonds
(Bids to be invited)

March 27, 1953
Merritt-Chapman & Scott Corp. — Common
(Offering to stockholders—no underwriter)

April 7, 1953
Florida Power & Light Co. — Bonds
(Bids to be invited)

April 13, 1953
Texas Electric Ser. Co. — Bonds & Preferred
(Bids to be invited)

April 14, 1953
New Orleans Public Service Inc. — Bonds
(Bids to be invited)

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.

● **Diamond Alkali Co. (2/6)**
Jan. 21 filed $15,000,000 sinking fund debentures due 1978. **Price**—To be supplied by amendment. **Proceeds**—To retire $5,800,000 of 2% notes and short-term bank loans and for capital expenditures. **Underwriter**—The First Boston Corp., New York.

★ **Diversey Corp., Chicago, Ill.**
Jan. 22 (letter of notification) 11,074 shares of common stock (par $1) to be issued in exchange for 13,855 shares of "Kills 'em Chemical Co., Ltd., a Hawaiian corporation" on basis of eight shares of Diversey common stock for each 10 shares of the other company. The sum of $100 will be paid for fractional interests in shares which will result from the rate of exchange. **Underwriter**—None. **Office**—1820 Roscoe St., Chicago 13, Ill.

★ **Doughboy Industries, Inc., New Richmond, Wis.**
Jan. 22 (letter of notification) 30,000 shares of class A stock. **Price** — $10 per share. **Proceeds** — For working capital. **Underwriter** — Kalman & Co., Inc., St. Paul, Minn.

Econo Products Co., Inc.
Jan. 8 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expansion and working capital. **Office** — 17 State St., New York. **Underwriter**—James T. Dewitt & Co., Inc., Washington, D. C.

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.

● **English Oil Co., Salt Lake City, Utah (2/6)**
Jan. 5 filed 3,435,583 shares of common stock, of which 750,000 shares are to be offered publicly, 250,000 shares are to be reserved for officers and key employees and options, 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.

Equitable Gas Co., Pittsburgh, Pa. (2/11)
Jan. 21 filed 100,000 shares of cumulative convertible preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner and Beane, and White, Weld & Co., all of New York.

Erie Meter Systems, Inc., Erie, Pa.
Dec. 9 (letter of notification) $300,000 of 15-year 6% sinking fund debentures dated Nov. 1, 1952 and due Nov. 1, 1967. **Price**—At par and accrued interest. **Proceeds**—To repay bank loans and for working capital. **Office**—1602 Wagner Avenue, Erie, Pa. **Underwriter**—None. Smith & Root, Erie, Pa., will act as distributor.

● **Famous Foods of America, Inc. (2/4)**
Jan. 20 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital, etc. **Underwriter**—Weber-Millican Co., New York.

★ **Federated Fund of New England, Inc.**
Jan. 21 filed 100,000 shares of beneficial interest in the Fund (par $1). **Proceeds**—For investment. **Underwriter**—Federated Management Corp., Boston, Mass.

★ **First Securities Corp., Philadelphia, Pa.**
Jan. 21 (letter of notification) 600,000 shares of common stock (par one cent) which includes 22,190 shares being reoffered to the previous purchasers. **Price**—25 cents per share. **Proceeds** — For expansion of business and for working capital. **Underwriter** — First Securities Corp., Philadelphia, Pa.

★ **Food Fair Stores, Inc., Philadelphia, Pa. (2/10-11)**
Jan. 21 filed $12,500,000 of 20-year sinking fund debentures due Feb. 1, 1973. **Price**—To be supplied by amendment. **Proceeds**—To repay $7,000,000 bank loans and to acquire additional facilities. **Underwriter**—Eastman, Dillon & Co., New York.

Foster Wheeler Corp.
Jan. 5 filed 30,032 shares of common stock (par $10) to be offered to certain officers and other key employees of corporation and its subsidiaries under a "Restricted Stock Option Plan."

★ **Frito Co., Dallas, Tex. (2/16-17)**
Jan. 26 filed 115,000 share of convertible preferred stock (par $7.50), of which 85,000 shares will be offered publicly and 30,000 shares to employees. **Price** — To public, $10 per share; to employees, $9 per share. **Proceeds**—For expansion of business and general corporate purposes. **Business**—Manufacture and sale of food products. **Underwriter**—Dittmar & Co., San Antonio, Tex.

★ **General Securities, Inc., Minneapolis, Minn.**
Jan. 23 filed 50,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

★ **Gulf Insurance Co., Dallas, Tex. (2/11)**
Jan. 19 (letter of notification) 5,000 shares of capital stock (par $10) to be offered for subscription by stockholders of record Feb. 11 on basis of one new share for each 35 shares held; rights to expire on or about March 3. **Price**—$50 per share. **Proceeds**—To increase capital and surplus. **Address**—P. O. Box 1771, Dallas, Tex. **Underwriter**—None.

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.

★ **Haas-Dodson Co., Inc., Washington, D. C.**
Jan. 14 (letter of notification) 750 shares of preferred stock (par $100) and 7,500 shares of common stock (no par), of which the preferred and 1,500 shares of common are to be offered in units of one preferred share and two common shares; the remaining 6,000 common shares to be purchased by three directors. **Price**—$100 per unit. **Proceeds**—To finance business. **Office**—Room 302, Shoreham Bldg., Washington 5, D. C. **Underwriter**—None.

★ **Hamilton Funds, Inc., Denver, Colo.**
Jan. 26 filed 1,500,000 shares of Series H-C 7 and 1,800,000 shares of Series H-DA, and $22,500,000 of periodic investment certificates. **Proceeds**—For investment. **Underwriter**—Hamilton Management Corp., Denver, Colo.

★ **Hancock Oil Co., Long Beach, Calif.**
Jan. 16 (letter of notification) 216 shares of class A common capital stock (par $1). **Price** — At market (approximately $26 per share). **Proceeds**—To holders entitled to receive fractional shares in connection with stock dividend. **Underwriter**—Akin-Lambert Co., Los Angeles, Calif.

★ **Harrisonville Telephone Co., Waterloo, Ill.**
Jan. 16 (letter of notification) 1,260 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—To retire notes. **Underwriter**—None.

Hemisphere Western Oil Co.
Dec. 3 (letter of notification) 1,196,000 shares of common stock (par one cent). **Price**—25 cents per share. **Proceeds**—To acquire working interest in oil wells. **Office**—Cravens Bldg., Oklahoma City, Okla. **Underwriter**—Winner & Meyers, Lock Haven, Pa.

★ **Higbie Manufacturing Co., Rochester, Mich.**
Jan. 15 (letter of notification) 4,000 shares of common stock (par $1). **Price**—At market (approximately $7.50 per share). **Proceeds**—To Carlton Higbie, Jr., the selling stockholder. **Office**—Fourth and Water Sts., Rochester, Mich. **Underwriter**—None.

Hooker Electrochemical Co. (2/3)
Jan. 15 filed 97,147 shares of cumulative convertible second preferred stock (no par) to be offered for subscription by common stockholders of record about Feb. 3 on the basis of one new preferred share for each 10 shares of common stock held; rights to expire about Feb. 18. **Price**—To be supplied by amendment. **Proceeds**—For expansion program and working capital. **Underwriter**—Smith, Barney & Co., New York.

Illinois Power Co. (2/5)
Jan. 16 filed 150,000 shares of cumulative preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane and The First Boston Corp., both of New York.

Illinois Power Co. (2/5)
Jan. 16 filed 250,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

★ **Intermountain Associates, Inc., Las Vegas, Nev.**
Jan. 12 (letter of notification) 255,000 shares of capital stock. **Price**—$1 per share. **Proceeds**—To complete drilling of oil well. **Office**—401 South Main St., Las Vegas, Nev. **Underwriter**—None.

★ **Investors Stock Fund, Inc., Minneapolis, Minn.**
Jan. 21 filed 2,000,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—Investors Diversified Services, Inc., Minneapolis, Minn.

Iowa Southern Utilities Co. (2/17)
Jan. 21 filed $7,000,000 first mortgage bonds due Feb. 1, 1983. **Proceeds**—For additions and improvements. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co.; Lehman Brothers, Bear, Stearns & Co., Equitable Securities Corp., and Salomon Bros. & Hutzler (jointly); White, Weld & Co. **Bids**—Scheduled to be opened on Feb. 17.

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.

★ **Johnston Adding Machine Co., Carson City, Nev.**
Jan. 15 (letter of notification) 86,632 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For additional materials and expenses. **Office**—First National Bank Bldg., Carson City, Nev. **Underwriter**—None.

Kellogg Petroleum Products, Inc.
Jan. 14 (letter of notification) 1,221 shares of capital stock (no par) being first offered for subscription by stockholders of record Dec. 26, 1952, at rate of one new share for each 2.4 shares held; rights to expire Feb. 11. **Price**—$125 per share. **Proceeds**—For working capital. **Underwriters**—None, but Hamlin & Lunt, Buffalo, N. Y., will offer any unsubscribed shares.

★ **Keystone Custodian Funds, Inc., Boston, Mass.**
Jan. 26 filed 25,000 shares of Series B-1; 25,000 shares of Series B-2; 75,000 shares of Series K-2; 100,000 shares of Series S-2; and 25,000 shares of Series S-3. **Proceeds**—For investment. **Underwriter**—Keystone Co. of Boston, Boston, Mass.

● **Louisville Gas & Electric Co. (Ky.) (1/30)**
Jan. 8 filed 200,000 shares of common stock (no par) to be offered for subscription by common stockholders of record Jan. 29 at rate of one new share for each seven shares held; rights expire Feb. 17. **Price**—$36.50 per share. **Proceeds**—For property additions and improvements. **Underwriters**—Lehman Brothers and Blyth & Co., Inc., both of New York.

Magma King Manganese Mining Co.
Nov. 12 (letter of notification) 553,500 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For working capital. **Office** — 532 Security Bldg., Phoenix, Ariz. **Underwriter**—Weber-Millican Co., New York.

May Department Stores Co. (2/10)
Jan. 21 filed $25,000,000 of sinking fund debentures due Feb. 1, 1978. **Price**—To be supplied by amendment. **Proceeds**—To refund part of debt and for expansion and working capital. **Underwriters**—Goldman, Sachs & Co. and Lehman Brothers, both of 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.

★ **Mercantile Acceptance Corp. of California**
Jan. 21 (letter of notification) $12,955 of 10-year 5% junior subordinated debentures. **Price**—At par. **Proceeds** — For working capital. **Underwriter** — Guardian Securities Corp., San Francisco, Calif.

★ **Metropolitan Finance Co., Cleveland, Ohio**
Jan. 19 (letter of notification) 1,000 shares of class A common stock (par $100), all of which is subscribed by present stockholders, and $6,000 of 5% 15-year capital notes. Each $1 note may purchase one share of class B stock at par ($1 per share). **Proceeds**—To expand business. **Office**—835 National City Bank Bldg., Cleveland 14, Ohio. **Underwriter**—None.

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.

★ **Mines Management, Inc., Wallace, Idaho**
Jan. 19 (letter of notification) 400,000 shares of common stock. **Price**—75 cents per share. **Proceeds**—For exploration and development. **Offices**—507 Bank St., Wallace, Idaho, and W. 909 Sprague Ave., Spokane, Wash. **Underwriter**—None.

● **Minneapolis Gas Co.**
Jan. 7 filed 164,000 shares of common stock (par $1) to be offered for subscription by common stockholders at rate of one new share for each eight shares held on Jan. 27; rights to expire on Feb. 9. **Price**—To be supplied by amendment. **Proceeds**—To retire 5,841 shares of $6 preferred stock (at an estimated cost of $613,305) and for new construction. **Underwriter**—Kalman & Co., Inc., Minneapolis, Minn. Private placement of first mortgage bonds is also planned.

★ **Niagara Mohawk Power Co. (2/16)**
Jan. 23 filed 1,000,000 shares of common stock (no par). **Proceeds**—To retire part of bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Tentatively expected to be received on Feb. 16.

★ **Niagara Mohawk Power Co. (2/18)**
Jan. 23 filed $25,000,000 of general mortgage bonds due February, 1983. **Proceeds**—To repay, in part, $40,000,000 of bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; Kidder, Peabody & Co.; The First Boston Corp. **Bids**—Tentatively scheduled to be received on Feb. 18.

Nielco Chemicals, Inc., Detroit, Mich.
Nov. 19 (letter of notification) 34,800 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—To liquidate notes. **Office**—8129 Lyndon Ave., Detroit 21, Mich. **Underwriter**—Smith, Hague & Co., Detroit, Mich.

● **Northland Oils Ltd., Canada (2/3)**
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**—

Continued on page 56

Continued on page 55

$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.

★ Paley Manufacturing Corp., Brooklyn, N. Y.
Jan. 16 (letter of notification) 99,000 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—For expansion and working capital. **Underwriter**—G. K. Shields & Co., New York.

● Pan American Sulphur Co. (2/2-3)
Dec. 24 filed 499,325 shares of capital stock (par 70 cents) to be offered for subscription by stockholders at rate of one new share for each 2½ shares held. **Price**—$7 per share. **Proceeds**—For new construction and working capital. **Underwriters**—Kuhn, Loeb & Co. and Carl M. Loeb, Rhoades & Co., both of New York.

Paradise Valley Oil Co., Reno, Nev.
Aug. 20 filed 3,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—To drill six wells on subleased land and for other corporate purposes. **Underwriter**—None, with sales to be made on a commission basis (selling commission is two cents per share). **Office**—c/o Nevada Agency & Trust Co., Inc., Cheney Bldg. 139 N. Virginia St., Reno, Nev.

Peruvian Oil Concessions Co., Inc., Dover, Del.
Jan. 16 filed 9,000,000 shares of common stock (par $1). **Price**—$1.10 per share. **Proceeds**—For general corporate purposes. **Business**—Plans to produce and sell petroleum and its products from lands to be held under concession from the Peruvian Government. **Underwriter**—None.

★ Phoenix-Campbell Corp., New York
Jan. 26 filed 40,000 shares of common stock purchase warrants and 40,000 shares of capital stock (par $1) reserved for issuance. **Price**—$10 per share for stock and five cents for the warrants. **Proceeds**—To engage in oil and gas business. **Underwriter**—Morris Cohon & Co., New York.

● Powers Manufacturing Co.
Sept. 25 filed 250,000 shares of common stock (par $1), (later amended to 400,000 shares). **Price**—$2 per share. **Proceeds**—For machinery and equipment and new construction. **Business**—Production of heavy duty power transmission chain, sprockets, gears, etc. **Office**—Longview, Tex. **Underwriter**—Dallas Rupe & Sons, Dallas, Texas; and Straus, Blosser & McDowell, Chicago, Ill.

★ Premo Pharmaceutical Laboratories, Inc.
Jan. 23 (letter of notification) 11,000 shares of common stock (par $5). **Price** — $16 per share. **Proceeds** — For working capital. **Business** — Manufacturers and sells drugs. **Office** — Leuning St., South Hackensack, N. J. **Underwriter**—None.

★ Producers Film Group, Inc., Hollywood, Calif.
Jan. 20 (letter of notification) 130,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — To produce a new production "Black Harvest." **Office**—1040 North Las Palmas Ave., Hollywood 38, Calif. **Underwriter**—None.

★ Producers Life Insurance Co., Mesa, Ariz.
Jan. 20 (letter of notification) 37,500 shares of capital stock. **Price**—$2 per share. **Proceeds**—To form an old line legal reserve life insurance company. **Address**—P. O. Box 30, Mesa, Ariz. **Underwriter**—None.

★ Ramie Corp., Philadelphia, Pa. (2/2)
Jan. 23 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For working capital, etc. **Business** — To process vegetable fibres. **Underwriter**—Grayson-Eigles Co., New York.

★ Regal Plastic Co., Kansas City, Mo.
Jan. 15 (letter of notification) 149,500 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—For working capital. **Underwriter**—S. D. Fuller & Co., New York. **Offering**—Now being made.

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.

★ Rim Wheel Drive, Inc., Reno, Nev.
Jan. 20 (letter of notification) 100,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For working capital. **Address**—43 Sierra St. (P. O. Box 1249), Reno, Nev. **Underwriter**—None.

● 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. Statement effective Jan. 6.

★ Seacoast Finance Co., Astoria, Ore.
Jan. 15 filed $25,000 of unsecured debentures. **Price**—At principal amount (in denominations of $1,000 each). **Proceeds**—For operating capital. **Office**—362 Commercial St., Astoria, Ore. **Underwriter**—None.

Seymour Water Co., Seymour, Ind.
Jan. 12 (letter of notification) 5,000 shares of 6% cumulative preferred stock (par $25). **Price** — $26.50 per share. **Proceeds**—For improvements. **Underwriters**—Bankers Bond Co., Smart, Clowes & Oswald, Inc., and Wagner, Reid & Ebinger, Inc., all of Louisville, Ky.

Shirks Motor Express Corp. (Del.)
Jan. 8 (letter of notification) 20,000 shares of 6% cumulative preferred stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—Manheim Pike, Lancaster, Pa. **Underwriter**—Alex. Brown & Sons, Baltimore, Md.

★ Simonds Saw & Steel Co., Fitchburg, Mass.
Jan. 15 (letter of notification) 1,000 shares of common stock (no par). **Price**—At market (approximately $40.50 per share). **Proceeds** — To Daniel Simonds, the selling stockholder. **Underwriter**—Townsend, Dabney & Tyson, Boston, Mass.

★ Sonoma Acceptance Co., Santa Rosa, Calif.
Jan. 16 (letter of notification) 2,500 shares of preferred stock, series A. **Price** — At par ($10 per share). **Proceeds**—To repay loans. **Office**—310 Hinton Ave., Santa Rosa, Calif. **Underwriter**—None.

★ South Carolina Electric & Gas Co. (2/18)
Jan. 28 filed 358,045 shares of common stock (par $4.50) to be offered to common stockholders on or about Feb. 18 at rate of one new share for each seven shares held, with additional subscription privileges (including subscription privileges for holders of less than seven shares of outstanding common stock subject to allotment. **Price**—To be filed by amendment. **Proceeds**—For construction program. **Underwriter** — Kidder, Peabody & Co., New York.

● Southwestern Public Service Co. (2/3)
Jan. 13 filed 293,462 shares of common stock (par $1) to be offered for subscription by common stockholders of record Feb. 2 at the rate of one new share for each 12 shares held (with an oversubscription privilege); rights to expire on Feb. 17. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—Dillon, Read & Co. Inc., New York.

Southwestern Public Service Co. (2/3)
Jan. 13 filed $12,000,000 of first mortgage bonds due 1978 and 20,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for expansion program. **Underwriter**—Dillon, Read & Co. Inc., New York.

★ Stanzona Petroleum Corp., Phoenix, Ariz.
Jan. 23 (letter of notification) 3,698 shares of common stock to be reoffered for subscription by stockholders under offer of rescission. **Price**—$1 per share. **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.

★ Stuart Co., Pasadena, Calif.
Jan. 20 (letter of notification) 10,000 shares of common stock (par $1) to be issued, together with $20,000 in cash, in consideration of the sale, transfer and assignment by Crest Laboratories of all of its assets to The Stuart Co., which will assume certain liabilities of Crest. **Office**—234 East Colorado St., Pasadena 1, Calif.

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**—Expected at any time.

Sylvania Electric Products, Inc. (2/9)
Jan. 19 filed $20,000,000 of sinking fund debentures due 1978. **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriters**—Paine, Webber, Jackson & Curtis and Halsey, Stuart & Co. Inc., both of New York.

Sylvania Electric Products, Inc. (2/9)
Jan. 19 filed 550,000 shares of common stock (par $7.50). **Price**—To be supplied by amendment. **Proceeds**—For reduction of bank loans and for working capital. **Underwriter**—Paine, Webber, Jackson & Curtis, New York.

★ Television Associates of Rhode Island, Inc.
Jan. 22 (letter of notification) 300,000 shares of common stock. **Price**—At estimated minimum price of 85 cents per share. **Proceeds** — For construction. **Office** — 15 Chestnut St., Providence, R. I. **Underwriter**—None.

Tennessee Gas Transmission Co. (2/9)
Jan. 16 filed $30,000,000 first mortgage pipeline bonds due Jan. 1, 1973. **Proceeds**—To repay bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp., and White, Weld & Co. (jointly). **Bids**—Tentatively scheduled to be received up to 11:30 a.m. (EST) on Feb. 9, at office of Cahill, Gordon, Zachry & Reindel, 63 Wall St., New York 5, N. Y.

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

Texas Oil Exploration Co., Ft. Worth, Tex. (2/16)
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.
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. **Offering**—Expected in about two weeks.

★ Towne Industrial Equipment Co., Inc., Dallas, Tex.
Jan. 14 (letter of notification) 2,292 shares of common stock. **Price**—$15 per share. **Proceeds**—For purchase of equipment. **Office**—1410 South Akard St., Dallas Tex. **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.

★ Vanadium Corp. of America (N. Y.)
Jan. 23 (letter of notification) 309 shares of common stock (no par) to be issued upon exercise of stock option held by George C. Floyd, Vice-President. **Price**—$34.56 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

Vermont Industries, Inc., Granville, Vt.
Jan. 13 (letter of notification) 60,000 shares of common stock (par $1). **Price** — $5 per share. **Proceeds** — For acquisition of assets of Vermont Forestry Co., Inc., Thurston Valley Mfg Co. and the assets held under contract by Harry Ginsberg. **Underwriter**—George F. Breen, New York.

★ Vitro Manufacturing Co., Pittsburgh, Pa.
Jan. 22 (letter of notification) 3,000 shares of common stock (par 50 cents). **Price**—At market (about $8 per share). **Proceeds**—To Wildey C. Rickerson, the selling stockholder. **Undewriter**—Francis I. du Pont & Co. and Tucker Anthony & Co., both of New York.

★ Vitro Manufacturing Co., Pittsburgh, Pa.
Jan. 26 (letter of notification) 3,000 shares of common stock (par 50 cents). **Price**—At market (about $8 per share.). **Proceeds** — To Wenman A. Hicks, the selling stockholder. **Underwriter** — None, sales to be handled through stockholder's brokers.

★ Walburt Oils, Inc.
Jan. 20 (letter of notification) $275,000 preincorporation certificates ($100 each). **Price**—At par. **Proceeds**—To be used to subscribe to capital stock of this corporation to be incorporated in New York for the purpose of engaging and participating in oil exploration in Canada. **Office**—c/o Sidney S. Walcott, 41 St. Catherine Court, Buffalo, N. Y. **Underwriter**—None.

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 Palm Beach Indians, Inc.
Jan. 15 (letter of notification) 2,000 shares of capital stock. **Price** — $25 per share. **Proceeds** — To purchase franchise of the West Palm Beach Baseball team in the Florida International Baseball League. **Address**—Connie Mack Field, West Palm Beach, Fla. **Underwriter**—None.

● West Penn Electric Co.
Dec. 19 filed 264,000 shares of common stock (no par) being offered for subscription by common stockholders of record Jan. 22, on a 1-for-15 basis; rights to expire on Feb. 9. **Price**—$34 per share. **Proceeds**—To purchase about $5,000,000 additional common stock of Monongahela Power Co. and for general corporate purposes. **Underwriters**—Carl M. Loeb, Rhoades & Co. won award of this issue on Jan. 21.

Western Empire Oil Co., Denver, Colo.
Jan. 6 (letter of notification) 35,520 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—To pay for options. **Office** — 222 Patterson Bldg., Denver, Colo. **Underwriter**—None.

Westshore Hospital, Inc., Tampa, Fla.
Dec. 3 (letter of notification) 30,000 shares of common stock (of which 1,250 shares will be issued to Dr. Samuel G. Hibbs and John R. Himes for services rendered). **Price**—At par ($10 per share). **Proceeds**—For property and equipment expenses. **Office**—3?0 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.

York-Hoover Corp., York, Pa.
Jan. 16 (letter of notification) 12,490 shares of common stock (par $10). **Price**—$8 per share. **Proceeds**—To nine selling stockholders. **Underwriters**—Butcher & Sherrerd and Stroud & Co., Inc., both of Philadelphia, Pa.

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.**
Jan. 27 it was reported the company in February plans to sell $14,500,000 of first mortgage bonds and in March to issue and sell 378,000 additional shares of common stock (par $5). **Proceeds**—To finance 1953 construction program. **Underwriters**—For common, The First Boston Corp. and Blyth & Co., Inc. (jointly). The bonds may be placed privately.

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).

Baker-Raulang Co.
Jan. 12 it was reported company late in 1953 may sell about $800,000 to $1,000,000 convertible preferred or common stock. **Proceeds**—For working capital. **Underwriters**—May be Riter & Co.; Hemphill, Noyes & Co., both of New York.

★ **Baltimore & Ohio RR. (2/9)**
Bids will be received up to noon (EST) on Feb. 9 at company's office, 2 Wall St., New York City, for the purchase from it of $3,000,000 equipment trust certificates, series FF, to be dated Dec. 1, 1952 and due in 15 installments of $200,000 each on Dec. 1, from 1953 to 1967, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● **Bank of the Manhattan Company (1/30)**
Jan. 23 stockholders approved issuance and sale to stockholders of 250,000 additional shares of capital stock (par $10) at rate of one new share for each 10 shares held, on or about Jan. 30. **Price**—To be 10% under existing market (around $31.50 per share). **Proceeds**—To increase capital and surplus. **Underwriter**—The First Boston Corp., New York.

★ **Big Horn-Powder River Corp., Denver, Colo.**
Jan. 13 directors authorized an offering of 565,220 additional shares of capital stock first to stockholders on basis of one new share for each nine shares held. **Price**—To be named later. **Proceeds**—For drilling expenses. **Underwriter**—None.

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 1,500,000 outstanding shares of Carborundum Co. stock. **Offering**—Expected during first quarter of this year. **Underwriter**—The First Boston Corp., New York. **Registration** — Expected in beginning of February.

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.

Chicago Great Western Ry.
Jan. 9 William N. Deramus, 3rd, President, stated that the company is planning issuance and sale of $6,000,000 collateral trust bonds to be secured by $9,000,000 first mortgage bonds held in the treasury. **Proceeds**—To pay off $3,000,000 of notes and for working capital. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane.

Cinerama Productions Corp.
Jan. 9 it was reported company plans issuance and sale of about 500,000 shares of common stock. **Price**—Expected to be around $10 per share. **Underwriter**—Hayden, Stone & Co., New York.

Columbia Gas System, Inc., N. Y.
Oct. 10 it was announced company plans to issue and sell common stock and additional debentures early in the Spring of 1953. **Proceeds**—To repay bank loans and for construction program. Company has sought SEC authority to borrow from banks an aggregate of $25,000,000. **Underwriters**—To be determined by competitive bidding. Probable bidders: For stock, Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co. and R. W. Pressprich & Co. (jointly); Morgan Stanley & Co. For debentures, Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Culver Corp., Chicago, Ill.
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.

★ **Fall River Electric Light Co.**
Jan. 26 it was announced company plans to issue and sell $6,800,000 of first mortgage collateral trust bonds due 1983. **Proceeds**—To repay loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Smith, Barney & Co.; Blyth & Co., Inc.

First National Bank of Atlanta, Ga.
Jan. 13 stockholders of record that date were given the right to subscribe for an additional 100,000 shares of capital stock (par $10) on a bisis of one new share for each six shares held Jan. 13; rights to expire Jan. 30. **Price**—$30 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Equitable Securities Corp.; Robinson Humphreys Co.

★ **Fitchburg Gas & Electric Co.**
Jan. 23 it was announced company plans to issue and sell 23,698 additional shares of capital stock to its stockholders on a 1-for-5 basis, subject to their approval on Feb. 25. **Proceeds**—To repay short-term borrowings.

Florida Power & Light Co. (4/7)
Jan. 7 it was reported company plans to issue and sell $15,000,000 of first mortgage bonds due 1983. **Proceeds**—To pay bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Harriman Ripley & Co., Inc.; Lehman Brothers; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Shields & Co.; White, Weld & Co. **Bids** — Expected April 7. **Registration**—Tentatively planned for March 2.

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. (2/3)**
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 & Christensen, Denver, Colo.; and Edward D. Jones & Co., St. Louis, Mo.

General Contract Corp.
Jan. 14 stockholders voted to approve 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. **Underwriter**—G. H. Walker & Co., St. Louis, Mo.

General Public Utilities Corp.
Nov. 15, A. F. Tegen, President, announced that its domestic subsidiaries may spend around $80,000,000 for new construction in 1953. Of this total, $15,000,000 will be provided internally leaving about $65,000,000 to be financed by the sale of securities. Subsidiaries expect to sell around $49,000,000 of bonds, debentures and preferred stocks and GPU will furnish about $16,000,000 to them. GPU expects to obtain the funds from bank loans, the sale of debentures, the sale of common stock or a combination of these. If present conditions continue well into next year, GPU would expect to offer additional shares to stockholders rather than resort to borrowing. Merrill Lynch, Pierce, Fenner & Beane acted as clearing agent in last stock offer.

Gulf States Utilities Co.
Jan. 16, it was announced company is planning to sell $6,000,000 in common stock in June and a certain amount of first mortgage bonds later in the year. **Proceeds**—For construction program, expected to cost between $26,000,000 and $28,000,000 this year. The exact amount of the bond offering has not yet been determined. **Underwriters**—For common stock to be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and Lehman Brothers (jointly); Stone & Webster Securities Corp.

★ **Indianapolis Power & Light Co.**
Jan. 22 company sought authority of Indiana P. S. Commission to issue and sell $10,000,000 of first mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Union Securities Corp.; W. C. Langley & Co.; White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers, Goldman, Sachs & Co. and The First Boston Corp. (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly); Equitable Securities Corp.

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.

Maine Central RR.
Jan. 8 it was reported company may sell an issue of $17,000,000 of bonds. **Proceeds**—For refunding. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; W. C. Langley & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc.; Glore, Forgan & Co. **Bids**—Expected possibly some time in February.

Maryland Casualty Co., Baltimore, Md. (2/25)
Jan. 8 it was announced the company plans to issue and sell about 400,000 shares common stock (par $1), rights going first to common stockholders of record Feb. 21 (probably on a one-for-two basis). **Underwriters**—May include Merrill Lynch, Pierce, Fenner & Beane; The First Boston Corp.; Lehman Brothers; and Paine, Webber, Jackson & Curtis. **Offering**—Expected to be made about Feb. 25 or 26; with rights expiring about March 12. **Registration**—Scheduled for Feb. 5.

Merritt-Chapman & Scott Corp. (3/27)
Jan. 7, Ralph E. DeSimone, President, announced that primary rights would be issued to common stockholders of record March 27, 1953, to subscribe to additional common stock on basis of one new share for each five shares held (with an oversubscription privilege); rights will expire on April 14. There are presently outstanding 550,282 ($12.50 par) common shares, including shares reserved for scrip. **Proceeds** — For working capital. **Underwriter**—None.

Continued on page 58

Continued from page 57

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. (3/17)
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); Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.; The First Boston Corp. and W. C. Langley & Co (jointly). **Bids** — Tentatively expected on March 17. **Registration**—Expected Feb. 11.

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.; Blyth & Co., Inc., and Harriman Ripley & Co. Inc. (jointly). **Offering**—Expected early in 1953.

National Ceramic Co. (N. J.) (1/29)
Bids will be received up to and including Jan. 29 at the Surrogate Court House, Trenton, N. J., for the purchase from the Estate Bayard L. Dunkle, deceased, of 1,551 shares of the common stock of National Ceramic Co. These shares represent a majority interest in said corporation. **Trustee of Estate** — The Broad Street National Bank of Trenton, 147 East State St., Trenton, N. J.

National City Bank of Cleveland
Jan. 13 stockholders of record Jan. 2, 1953 were given the right to subscribe for 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. **Price**—$36 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Merrill, Turben & Co., Cleveland, Ohio.

★ **New England Electric System**
Jan. 22 it was announced stockholders on Feb. 24 will vote on increasing authorized common stock from 8,500,000 to 11,500,000 shares and on a provision to provide in connection with preemptive offerings to stockholders that cash or full share rights may be issued in lieu of rights to fractional shares.

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. (4/14)
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 on April 14.

New York, Chicago & St. Louis RR. (2/10)
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.; Morgan Stanley & Co.; Smith, Barney & Co.; White, Weld & Co.; Kuhn, Loeb & Co.; Union Securities Corp. **Bids**—To be received on Feb. 10.

Northern Indiana Public Service Co.
Jan. 7 it was announced that company plans to issue and sell an additional $23,000,000 of new securities in the near future (in addition to 80,000 shares of cumulative preferred stock recently offered. **Proceeds**—For new construction.

Oklahoma Gas & Electric Co.
Nov. 13 it was announced company plans to issue and sell additional common stock at about a one-for-ten basis (2,411,945 shares of common stock outstanding). **Proceeds**—For new construction. **Underwriters**—May be determined by competitive bidding. **Probable bidders**: Lehman Brothers; The First Boston Corp.; Smith, Barney & Co. and Harriman Ripley & Co., Inc.

Pacific 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.

★ **Peninsular Telephone Co.**
Jan. 27 it was announced company plans to offer for subscription by its common stockholders one additional share for each five shares held (including the shares to be issued upon payment to common stockholders of record Feb. 9 of a 20% stock dividend). **Price**—To be named later. **Proceeds**—For new construction and additions to property. **Underwriters** — May be Morgan Stanley & Co., Coggeshall & Hicks and G. H. Walker & Co.

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.

★ **Pennsylvania Power & Light Co.**
Jan. 23, Charles E. Oakes, President, announced that new financing this year will require the sale of from $20,000,000 to $25,000,000 of first mortgage bonds, with total financing for the four-year period running about $65,000,000. If sold competitively, probable bidders may include: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Equitable Securities Corp.; White, Weld & Co.; Smith, Barney & Co.

Pennsylvania RR. (2/3)
Bids will be received up to noon (EST) on Feb. 3 at Room 1811, Suburban Station Bldg., Philadelphia 4, Pa.. for the purchase from the company of $4,800,000 equipment trust certificates, series AA, to be dated March 1, 1953, and to mature in 15 annual instalments of $320,000 from March 1, 1954, to March 1, 1968, both inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

Peoples Gas Light & Coke Co.
Oct. 24 it was announced that company and each of its subsidiaries will issue mortgage bonds or other debt securities. **Proceeds**—To finance construction programs. **Underwriters**—To be determined by competitive bidders. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Kuhn, Loeb & Co.

Public Service Electric & Gas Co.
Jan. 12 it was reported company plans issuance and sale in May of $50,000,000 of first refunding mortgage bonds. **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 Lehman Brothers (jointly); Morgan Stanley & Co. and Drexel & Co. (jointly); The First Boston Corp.

Public Service Electric & Gas Co.
Jan. 20, George H. Blake, President, announced that as a first step in raising funds to carry forward the company's construction program (to involve approximately $90,000,000 in 1953) it contemplates selling 750,000 shares of common stock during the latter part of March, 1953. **Underwriters**—Last public stock financing in 1952 was handled by Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co. (jointly).

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.

★ **Ravenna Metal Products Co., Seattle, Wash.**
Jan. 27 it was reported company plans to issue and sell 20,000 shares of class A stock. **Price**—$15 per share. **Proceeds**—For expansion and working capital.

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.

● **Seaboard Finance Co., Los Angeles, Calif.**
Jan. 22 stockholders approved a proposal to increase the authorized preferred stock to 500,000 from 400,000 shares. **Underwriter**—The First Boston Corp., New York.

★ **Smith (Alexander), Inc.**
Jan. 16 it was announced company proposes to offer additional common stock to its common stockholders. Stockholders will vote April 15 on plan. **Underwriters**—May be Morgan Stanley & Co. and Dominick & Dominick, both of New York.

Southern Ry.
Dec. 23 it was announced company plans to issue and sell $10,000,000 of St. Louis-Louisville division first mortgage bonds. **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**—Had been tentatively scheduled for Jan. 22, but offering has been deferred due to market conditions.

Southern Railway (1/29)
Bids will be received at 70 Pine St., New York, up to noon (EST) on Jan. 29, for the purchase from the company of $3,600,000 equipment trust certificates, series TT, to mature in 30 equal semi- annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

State Bank of Albany, N. Y.
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 Jan. 29; rights to expire Feb. 20. **Price** — To be determined by directors (probably around $25 per share). **Proceeds** — To increase capital and surplus. **Underwriter** — Salomon Bros. & Hutzler, New York.

Texas Electric Service Co. (4/13)
Dec. 15 it was reported company plans to issue and sell $9,000,000 first mortgage bonds due 1983 and 80,000 shares of preferred stock (par $100). **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: (1) For stock, Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co.; Union Securities Corp.; Salomon Bros. & Hutzler. (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). **Bids** — Expected on April 13. **Registration**—Tentatively scheduled for March 5.

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. **Proceeds**—For construction program. **Underwriters**—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**—Probably early in 1953.

● **Virginian Ry. (2/4)**
Bids will be received up to noon (EST) on Feb. 4 for the purchase from the company at 44 Wall St., New York, N. Y., of $4,350,000 equipment trust certificates, series C, to be dated Feb. 1, 1953, and to mature $290,000 annually from Feb. 1, 1954 to 1968, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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

The underwriting industry, judging by the comment of some of those identified with it, is beginning to show signs of restlessness after several weeks of relative dullness in the new issue field.

Generally speaking, the tendency at the moment, is to remark that there "is lots of business on paper" and then lament the failure of such prospective business to materialize by reaching the marketing stage.

Meanwhile the dissolution of several syndicates of rather long standing and the freeing of the issues involved seems to have had the usual effect of loosening up hitherto "frozen" capital and spurring competitive interest in such new issues as go up for bids.

Take the case of Iowa-Illinois Gas & Electric Co. and its offering of bonds and preferred stock early this week. True both issues were small and consequently bound to attract a number of bids.

But the $8,000,000 of 30-year, first mortgage bonds brought out a total of nine separate bids, two of them identical, and with just about a penny per $100, or roughly 10 cents per $1,000 piece, separating the winning bid of 101.79 from that of the runner-up which was 101.7799.

Similarly there were seven bids for the 60,000 shares of new preferred stock, with the successful group paying 100.5399 for a $4.36 dividend rate. The second bid was 100.439 for the same dividend.

Real Test for Market

Observers were of the belief that the big Canadian offering, due out today, should provide a much needed test of the position of the general market.

Fortunately, the Province of Ontario's $50,000,000 undertaking is being handled through the medium of negotiated sale rather than via competitive bidding.

Accordingly, the coupon rate and the price and consequent yield set for this offering should not only give a good insight into the ideas of bankers, but should, at the same time, mirror quite accurately just what investors are disposed to look for in issues of this type.

Blanketing the Field

Needless to say, few informed people had anticipated any attempt by the Treasury, at this time, to fund its maturing short-term debts on a really long-term basis. That is something which doubtless will develop later when the new incumbents have had time to take stock of their problems.

So when the Treasury offered holders of the $8.9 billion of maturing certificates a choice of three maturities — one-year or five- or six-year paper—it came pretty well up to expectations.

Now, of course, interest quite naturally centers in the major detail which will be forthcoming tomorrow, namely, the interest rates to be fixed for the proferred new issues.

February Looks Better

While bewailing the current limited volume of new business investment bankers are looking forward to February as promising much better things. The month will get underway with a sizable negotiated deal involving $25,000,000 of bonds of Commercial Credit Corp., on the 3rd.

This will be followed, on the 5th, by 150,000 shares of $50 par cumulative preferred stock and 250,000 shares of no par common of Illinois Power Co.

May Department Stores has a $25,000,000 issue of sinking fund debentures set for the 10th, following the sale on the preceding day, through bids, of $30,000,000 of 20-year pipeline bonds by the Tennessee Gas Transmission Corp.

Now With Morgan Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Donald L. Arbogast is now with Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

Continued from page 5

Observations . . .

grandchildren with 8,000 shares. Besides, his wife retains 10,000 shares in her own name. On the sale of his stock—the nub of his complaint—he will have to pay a capital gains tax (an unfair tax for everybody) amounting to $500,000. Such contribution to pave the way for serving his country at this time of crisis will still leave himself and his wife with $4½ million of assets. Incidentally, the entire amount of tax has been compensated for by the market advance in General Motors stock during the past year (it sold at 50 on Feb. 21, 1952), and, besides, its permanent cost will be reduced by the saving to his legatees through the shrinkage in his ultimate estate which will be subject to inheritance tax. On the stock now being given to his children and grandchildren the gift tax is substantially less than would have been the overhanging inheritance tax thereon.

In studying Mr. Wilson's testimony, this writer does not note arrogance widely attributed to him; but rather singular ineptness regarding the basic proprieties. He persisted with all manner of irrelevancies, such as citing the smallness of his stockholding in proportion to the corporation's total capitalization, and asking Senator Johnson "What do you think I should do with my money?"; and really seemed to believe that the public would rest easy on his directives regarding designees Stevens and Talbott.

With similar ineptness, Attorney General Brownell, a legal light, a master of politics, and a man of high integrity, seems unaccountably to have been asleep on all three counts during the entire seven weeks interval between the designation of Mr. Wilson and the Senate hearings.

* * *

Those of us who pinned our faith on our industrialists to lead our government out of crisis must strongly hope the Defense Department directorate becomes quickly established midst an unblemished ethical atmosphere, wholly apart from exigencies of public relations, politics, or the legalities; and that the nasty problem will prove to have been only an isolated incident in the General's ultimately successful consummation of his crusade.

DIVIDEND NOTICES

The American Tobacco Company

INCORPORATED

111 Fifth Avenue — New York 3, N. Y.

190TH COMMON DIVIDEND *and* AN EXTRA DIVIDEND

A regular dividend of Seventy-five Cents (75¢) per share and an extra dividend of One Dollar ($1.00) per share have been declared upon the Common Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on March 2, 1953, to stockholders of record at the close of business February 10, 1953. Checks will be mailed.

HARRY L. HILYARD, *Treasurer*

January 27, 1953

Allied Chemical

Quarterly dividend No. 128 of Sixty Cents ($.60) per share has been declared on the Common Stock of Allied Chemical & Dye Corporation, payable March 10, 1953 to stockholders of record at the close of business February 13, 1953.

W. C. KING, *Secretary*

January 27, 1953.

DIVIDEND NOTICES

AMERICAN & FOREIGN POWER COMPANY INC.

Two Rector Street, New York 6, N. Y.

COMMON STOCK DIVIDEND

The Board of Directors of the Company, at a meeting held January 23, 1953, declared a dividend of 15 cents per share on the new Common Stock for payment March 10, 1953 to the stockholders of record February 10, 1953.

H. W. BALGOOYEN,
Vice President and Secretary.

January 23, 1953.

AMERICAN GAS AND ELECTRIC COMPANY

Common Stock Dividend

A regular quarterly dividend of thirty-seven and one-half cents (37½c) per share on the Common capital stock of the Company issued and outstanding in the hands of the public has been declared payable March 10, 1953, to the holders of record at the close of business February 13, 1953.

W. J. ROSE, Secretary.

January 28, 1953.

Borden's

BORDEN'S 1857

DIVIDEND No. 172

An interim dividend of sixty cents (60¢) per share has been declared on the capital stock of *The Borden Company*, payable March 2, 1953, to stockholders of record at the close of business February 9, 1953.

E. L. NOETZEL, *Treasurer*

January 27, 1953

IOWA SOUTHERN UTILITIES COMPANY

PUBLIC I.S.U.Co. SERVICE

DIVIDEND NOTICE

The Board of Directors has declared the following regular quarterly dividends:

35⅝ cents per share on its 4¾% Preferred Stock ($30 par)

44 cents per share on its $1.76 Conv. Preferred Stock ($30 par)

30 cents per share on its Common Stock ($15 par)

all dividends payable March 1, 1953, to stockholders of record February 13, 1953.

EDWARD L. SHUTTS, *President.*

January 29, 1953

SOCONY–VACUUM OIL COMPANY

INCORPORATED

Dividend No. 168 — January 27, 1953

The Board of Directors today declared a quarterly dividend of 50¢ per share on the outstanding capital stock of this Company, payable March 10, 1953, to stockholders of record at the close of business February 6, 1953.

W. D. BICKHAM, *Secretary*

DIVIDEND NOTICES

NATIONAL SHIRT SHOPS

OF DELAWARE, INC.

DIVIDEND NO. 46

The Board of Directors has declared a regular quarterly dividend of 20 cents per share on the common stock payable February 28th, 1953 to stockholders of record February 20th, 1953. Transfer books will not be closed.

SYLVAN COLE,
Chairman of The Board

WEST INDIES SUGAR CORPORATION

60 E. 42nd Street, New York 17, N. Y.

COMMON DIVIDEND No. 30

The Board of Directors has this day declared a quarterly dividend of fifty cents (50¢) per share, payable on March 16, 1953 to stockholders of record, March 2, 1953.

HARRY E. GREEN, *Secretary*

January 27, 1953

United States Pipe and Foundry Company

New York, N. Y., January 22, 1953

The Board of Directors this day declared a quarterly dividend of seventy-five cents (75¢) per share on the outstanding Common Stock of the Company, payable March 20, 1953, to stockholders of record on February 27, 1953.

The transfer books will remain open.

UNITED STATES PIPE AND FOUNDRY COMPANY
JOHN W. BRENNAN, *Secretary & Treasurer*

UNITED STATES LINES COMPANY

Common Stock DIVIDEND

The Board of Directors has authorized the payment of a quarterly dividend of fifty cents ($.50) per share payable March 6, 1953, to holders of Common Stock of record February 20, 1953, who on that date hold regularly issued Common Stock ($1.00 par) of this Company.

CHAS. F. BRADLEY, *Secretary*
One Broadway, New York 4, N. Y.

UGI — The United Gas Improvement Company

DIVIDEND NOTICE

A quarterly dividend of 43c per share on the Common Stock, par value $13.50 per share, has been declared payable March 31, 1953 to stockholders of record February 27, 1953.

A quarterly dividend of $1.06¼ per share on the 4¼% Preferred Stock has been declared payable April 1, 1953 to stockholders of record February 27, 1953.

JOHNS HOPKINS, Treasurer

Philadelphia, January 27, 1953

LIQUIDATION NOTICE

The Love County National Bank at Marietta in the State of Oklahoma is closing its affairs. All creditors of the Association are therefore hereby notified to present claims for payment to the undersigned, at Marietta, Oklahoma.

G. C. McMAKIN,
Liquidating Agent.

LIQUIDATION NOTICE

Metuchen National Bank, located at Metuchen, in the State of New Jersey, is closing its affairs. All creditors of the Association are therefore hereby notified to present claims to the undersigned, at 85 Rector Street, Metuchen, N. J.

Phil T. Ruegger
Thomas D. Ainslie
Louis H. Meade
Liquidating Committee

Dated: January 20, 1953.

ALUMINIUM LIMITED

ALUMINIUM LIMITED

DIVIDEND NOTICE

On January 21, 1953, a quarterly dividend of fifty cents per share in U. S. currency was declared on the no par value shares of this Company payable March 5, 1953, to shareholders of record at the close of business February 2, 1953.

Montreal — JAMES A. DULLEA, Secretary

January 21, 1953

CREPED PAPERS • GIFT WRAPPINGS

MARKING DEVICES • GUMMED PAPERS

TAGS • SEALS • LABELS

JEWELRY BOXES • COMMERCIAL BOXES

DIVIDEND NOTICES

Debenture: The regular quarterly dividend of $2.00 per share on the Debenture Stock will be paid Mar. 3, 1953, to stockholders of record Feb. 9, 1953.

"A" Common and Voting Common: A quarterly dividend of 30 cents per share on the "A" Common and Voting Common Stocks will be paid Mar. 3, 1953, to stockholders of record Feb. 9, 1953.

A. B. Newhall, *Treasurer*

Dennison Manufacturing Co.

Framingham Mass. — 109th year

TEXACO

THE TEXAS COMPANY

202nd

Consecutive Dividend

A regular quarterly dividend of seventy-five cents (75¢) per share on the Capital Stock of the Company has been declared this day, payable on March 10, 1953, to stockholders of record at the close of business on February 6, 1953.

The stock transfer books will remain open.

ROBERT FISHER, *Treasurer*

January 23, 1953

Southern Railway Company

THE SOUTHERN SR SERVES THE SOUTH

DIVIDEND NOTICE

New York, January 27, 1953.

Dividends aggregating $3.75 per share on the Preferred Stock of Southern Railway Company have today been declared, payable as follows:

Amount	Date of Payment	To Stockholders of Record at the Close of Business on:
$1.25	Mar. 14, 1953	Feb. 13, 1953
1.25	June 15, 1953	May 15, 1953
1.25	Sept. 15, 1953	Aug. 14, 1953

A dividend of One dollar and twenty-five cents ($1.25) per share on 1,298,200 shares of Common Stock without par value of Southern Railway Company has today been declared out of the surplus of net profits of the Company for the fiscal year ended December 31, 1952, payable on March 14, 1953, to stockholders of record at the close of business on February 13, 1953.

J. J. MAHER, *Secretary.*

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — With respect to that feverish question, "What is Eisenhower going to do?" keep your shirt on, have patience, and figure on a pretty long wait before you get your answer, for the details probably are going to be slow in coming, beyond what is revealed in the new President's first message to Congress.

This town is now in a febrile state, to put it mildly. Everybody in business wants to know the specific answers. Even the Chairmen of Congressional committees are in the dark, wondering what in blazes Eisenhower wants so they can get going.

There is, for instance, the case of the Senate Banking Committee. Senator Capehart, Chairman and maestro of that legislative symphony, has come armed with all the sheet music ever written, so to speak, so he can pull out and practice on the number Mr. Eisenhower wants when he hears what Ike wants.

Under his leadership the Banking Committee is getting itself empowered to make high-powered investigations of economic stabilization and mobilization, the need for encouraging private investment to replace the give-away program, the possibility of enacting a comprehensive scheme of war damage insurance, and the necessity for developing a housing program.

The housing industry, without word as to what the Eisenhower Administration is going to do about keeping the easy money program going for ever larger volumes of construction, is alternately hoping and going into the despond, some of its leaders even hinting that the "bankers in the Eisenhower Administration are in control" and will promote deflation in building.

Harkens Back to FDR Days

Unconsciously people are expecting something like those feverish first three or four months of Congress in 1933 under FDR. During those three months, every week or so, there came down from the White House this or that broad new "must" reform, all written and ready for Congress to pass without having to cross a "t" or add a comma.

It may be that President Eisenhower has got a couple of bright boys around, 1953 counterparts of Tommy the Cork or Benjamin Cohen, who from some fashionable retreat in Georgetown are sitting down writing hastily the blueprints of the Eisenhower revolution. This correspondent can't say this isn't so, because few if any correspondents have as yet established vantage points from one of Mr. Eisenhower's knees, from which to hear what is to come.

On the other hand, the signs so far—and they are relatively meager—indicate that Mr. Eisenhower isn't going to work that way.

Will Check With Congress

One of those signs of deliberation is that Mr. Eisenhower reputedly has agreed to consult with Congress **in framing his programs before they are announced.** That is the commitment reliable Congressmen believe they have obtained from the new President. Congress is to be consulted in advance before the Administration's neck is stuck out on broad legislative proposals, for it is the slender conservative majority whose enthusiastic support will be vital, if Mr. Eisenhower's legislative program is to see daylight from the statute books.

Go Slow Seen in Inaugural Speech

President Eisenhower's Inaugural address was a further sign that the new President eschews the idea of rushing in where angels fear to tread.

This address was pitched almost entirely at the foreign customers of U. S. military and economic support, insofar as it came anywhere near bordering on the concrete.

Mr. Eisenhower balanced neatly two problems he had in foreign relations. On the one hand he had to assure the jittery European politicians that the United States was not suddenly going to end all collective security, as many of them had actually come to believe.

On the other hand, Mr. Eisenhower had to assure the country, and also the gallant allies, that the United States was going to have no more of spending without concrete results in military preparation.

If Mr. Eisenhower's speech is read carefully, there are at least four points where he serves a warning that he wants results from the Western allies. Every diplomat takes a sentence apart and considers what is the opposite of the proposition, and the opposite of the proposition was a clear inference that the American people and government are only going to play with those governments which give forth results.

The speech appeared nicely timed to tell the Europeans that collective security has not been dropped but how much will be made of it, within limits, depends on them. It was timed to precede the tour which State Secretary Dulles is commencing to European capitals to talk the whole thing over.

BUSINESS BUZZ

"He's the boss' psychiatrist—I understand it's an emergency call!"

Bears on Whole Picture

Obviously, therefore, President Eisenhower appears to be setting the stage for an entire re-appraisal of military and economic aid and foreign policy. He has made no thunderous announcement of what he will do specifically and has not asked Congress for X-teen billions to continue collective security.

This particular stage-management suggests that Mr. Eisenhower is proceeding slowly to develop policy. He is calling upon no ghosts or prodigies from the garrets of Georgetown, or harmonica or piano players to shape his program.

If he is proceeding carefully on foreign policy framing — which is so fundamental to all domestic programs as well—he may be proceeding carefully in other fields as well.

May Be More Orderly

If this slowness in revealing the important outlines irritates many eager to know what gives, it may produce a more orderly result.

There is unlikely to be a repetition of some of the hectic incidents of the early New Deal, of which this correspondent recollects two in particular.

One of the important committee chairmen, returning from the White House with the draft of a new and broad fundamental enactment, sat down wearily in the Capitol restaurant for a cup of coffee. He pulled the "must" bill out of his pocket and showed it gloomily to this correspondent. "Say, why do they do things like this to us," he wailed.

Or there was the time when the late Joe Byrns, Democratic leader, called up the White house in the presence of this newsman to ask the late Marvin McIntyre, Secretary to the President, whether he would ask Mr. Roosevelt if it would be O. K. with the President to let the House that day vote on such and such a particular amendment to the Agricultural Adjustment Act.

Humphrey Passes Test

George M. Humphrey more than passed the test of approval by the Finance Committee for confirmation of his nomination as Secretary of the Treasury.

Humphrey obviously impressed the Finance Committee, which questioned him closely about his stock interest in the M. A. Hanna Co. The rules regarding business connections of the Secretary of the Treasury are even more restrictive than the rules relating to business interests of the Secretary of Defense, although the Secretary of the Treasury seldom contracts on any scale to buy the products of any manufacturing company.

The new Secretary of the Treasury said that he was retaining his own stock ownership, of about 5%, in M. A. Hanna. Under the rules regulating his office, the Secretary of the Treasury may not for his personal account buy or sell a government bond. So Mr. Humphrey pointed out that if he did sell his stock, he could not invest the proceeds in government bonds. On the other hand, if he deposited them in a bank, he would be suspected since the Comptroller of the Currency, an officer of the Treasury, regulates banks.

As the rules relating to the Secretary of the Treasury go, no one could be Secretary, if they were literally interpreted, who ever amounted to anything or ever attempted to own anything, Mr. Humphrey pointed out.

The dilemma in his case was settled by an informal agreement of the new Treasury Secretary to consult with the Finance Committe if any issue ever arose which threatened a decision affecting companies in which Humphrey was interested.

Mr. Humphrey laid down the basic policies he favors, as follows:

(1) The Administration's first job is to retard, then stop, the depreciation in the value of the currency.

(2) It should balance the Budget first.

(3) Tax reduction should come at the earliest practicable moment.

(4) The nation's taxes are much more than the country can bear for any long period.

(5) One of the earliest jobs which the Treasury will undertake under the new Administration will be a study of the Federal tax system as a whole, with a view to its being overhauled. (This is an undertaking for which the technical staff of the Congressional Joint Committee on Internal Revenue has been preparing for months.)

(6) The gold standard is an objective which should be brought about after the Budget is balanced, and "under appropriate circumstances."

(7) Maintain the independence of the Federal Reserve System.

(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.)

Floyd Allen Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Leonard E. Wolstein is now with Floyd A. Allen Co., Inc., 650 South Grand Avenue.

Joins Hutton Staff

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Karl B. Didricksen is with E. F. Hutton & Company, 623 South Spring Street.

With Merrill Lynch

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Lucille E. Brown has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street.