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EDITORIAL

As We See It

It is now becoming daily clearer that we have a leader in the White House. His manner of dealing with Congress, where there are always Lilliputians as well as men of stature, is likewise beginning to show the touch of a fine Italian hand somewhat to the dismay of critics who had believed that the "professionals" in Congress would soon put the amateur in the White House in his place. There are, naturally, still very considerable areas in which the details of the President's deployment are yet to be disclosed, possibly as yet to be determined even in his own mind, and there are indications here and there that his programs will not always be fully acceptable to thoughtful men.

It seems to us nonetheless that the change is on the whole taking the right course at the start, and that is much to be thankful for. If presently it is found that the Administration is too much inclined to treat the farmer as if he were *sui generis*, and if some of the sentimentality surrounding "social security" or the political pressures this sentimentality engenders lead to unsound continuation and even extension of New Dealism, these will be events that we shall have to deal with (or suffer with) as best we may when the occasion arises. Meanwhile it is incumbent upon us all to lend all the aid at our command to the efforts the Administration is making to get this country on a solid footing once again.

A Hazard to Be Faced

The type of hazard which any such program as the Eisenhower Administration is apparently launching must face, apart from the pressures

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The Long-Term Outlook For Commodity Prices

By JULES BACKMAN*

Professor of Economics, New York University

Dr. Backman traces historical course of prices during and after previous major wars; asserting the differing action in current price level reflects combination of sharp rise in money and credit resulting from budgetary deficits, postwar expansion in private credit, record high level of taxation, and sharp rises in labor costs. Regarding long-term outlook for commodity prices, concludes we have established new plateau 75% to 100% above prewar level, and prices will fluctuate above that level.

I have interpreted the title of my discussion to mean what is the long-term outlook for the level of prices. This problem has been a matter of concern throughout the postwar period. With the advent of a new Administration it is appropriate to review the price question.

Dr. Jules Backman

Many attempts to appraise the outlook for prices have centered around an examination of past postwar experiences. It is largely because of past experience, that fears of a price collapse are often expressed. It is a fact that a chart of prices going back to 1800 shows four very high peaks, three of which were followed by very sharp price declines: The War of 1812, the Civil War and World War I. During these previous war and postwar periods, wholesale prices showed the following advances: (1926=100).

War of 1812 — About 50% (104.9 in 1811 to 154.6 in 1814).

Civil War—116% (60.9 in 1861 to 132 in 1865).

World War I—145.5% (from 1914 to May 1920).

Each of the three earlier advances was followed by

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*An address by Dr. Backman before the 8th Annual Conference of the Mortgage Bankers Association of America in cooperation with New York University Graduate School of Business Administration, Jan. 28, 1953.

Funds Accelerate Buying of Oils

By HENRY ANSBACHER LONG

Petroleums resume popularity with many managements during final quarter of 1952, as utilities continue favorite group. Over-all purchases are stepped up by a third over previous quarter, as cash reserves decrease. Rails, chemicals, building, motor, electical equipment and radio stocks are also well bought.

Thirty-five of the 60 investment companies surveyed decreased reserves of cash and governments during the final quarter of 1952. This represented twice the number drawing down on liquid assets during the third quarter of 1952. During that earlier period, practically all of the closed-end funds increased their liquidity, while during the most recent three months this group reversed its procedure and lightened cash, presumably to pay year-end dividends.

Henry A. Long

Buying of oils on balance was resumed by the investment companies following the breathing spell earlier in the year. The enthusiasm for the petroleum issues, however, did not supersede the popularity of the utility stocks which continued to maintain their long-standing rank as number one favorites among fund purchases. Overall trust buying was stepped up by one-third during the last three months of the year, a percentage increase paralleled by the rails which ranked number three in portfolio additions. Volume was doubled in both the chemical and building stocks and there was a 50% increase in acquisitions of autos and motor equipments. Also well liked were the radio and electrical suppliers, retail, natural gas, non-ferrous metals and food stocks. Buying of the steels, while not heavy, increased two-fold over the previous period.

Buying of the Oils

The interesting feature of the oil acquisitions was that Texas Co. was the most heavily bought issue in the

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SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 42.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Raymond Concrete Pile—Stephen L. Joseph, Manager of Research Dept., Bache & Co., New York City. (Page 2)

St. Regis Paper—Sidney R. Winters, partner, Abraham & Co., New York City. (Page 2)

STEPHEN L. JOSEPH
Manager, Research Department
Bache & Co., New York City

Raymond Concrete Pile

Raymond Concrete Pile, as the name implies, is engaged in the installation of concrete piles and is the largest factor in this field in the United States. Concrete piles are employed as foundations where the ground is soft or where a particularly firm foundation is required. The company does extensive work for buildings constructed along waterfronts or on filled-in land and also is active in the construction of piers, wharves and other waterfront structures. A small part of activities is devoted to sub-soil investigations which are made as a preliminary to building construction of all sorts. While this activity affords only a small percentage of the total profit, it is important in that it enables Raymond to obtain advance information on prospective building work and on the general trend of building activity.

Stephen L. Joseph

Raymond also does extensive construction work outside of the United States, principally in Latin America. Abroad, the company's activities embrace all types of heavy construction such as bridges, roads, public buildings, etc. Foreign exchange problems which have been such a burden for many other types of enterprises are not a serious concern for Raymond since the company does not undertake any foreign construction until payment in U. S. dollars is assured.

Raymond has been benefiting from the accelerated pace of building activity since the war, with earnings of $7.11 per share reported in 1951, $5.37 in 1950, $6.70 in 1949 and $6.81 in 1948. Due to the steel strike, earnings for the six months ended June 30, 1952 were only $2.85 a share as compared with $3.00 in the corresponding period of 1951. Indications are that earnings for the full year 1952 were in the neighborhood of $6.50 per share. This would mean that earnings for the second half of the year were slightly under $4.00.

Based on the indications provided by current business on hand, 1953 may witness a new record of earnings for the company. Domestic orders are sufficient to insure a high rate of operations for some time to come, while the backlog of foreign business is at new high levels. Although it is recognized that the building industry is cyclical in nature, the "boom" phase of that segment of the industry in which Raymond is engaged should continue for an indefinite period. The demand for heavy construction, accumulated during and since the war, has not yet been satisfied. Indeed, many economists believe that spending by the Federal Government, municipalities, and other public bodies, might be a strongly supporting factor for the economy in the event of a general business recession. The industrial growth of many of the so-called undeveloped areas of the world should also assure a sustained demand for the type of construction work which Raymond is in a position to supply.

Raymond conducts its foreign operations by means of subsidiary companies, the accounts of which are not consolidated with those of the parent. Accordingly, earnings of these subsidiaries are included with those of the parent only to the extent that dividends are received. This is true even though the funds of the subsidiaries are held by them in U. S. dollars in New York City banks. As a result, earnings reported in any given year may not necessarily correspond to actual income for that year. Inasmuch as the accumulated earnings of various subsidiary companies provide the required working capital, it is common, in periods of high operation such as the present, that the distribution of these earnings to the parent company is much lower than the amounts actually realized. In subsequent years, as foreign operations decline, these earnings become available to the parent company and serve to that extent to stabilize reported profits. While figures on such retained earnings are not available, it is believed that for each of the years 1951 and 1952, had all the earnings of the subsidiaries been declared as dividends to the parent, Raymond's reported profits might have been increased by as much as $2.00 to $3.00 per share.

During the year 1952, dividends totaling $3.50 were paid on the Raymond Concrete Pile stock. This consisted of four dividends of 50c plus 25c extra each and a 50c extra dividend during December. It is interesting to note that for the first dividend of 1953, which is payable on the third of March and has already gone "ex dividend" on the American Stock Exchange, directors saw fit to make a regular payment of 75c. This is in contrast to the four quarterly distributions of 1952. The implications of this change cannot be ascertained at this time. It is understood, however, that the financial condition of the company as of the end of 1952 was satisfactory and also that even with distributions totaling $3.50 per share a year, dividend payments were only slightly more than one-half of estimated 1952 earnings.

Based upon the current price of around 45, the Raymond stock is selling at 6.9 times estimated 1952 earnings and affords a yield of 7.8% on the $3.50 dividend. If earnings and dividends can be increased, the stock would appear to be undervalued at present levels.

Currently, there are outstanding approximately 390,000 shares of common with no preferred stock or long-term debt outstanding, the convertible preferred having been called for redemption as of Feb. 1, 1952. The stock enjoys only a limited marketability on the American Stock Exchange and it would appear to be to the interest of shareholders if marketability could be improved through a split in the stock or a substantial stock dividend. The stock was split 2-for-1 in 1949 at which time the old shares were selling at a lower price than that currently prevailing. While there is no specific indication that such action may be taken in the near future, it would appear to be a logical development.

While all of these factors might cause one to be favorably inclined toward the Raymond stock, there is another potential development of even greater interest. It is understood that the company has for some years been experimenting with alternative designs and methods for construction of off-shore platforms to be used in drilling for oil and gas in the tidelands area. These platforms are extremely expensive, ranging from $300,000 to $1,500,000 or more. While this is a high initial cost, subsequent maintenance, particularly in the case of platforms of steel construction, is tremendous. The objective of the Raymond program in this respect has been, therefore, to produce a base of somewhat lower installation cost but, more importantly, to produce an appreciable saving in continuing maintenance cost. While this new activity of Raymond could grow rapidly in importance as the status of the tidelands is clarified, at its present stage it is too early to conjecture the ultimate potentials that may be realized.

In summary, the Raymond Concrete Pile shares appear to be attractively priced on the basis of values already evident. In addition, there are potentials in the situation which could result in a value substantially in excess of the present price of the stock. It is for these reasons that I classify Raymond Conerate Pile as "The Security I Like Best."

SIDNEY R. WINTERS
Partner, Abraham & Co., N. Y. City
Members New York Stock Exchange and Other Leading Exchanges

St. Regis Paper

I like to consider securities from a strictly long range viewpoint, and therefore tend toward growth companies. Of course, not every industry offers the same degree of growth. And there are times when even the strongest type of growth slows down. At the moment, however, I am impressed with the long-term growth potential of the paper industry, and in particular, with the prospects for St. Regis Paper. The civilized world constantly uses more paper per capita, and populations have a tendency to grow; the combination creating the growth I visualize.

Sidney R. Winters

St. Regis Paper is one of the largest, fully integrated producers of paper and paper products. Its principal lines include heavy duty multiwall bags, various types of printing, book and other specialty papers; kraft pulp, paper and board; fabricated and molded plastic products, and bag making and filling machinery. The company's 28 plants are located mostly within the United States, with four in Canada and one each in Argentina, Brazil and Belgium. Plant capacities include 560,000 tons of kraft paper and board, 300,000 tons of printing and converting paper, 263,000 tons of multiwall bags, and 25,000,000 pounds of plastic products. Important ex-

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Outlook for 1953

By DR. LIONEL D. EDIE*
Chairman of the Board, Lionel D. Edie & Co., N. Y. City

Economic consultant, asserting boom has been restricted to 40% of the economy, predicts overall industrial production in 1953 will remain unchanged from 1952, but with change in distribution of business activity. Expects stability in consumer side of economy. Maintains no major depression is in sight in 1953 or 1954. Cites past refinancing or debt soundly accomplished by Andrew W. Mellon.

Since the November elections there has been a wave of confidence in business and financial circles. I shall endeavor to explain what I think this wave of confidence means — what it implies for the outlook for American business and finance.

Lionel D. Edie

This wave of confidence has been a pleasant thing. Confidence is always a joyful emotion and yet I am sure every businessman realizes that it presents a heavy responsibility to American business—a responsibility that will be judged by the results achieved over the next few years. This is not only a day of celebration but also a day of challenge.

I regret to say that this confidence does not extend to the international scene. When people look abroad to Korea, to the Far East, to Western Europe and when they survey our foreign relations broadly, they can hardly say that we are confident of the international position. We are hopeful, but we are uncertain and we have anxieties. Those of us who have members of our families in the military service are saddened by the experiences in that area. I wish that I could gaze into the future and tell you what will happen in our foreign policy, but I will content myself by simply saying that I think there is plenty of room for improvement in our foreign policy. Therefore, I optimistically assume that there will be improvement in our international position during the coming 12 months.

The Domestic Situation

For the more detailed part of my remarks, I turn to the domestic situation and confront the question — what is the business outlook in 1953? When I attempt to answer that question, I find a great deal of divided opinion in the country. I find a great deal of discussion of the "boom" in American business. The word, "boom," is heard everywhere. I find a great deal of speculation as to how long the "boom" will last and what will happen after it is over. If you want to clear away some of the fog in the picture today, you must abandon the attempt to think in terms of the general business outlook. General business is a sort of mathematical myth and never in my experience has there been a time when a so-called general business forecast was not only as meaningless as it is today, but also was apt to be quite misleading.

If I am forced to make a general business forecast, I would merely say that whereas the index of industrial production for 1952 has averaged 218, I think in 1953 that the 12-month average will again be approximately 218. But that is apt to be misleading for the reason that the distribution of business throughout the year is not likely to be the same in 1953 as in 1952. You can average 12 months together, but the different quarters and halves of a year may present a pattern of contrast rather than of similarity. There is a "boom" in a certain limited part of business but it is not universal. In fact, more than one-half of American business is not in a "boom" condition at all. The "boom" is restricted to about 40% of the total economy. The other 60% of American business has at one time or another since the Korean crisis started had a "boom" but has liquidated it and is today no longer in a "boom" condition.

As an illustration, let me mention the export trade of the United States. A little over a year ago, our exports were running at a new all-time peak, with an annual rate of $18 billion. Within recent months, there was a decline of about 40% in the rate of our export trade. That decline was probably overdone in the late summer and early autumn months of this year. I do not expect our export trade to stay as low as the level of last August and September, but neither do I expect it to return to the "boom" conditions of a year or two ago. The export "boom" is over. It has been liquidated. That has occurred without upsetting the applecart of employment and of general conditions throughout the country.

That is only one of the "booms" that we have had but no longer have. For instance, two years ago we were in the very exciting active retail trade. That was based upon war scares and consumer buying at a hectic pace because of the fear of shortages of goods. It was accompanied by very aggressive buying on the part of retailers who stocked up on inventories to be sure they were protected. We had for a time a 40% increase in the retail sales of department stores. In any time and in any language, a sudden jump of 40% is a "boom." We had it. However, the inventories then built up have been deflated. The inventory situation at retail today is fairly normal and the consumer

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*A talk by Dr. Edie before the 30th Economic Meeting of the Peoples First National Bank & Trust Co., of Pittsburgh, at the Duquesne Club, Pittsburgh, Pa., January 6, 1953.

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*See Henry Long's quarterly survey of fund operations, starting on cover page.

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Stocks of Timber

By IRA U. COBLEIGH

Author of "Expanding Your Income"

An across-the-board view of the lumber industry; plus surface appraisal of three log and saw-mill leaders.

When people talk about our vast natural resources they often forget to include our most important one—timber. After we have removed all those million barrel lots of oil, those trillions of feet of natural gas, and those millions of tons of coal, we never get them back—they're gone forever. Not so with our tree treasure, which we can and do replace, after use, by reforestation. Altogether the United States has 630 million acres of timber land, of which roughly 450 million are commercially useful; with 350 million acres owned by individuals or corporations.

Ira U. Cobleigh

There was a time when we ruthlessly exploited our forest lands, leaving in the wake of the saw a vast stubby swath to stump the experts — reforestation experts, that is! Forty years ago we cut six trees for every one we planted. Intelligent concepts of conservation, plus scientific forestry techniques, however, have now reduced that ratio to about 1.30 to 1. Sort of an ever-normal arbory, if there is such a word.

If we're stabilizing the source of supply we have been, at the same time, shifting our uses for lumber. For example, in 1944 (a war year), 44% of our lumber consumption went to crates and boxes; against around 11% for 1952. The wooden house shingle has given up 75% of its former market to tarred or asbestos roofings. Against these losses have sprung up vast new uses for lumber for pulpwood, plywood and plastic bases. Still and all, about 55% of the trees we cut down wind up as lumber for building and construction; and 80% of our private residences are built of wood—this despite the advance of stucco, steel and plastics; plus gypsum and aluminum lathing.

While it would be incorrect to say that the lumber business is no longer cyclical, much has been done to stabilize production since chaotic over production and inventory indigestion of the depression 30's; and if we can assume continuation of annual home building at or above the million unit level, the position of the lumber company, for investment purposes, is not without merit. A constantly growing stand of timber can be a worthwhile asset in times of inflation; and better comprehension of market demands should now make the industry less subject to over supply, and to price erosion. Then, too, diversification of output and development of new lumber uses are always possible, with smart management. So let's see how three timber titans are getting along.

Weyerhaeuser Timber Co.

Weyerhaeuser Timber Company is the biggest in the world when it comes to turning out and merchandising forest products. No non-government agency exceeds its holding of over 2,500,000 tree-bearing acres in the Northwest. This should last the company for a virtual millenium, due to a most efficient program of cutting and replanting.

Whereas traditionally the major business of Weyerhaeuser has been in lumber, a broad expansion program, implemented by a capital outlay of $150 million in the past six years, has developed the pulp, plywood, kraft paper, and container board divisions of the company. Further company operations are integrated by the ownership of electric power plants, timber-haul railroads, and seagoing lumber ships.

Altogether this $320 million enterprise is quite a baby empire in itself; and it has a magnificent balance sheet as well, laced with around $58 million of net working capital. Only debt is $2,100,000 of a subsidiary. The rest of the value in this impressive property is vested in the 6,250,564 shares of common traded over the counter and now selling at 68. Dividend policy through the years has been definitely on the conservative side with $2.50 per share vouchsafed in both 1951 and 1952—roughly 40% of net. The stock was split 2 for 1 in 1950 which offered some market reward for the extensive annual plow back in earnings here, especially since 1946.

For 1952, Weyerhaeuser common ranged between 66 and 73. Less volatile than you would expect a lumber share to be, Weyerhaeuser common appears to have a lot of built-in value, and is developing into an industrial equity of substantial quality.

Long Bell Lumber Corp.

Another famous name in timber is Long Bell, fabulous grower and distributor of Douglas fir, southern and western pine, hemlock and cedar. An almost vertical unit in the industry, it originates its products on its own timber stands, processes them in its own logging camps, saw mills, door and sash making units and sells them through five wholesaling organizations and 111 retail outlets. Lumber reserves are rated at some 2¾ billion board feet, which would keep Long Bell supplied with raw material for quite a spell. Another thing, even where the land has been pretty well sawed out, Long Bell still owns it and retains the mineral rights—rights that have produced better than half a million in royalties in each of the last three years.

In talking about Long Bell, we ought to clear up a little of the inter-corporate relationship which is a bit complicated. The outfit we're discussing is really the Long Bell Lumber Corp., a holding company whose entire and sole income is derived from its ownership of 51% of the common of the operating unit, Long-Bell Lumber Co.

Long Bell Lumber Corp. itself boasts two classes of securities, 593,872 of $4 cumulative Class "A" listed on N. Y. S. E. which we shall consider, and 542,401 shares of Class "B" unlisted, and closely held. This "A" has a gimmick. It's cumulative, and the back dividends per share at Dec. 31, 1952 were an imposing $82.49. $1.95 per share was paid in 1952. Dividends paid from the operating outfit were equal to $3.12 per share of Class "A" in 1951; when $3.15 in cash was disgorged.

By now you may be ready to decide whether you want to delve deeper into the statistics and see for yourself whether LQ at 29, down from a 1952 high of 43⅞, is correctly appraised in the marketplace, especially with dividend accruals alone. of over twice the current quotation.

British Columbia Forest Products

Canada is quite a place for tall timber so let's take a look at a lumber leader there, British Columbia Forest Products, Ltd. This is less integrated than the others we've mentioned, confining itself more to the earlier stages of logging, rail haulage, and milling at four owned sawmills at Hammond, Victoria, Vancouver and an improbably named place called Youbou, British Columbia.

Nineteen fifty-two was not a good year for this company as gross sagged from $7,465,613 in 1951 to $5,500,000 in 1952 due to some price slippage, a 45-day strike and more burdensome depletion and interest debits.

Due to great industrial growth in the area served, British Columbia Forest Products is thought to have a favorable long range earnings horizon. The common stock is quoted in Toronto at 5¼, with 1952 earnings of 59 cents, and dividends of 40 cents. Speculative, of course, and certainly no Weyerhaeuser, but it does present some interesting growth factors. For the less venturesome the convertible 5% debentures sell at 98 and are convertible, for the next nine years, into common at $10 a share. The common sold there in 1950.

Of course, in this little timber tract today we have assumed reasonable maintenance of present activity in the building industry, particularly residential construction; and the national defense program should continue to be an important factor here.

Further, assuming firmer prices for lumber in 1953, it is possible that stocks of timber companies may be ready to turn in an improved performance this year.

With Waldron & Company

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Ralph M. Watson has become affiliated with Waldron & Company, Russ Building. He has recently been with Real Property Investments, Inc., and Capital Securities Co. of Oakland.

Business Cycles

By ROGER W. BABSON

Mr. Babson, denying there is a Universal Business Cycle, says there are many business cycles, which are inevitable with human nature as it is. Says self-control and patience is required in operating under any cycle theory and those who sell when others are bullish and buy when others are discouraged perform service in leveling out business and employment condition.

I don't believe in a Universal Business Cycle. I do believe in many Business Cycles. Under Newton's Law of Action and Reaction, Business Cycles are inevitable with human nature as it is.

When someone tells you he does not believe in the Business Cycle it is because he pinned his faith on one Business Cycle and tried to make the same Cycle apply to the stock market, interest rates, real estate, labor strikes, building, retailing, manufacturing, etc.

Roger W. Babson

Not only do all the above have their own Cycles, but different industries may have different Cycles. For instance: Wheat has a 9.6-year Cycle; Iron and Steel a 6-year Cycle; Automobiles a 13-year Cycle, etc.

The Main Cycles

Although there may be a score of different Cycles, all working at the same time, 90% of the readers of this column are tied up with five main Cycles. These are: (1) The 35-year Cycle, which applies to agriculture, weather, insect pests, etc. Every other 35 years the Cycle is very severe. Hence, some talk also about a 70-year Cycle; and others about a 50-year Cycle.

The Cycle which affects us all is (2) the approximate 9-10 year Cycle. Every other 10 years this Cycle is especially pronounced. Hence, some talk about (3) The 20-year Cycle. This particularly applies to real estate, new building, wholesale prices and general business — although, as above stated, different lines of business vary as to when their special 20-year Cycle starts and ends. *Edward R. Dewey*, who is perhaps the best living authority on Cycles, shows that a 9-10 year Cycle applies to forestry, fish life, ozone supply, atmospheric electricity and psychological changes in our desires and ambitions.

Stock Market Cycles

Two other common Cycles are the 42-month Cycle and the related 6-year Cycle. This last is the Cycle used in the Addenda of my Autobiography recently published by Harper & Brothers of New York City. Here I show how $2,000 invested in 1901 in the Dow-Jones stocks, approximately according to this Cycle, could (as subsequently adjusted to include latest data) amount to over $1,000,000 today without borrowing a penny. This is known as the Chapin Hoskins Cycle and appears in records of barometric pressure, sun spots, tree rings, certain commodity prices and the sales of some 25 leading U. S. corporations.

Of course, all brokers ridicule this Cycle Theory. If too many of their customers bought stocks only once in six years, they would starve to death. Even the Mutual Investment Funds, which last year did business of $4,000,000,000, cannot afford to go without dividends for three years while waiting for the market to drop. Besides, their sponsors could not support a sales force under such conditions.

Self-Control and Patience

Operating under any Cycle Theory requires great self-control and patience. It requires *selling* when the government, brokers and magazines are bullish; likewise, it requires *buying* when everyone is discouraged and sees no hope for stocks at any price. On the other hand, those who do so operate on this Cycle Theory perform a great public service in helping to level out business and employment conditions.

Some conservative bankers do not believe in any Cycle Theory because it misses once in a while when different cycles conflict. Furthermore, although they admit it might have worked under a Gold Standard, it cannot be depended upon—they claim—with a Planned Economy and Paper Money. My answer to them is that they can operate on an Actuarial Basis the same as insurance companies do. Stock losses can be averaged the same as can fires, accidents and deaths.

With William R. Staats

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Gordon C. Gillies has become connected with William R. Staats & Co., 640 South Spring Street, members of the New York and Los Angeles Stock Exchanges. Mr. Gillies was previously with Marache, Dofflemyre & Co.

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The State of Trade and Industry

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

A modest decline from the near-record level of the prior week was in evidence in the over-all industrial output picture for the period ended on Wednesday of last week. However, the production level continued to be mildly higher than that of a year before. It was close to the postwar record reached in January and about 6% below the all-time high attained in the last quarter of 1943.

Claims for unemployment insurance benefits in the latest week available rose seasonally to the highest level in five months but were still below the year-ago level.

Employment in the month of January, the United States Department of Labor reports, set a new high. Jobholders numbered 60,524,000, or 750,000 more than the like period of 1952. The total, however, was down a million from December. Unemployment, which normally increases between December and January, this year rose by 500,000 to an estimated 1,892,000.

Business inventories, the United States Department of Commerce reports, were valued at $73.3 billion at the close of 1952, representing a rise of $700 million during the year. Physical volume of goods increased more than the dollar gains since replacement costs of inventories for manufacturers, wholesalers and retailers were "about 1% lower" than in 1951. Manufacturers accounted for $600 million of the $700 million increase in stocks during 1952. Retail inventories climbed $200 million, but those of wholesalers decreased $100 million.

The biggest question now facing the steel industry is what to do about the seventh wage-price round, says "The Iron Age," national metalworking weekly, the current week.

It will have to find a satisfactory answer by the end of the second quarter if it hopes to keep production going in high gear.

Now that wage controls have been lifted by White House order, free collective bargaining will be restored in the industry. Meanwhile, steel price controls are certain to be out the window by April 30, declares this trade paper.

The possibility of increased labor costs is important to the price picture. The United Steelworkers of America are free to ask for a reopening of their contract (on wages only) anytime after May 1. If no agreement is reached by June 30, the union may strike, this trade weekly states.

Some price increases are inevitable. But they will not come overnight—except for a few small, marginal producers whose costs are high. Industry-wide advances, when they do come, will be selective. Adjustments will be based on cost of production plus a reasonable margin of profit.

If the price decisions were based solely on what the market will bear, producers could hike prices almost at will with lifting of controls. Steel-hungry consumers are paying conversion prices double and triple regular mill prices for hard-to-get items. And marginal producers have substantial order backlogs despite prices well above the bulk of the market, continues "The Iron Age."

But there are at least three good reasons why there will be no rush toward a general price increase: steel leaders will not risk adverse public reaction to precipitate advances; they will lean over backward to avoid embarrassing the first "friendly" Administration in 20 years and they have one eye cocked to see what a new wage contract might cost them, this trade authority points out.

Knowing they will be on the spot, industry leaders will authorize no price increases without economic facts to back them up.

It's a foregone conclusion that David J. McDonald, new United Steel Workers' President, will demand a wage increase. He is expected to drive a hard bargain—even to the point of threatening a strike. But the betting is for a settlement without a walkout. If the steelworkers win an increase it will be nothing like last year's record concession, which averaged 25c an hour, continues this trade magazine.

This week steel demand is as persistent and powerful as ever. Though high level production continues, and mills are becoming a little more current on deliveries, consumers are still applying plenty of pressure for all tonnage items.

The near-term outlook is that this market condition will continue. Consumers might apply even greater pressure (if that is possible) for quick delivery as they become impressed with possibilities of price increases. In the next several weeks procure-

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Benjamin Levy 50 Years in Street

Benjamin J. Levy, senior partner of Salomon Bros. & Hutzler, investment bankers, is observing his 50th anniversary in Wall Street. Mr. Levy entered the securities business on Feb. 8, 1903, the first employee of Ferd Salomon, father of the Salomon brothers who founded the firm of Salomon Bros. & Hutzler in 1910. He became a partner in Salomon Bros. & Hutzler in 1919.

Benjamin J. Levy

A product of the New York City public school system, Mr. Levy graduated from elementary school at the age of 13. He attended the City College of New York for two years before going to work.

He is recognized as an authority on short term money rates and monetary finance and serves as a consultant to many corporations.

Mr. Levy is a member of the finance committee of the Federation of Jewish Philanthropies of New York and Trustee and Chairman of the Finance Committee of the Congregation B'nai Jeshurun. He is also a member of the committee of the Jewish Theological Seminary of America.

Harrison Brothers Adds

SALT LAKE CITY, Utah—Roger A. Dorrell has become affiliated with Harrison S. Brothers & Co., Atlas Building, members of the Salt Lake Stock Exchange.

Grayson-Eigles Co. Formed

Grayson-Eigles Co. has opened offices at 82 Beaver Street, New York City, to conduct a securities business. Albert J. Grayson is a principal of the firm.

Observations . . .

By A. WILFRED MAY

HOW DID HE GET THAT WAY?
The American Communist on the Freudian Couch

What kind of individual is it anyhow that joins the Communist Party in America? How can he be kept from joining up? What induces him to stay in or quit? How can he be induced to leave the Party?

This phase of our struggle with the Communist in America (the other two parts of this trilogy being "What makes him tick?" and "How best get rid of him?") has been explored via Kinsey-like questioning of 300 former rank-and-file Party members, by an eminent lawyer, and a journalist, who reveal their case histories in a newly published volume, **Report on the American Communist, by Morris L. Ernst and David Loth. 240 pages—Holt—$3.**

A. Wilfred May

The underlying thesis of the book is that the people of the United States cannot wisely and successfully combat communism in this country unless they understand Communists.

A la the Kinsey Reports, the authors, working through a large documentary of questionnaires, base their conclusions on the premise that the motivating roots are psychiatric—not economic or political, in contrast to the situation in Europe and Asia.

American Communist Found to Be Sex-Starved, Not an Empty-Belly

The sex factors for joining the Party, say the authors, are striking and should create for the American people a real clue for getting young people out of the movement. Their matter-of-fact attitude toward sex is partly a declaration of independence from the morals of bourgeois society. Their sex life is casual, random, and less monogamous than for the average person of their income and education in the country; and also less sentimental or even intimate. They find that the men are more inclined to take their sex activity as a form of calisthenics, and much of the usual male sex aggressiveness is drained off by the Party's activities. Women Party members are as a rule more timid than the average citizen, and more scared of boys. Sexual attraction and promise of intercourse with a desired one often motivate a youngster's joining the Party. To some of the converts from bourgeois homes Commie emancipation means freedom from formal wedlock. Celibacy is found to be virtually nonexistent, and there is not the degree of impotence among the men which, according to the Kinsey statistics for the general population, we should expect to find.

There is a reasonable (from the standpoint of the Kinsey findings) quota of homosexual or suppressed homosexual personalities; there being a slight analogy between the psychoanalysis of a Communist and that of a homosexual. There is less recourse

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Soviet Foreign Trade— Road to Conquest

By SIEGFRIED GARBUNY

Mr. Garbuny, in pointing out effective use by Soviets of foreign trade in their efforts at world conquest, reviews activities by Russia and its satellites having in view unified trade policies. Calls attention to mesh of commercial treaties with satellite nations and to anti-American propaganda. Urges watchfulness of U. S. and Allies in preventing war goods shipments behind Iron Curtain.

Today, even the most uninformed know that the Soviet system is the greatest menace to the Western World. We are all agreed it is of the devil. Yet, very few of us look behind the scene to see how it works, what its methods are. This nevertheless is important to recognize the cloven hoof when we chance on it.

Siegfried Garbuny

One instrument the Soviets use effectively in their attempt of world conquest is foreign trade. Immediately after their advent to power, the Bolsheviks, then led by Lenin, reserved in April, 1918 foreign trade for the state as a government monopoly. No private individual was allowed to engage in commerce over the borders. The state through state corporations inside and outside Russia took complete charge of the international exchange of goods. The program was simple, only what the Communist state needed for its survival would be imported, the needs and demand of the individual Russian citizen was no longer of any concern.

True enough as long as the Russians were busy with their internal affairs, the volume of Russian foreign trade remained relatively small. But the principle of foreign trade as a means towards the aggrandizement of Soviet power remained through the years and gained new momentum after World War II.

The story of the subjugation of Russia's satellites and of the establishment of puppet regimes is too well known to bear repetition here, but less known are their economic consequences. No matter what their past economic setup and orientation were, all satellite countries turned into planned economies with their center in Moscow. The Soviet "Plan Area" thus created includes now the USSR proper, Communist China, North Korea, Eastern Germany, Poland, Czechoslovakia, Albania, Hungary, Rumania, and Bulgaria. Needless to say that great efforts are made in other regions, especially in the Middle East.

The Soviet Plan Area with all the characteristics of the Grossraum of Hitler's Germany and the Co-Prosperity Sphere of prewar Japan synchronizes its plans. The plans of the satellites, originally two or three years in duration, are now orthodox five-year plans in step with Russia's own program. Just as they did for Russia, the plans provide for the industrialization of the satellites. A raw materials pool is envisaged by which each country exports raw materials in relative abundance for goods in short supply that can be had from one or the other partner. This traffic, however, must not be imagined as smooth commercial intercourse based on the profit motive and individual prosperity but rather as directed by what the Soviet Union deems necessary in its own interest.

The Soviets have gone so far as to send specialists to the satellites to supervise production and to train skilled labor in order to step up production. They receive trainees from satellite countries who learn, next to the party doctrine, mechanical skills in the USSR. Where it is necessary they send equipment and even ship whole factories to underindustrialized areas. Thus, the Russian Foreign Trade Minister Mikoyan recently boasted that with Soviet help Rumania had now not only oil wells but also oil refineries. He also stressed that know-how and patents are constantly exchanged between Russia and the satellites. Quite recently the Soviet orbit moved to establish uniform prices, tariffs, measures and railroad gauges. Indeed the brotherhood is still pushed further in some areas, where the Russians established—by force, of course—mixed corporations with joint management as in the case of SovRom, the Russian-Rumanian oil concern, or in that of the mixed Russian-Chinese Civil Aeronautics Lines.

To give all this activity a harmless appearance, and to convince those who are gullible enough of their peaceful intentions, the Russians have based this system of economic annexation on a mesh of commercial treaties. Anyone who reads the speech of Mikoyan, so long the leader of Russian foreign trade, before the 19th Party Congress in Moscow last October will be indeed surprised by the minister's constant reference to international law, commercial treaties, respect for the sovereignty of treaty partners—in brief, to all the concepts forever advocated by "bourgeois" jurisprudence. For their own case, Mr. Mikoyan and his collaborators praise the fact that Russia's commercial treaties with the "people's republics" are long-term understandings. This, so they say, guarantees a smooth development of the satellite industries. It protects them against crises and gives them confidence in their future by securing adequate raw material supply and markets for their products. That they make them also completely dependent on the USSR for what might be a long time to come is naturally never stressed by Russia's officials. Indeed, the commercial treaties are the legal form by which the annexation into the Russian Grossraum has been sealed. That under these circumstances Soviet trade with the satellites and, in turn, the trade of the satellites among themselves, should have greatly increased, and this at the expense of the satellites' Western trade connections, can be accepted as a foregone conclusion. That this trade raised the standard of living in the dependent countries, as the Russians claim, seems, however, difficult to believe, considering that the Soviet Plan Area is actually a war economy, less interested in the citizens' welfare than in the state's defense machine. We may therefore well assume that, for example, Czechoslovakia or Hungary wistfully remember the time when they were independent republics; yes, by now even the fleshpots of the Hapsburg monarchy might have taken on a different aroma.

Russia well realizes that on this road to conquest it finds the determined opposition of the United States. It, therefore, accompanies its march in foreign commerce by the tune of anti-American propaganda. Actually, the Soviets ended international trade cooperation when their foreign minister Molotov left the Marshall Plan Conference in Paris in July, 1947. From then on the Russians persistently unleashed one insidious attack after the other on United States trade policies in the Western Hemisphere and in Western Europe. The Marshall Plan itself became one of the chief targets of Soviet propaganda which depicted it as an imperialist attempt to enslave Europe. On the other hand the Soviet Union does not let pass any opportunity to lure the countries of Western Europe into its own net. At the international economic confernce in Moscow in April, 1952 the Russians professed their friendship for the Western World and invited especially West European countries to join hands with the Soviet Union and not to be deflected by United States trade policies.

Such propaganda must not be underrated in its effectiveness. Practically all European countries had in the past a market in the Soviet Union and got from there some of their raw materials. There were long standing commercial relationships explainable by geographical vicinity alone. These commercial relationships still last in some degree, and there is no immediate chance for their termination.

The United States has long taken direct measures to counteract Russian aggression, not only in the military but also in the economic field. The Marshall Plan aid administered through ECA is the outstanding example of the latter. It has doubtless helped enormously in saving Western Europe from Sovietization. Its successor, the Mutual Defense Assistance program, as embodied in the Battle Act of 1951, is explicity devised for the protection of America and the West against Russian aggression. It provides that strategic materials and other items that by their quality or quantity may be useful to the Russians for purposes of war shall not be sent to the Soviet Union from this couuntry or those nations that receive assistance from the United States through the Mutual Security Agency.

Since the United States had already denounced in June, 1951 the American-Soviet commercial treaty of 1937 and also introduced a very comprehensive export licensing system in accordance with the Export Control Act of 1949, our trade with Russia and the satellites has indeed become very negligible. While this has not harmed us, there is plenty indication that it weakened substantially the Soviet bloc.

It was already said that for stringent reasons some of our allies have to continue their trade in non-war goods with the Soviet Union. The Battle Act makes proper allowance for it where such trade between, e.g., a Western European country and the Soviet Union is absolutely necessary and serves the security of the Western world. But we have to be vigilant that such trade does not grow beyond the indispensable. That means for us that we have to get still more raw materials and finished goods to Western European countries and that we become more and more willing to buy from them. Then, we will eventually acquire this last share of the West European trade which is still held by the Soviet bloc. The same goes for any ally in any part of the world. One consequence of this then is a lowering of our tariffs or at least no increase in them and no new creation of any other trade barrier. Any new difficulty imposed by us on imports from friendly nations constitutes a victory for the Soviet bloc with whom our present friends may have to trade if we refuse their products.

We must furthermore continue our efforts against Soviet propaganda and disabuse our friends about its true contents. While the Soviets use our terms, they speak a different language. When they refer to democracy, international law, commercial treaties, equal rights and sovereignty they always mean the opposite of what we conceive by these terms.

It must be clearly understood that Russian foreign trade serves one purpose only: to aggrandize Russian power. It is one more road to conquest.

2 With Stewart, Eubanks

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Joseph C. Eldridge and William H. Purcell have become associated with Stewart, Eubanks, Meyerson & York, 216 Montgomery Street, members of the San Francisco Stock Exchange. Mr. Purcell was previously with Wilson, Johnson & Higgins and Stephenson, Leydecker & Co.

Trend of Interest Rates in 1953

By MARCUS NADLER*
Professor of Finance, New York University

Dr. Nadler discusses factors which may determine trend of both long and short-term interest rates in coming months, and concludes these rates will to a large extent be influenced by international developments. Says, because conditions are so highly uncertain, it is important that trust investment policies be kept flexible and no definite pattern of interest rates or debt refunding should be adopted until there is clearer outlook of what is to come.

Money rates during the present year will be determined by business activity, which in turn will influence demand and supply of credit and capital, the credit policies of the Reserve System, and debt management by the Treasury. As during the past few years, the international political situation will exercise a strong influence on business activity as well as on business and investment psychology.

Marcus Nadler

Business Activity

There are elements of strength as well as of weakness in the economy, and at the moment it is impossible to state whether the weaknesses will become more and more apparent or whether they will disappear. The forces operating to maintain the economy are the high level of defense spending, new plant and equipment expenditures, the continued need for housing and public works, and the favorable prospects for maintenance of the national income. Military expenditures in all likelihood will not decrease during the year and will therefore continue to influence business activity favorably. Capital expenditures will continue at a high level although they may be somewhat smaller in the current year than during 1952, with the decline becoming more evident in the second half of the year. The construction industry will continue active; the erection of new housing in all probability will be smaller than in 1952, but this should be counterbalanced by an increase in public works. The national income of the country throughout the year is likely to remain at a fairly high level.

The weaknesses that now appear to be developing are the softening in commodity prices and the expansion in private debt. In spite of the very high level of business activity, commodity prices, notably of farm products, have been rather weak. It is possible that this weakness reflects merely a delayed readjustment from the sharp increase which developed shortly after the outbreak of the Korean War. If, however, the weakness in commodity prices should continue into the second quarter of this year, it may forecast not only a slowing down of the boom but the widening of certain economic maladjustments. Private indebtedness during the last few years has increased at a rapid rate. Usually in periods of good business, individuals as well as business concerns are inclined to borrow more freely. This in turn stimulates business activity favorably. In periods when the business outlook is less favorable, borrowing tends to decline, thus accentuating the downward trend in business activity. It is doubtful whether private indebtedness will increase during the current year at the same rate as in 1952 and it will accordingly be less significant as a business stimulant. A balancing of the elements of strength and weakness in the business outlook leads to the conclusion that business activity for the year 1953 as a whole will remain at a high level; the first half should not be materially different from 1952. What happens later will be determined to a large extent by the international political situation.

*An address by Dr. Nadler at the 34th Mid-Winter Trust Conference of the American Bankers Association, New York City, Feb. 10, 1953.

Long-Term Interest Rates

The trend of long-term interest rates will depend on the demand for and supply of capital.

The Demand for Capital: The demand for long-term capital will come from corporations; the construction industry, notably housing; political subdivisions and authorities and the Federal Government. The demand for long-term capital by corporations during the current year should not be as large as during 1952. The pent-up demand for many commodities has already been met, and industrial expansion is beginning to slow down. As in the past, corporations will continue to rely primarily on internal resources; *i.e.*, the plowing back of income and the utilization of depreciation and depletion reserves. The latter items in 1953 will be larger than before.

The supply of home mortgages in 1953 also should be somewhat less since the pent-up demand for housing has to a large extent been met. Family formation in 1953 will be somewhat smaller than during the past few years, and undoubling of families would appear to have gone as far as it can go. The supply of tax-exempt securities in all probability during 1953 will be larger than in 1952. By how much it is impossible to state. The supply of materials available for public works and for construction in general will increase; and any downward trend in interest rates, if it should develop, will stimulate the offering of tax-exempt securities.

The Position of the Treasury: What the demand of the Treasury for long-term funds will be would appear to depend both on its fiscal position and on the refunding policy that will be adopted. During the first half of 1953, the Treasury should be operating with a cash surplus and be in a position to repay some outstanding indebtedness. During the second half of the year, whether the Treasury will have to borrow or not will depend on the ability of the new Administration to curtail expenditures. New borrowing during 1953, however, is not likely to play as important a role as refunding operations. During the first half of the year it is doubtful whether the Treasury will offer any long-term bonds in exchange for matured obligations. The first refunding operation announced at the end of January by the new Administration indicates quite clearly that the Treasury will go slowly and that it is willing to pay somewhat higher rates of interest in order to extend the maturities of government obligations. In the second half of the year, particularly when the 2% bonds of 1951-53 outstanding in the amount of $7,986,000,000 come due, a conversion of a portion into long-term obligations is likely. What is not known is whether the Treasury will merely endeavor to mop up funds that may be available for investment in long-term government securities or whether it will actively compete with corporate and mortgage requirements for a portion of the savings of the country.

The Supply of Funds: The total supply of long-term funds seeking an outlet in bonds and in mortgages during 1953 will be larger than during 1952. Not only will the contractual savings through insurance companies and pension funds be larger than before, but also if business activity remains at a high level, the voluntary savings of the people will continue to grow rapidly. The negative savings—*i.e.*, the repayment of already outstanding debt—will be considerable and will cause investment problems later on. As is well known, the volume of mortgages during the last few years has increased at a rapid rate. All new mortgages carry amortization provisions, and the actual life of a mortgage is smaller than its contractual life. The volume of corporate bonds offered since the end of the war has been large, and almost all carry sinking fund provisions. Many preferred stocks at present also carry such a provision. Hence, institutional investors which are large holders of bonds and mortgages will not only have the problem of investing the new funds accruing to them but also of reinvesting even larger sums constituting the repayment of outstanding debts.

In analyzing the supply of and demand for long-term funds, and without considering the possible repercussions of refunding operations on the long-term market, one may reach the conclusion that the supply will be adequate and toward the end of the year somewhat larger than the demand and that this favorable supply-demand relationship ought to have an impact on long-term interest rates.

As regards long-term rates, one may therefore conclude that their movement will depend to a large extent on the Treasury's debt management policy. If Treasury policy should be to compete actively with industry and mortgage needs, then long-term rates may remain either at their present level or witness a moderate increase. It goes without saying that if the Treasury should offer a 30-year 3% bond, a downward readjustment in prices of present outstanding AAA corporate bonds is bound to take place. The presently outstanding long-term marketable government obligations seem to be adjusted already to a 3% long-term obligation. If, on the other hand, the Treasury should go slowly with its refunding operations and not actively compete with the private sector of the economy for the savings of the people, long-term rates of interest toward the end of the year may witness a decline from the present level.

The Movement of Short-Term Rates

While long-term interest rates during 1952 were marked by considerable stability and yields on high grade bonds including governments at the end of the year were not materially different from those prevailing at the beginning, there was a sharp increase in short-term rates, notably Treasury bills. This was primarily due to the increase in the volume of commerical loans, a rise in the volume of currency in circulation, and to the neutral credit policy adopted by the Reserve authorities which premitted government obligations, short as well as long-term, to be influenced most of the time by factors of demand and supply.

These developments culminated in an increase in the discount rate of the Federal Reserve Banks on Jan. 15 from 1¾ to 2%. Whether or not the increase in the discount rate was well timed is a debatable question. Usually an increase in the discount rate is taken as a signal that the central bank authorities are concerned over either inflationary developments or the abuse of bank credit or a serious maladjustment in the balance of payments of the country. The forces of inflation are receding. The economy is on dead center; and unless the international political situation should become worse, the dangers of inflation should continue to recede as the year goes on. Competition is increasing, and profit margins in many lines are decreasing. Were it not for the farm support policy, farm prices, if anything, would be lower.

The increase in the volume of bank loans reflects merely the high level of business activity, the high cost of doing business, high taxes, and the acceleration of tax payments. The large indebtedness of the member banks

Continued on page 3[illegible]

Dealer-Broker Investment Recommendations & Literature

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

Automotive Parts & Equipment Manufacturers—Bulletin of statistics—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Bank Stocks and Price-Earnings Ratios—Analysis—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Banks — Comparative analysis of 42 representative banks — Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y.

Breakdown of Government Bond Portfolios and **Sources of Gross Income** for 17 New York City Banks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Convertible Bonds: their availability and advantages—Review —Model, Roland & Stone, 120 Broadway, New York 5, N. Y.

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

Rail Outlook—Reappraisal—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Stocks for 1953—20 stocks favored by the company—Amott, Baker & Co., Inc., 150 Broadway, New York 38, N. Y.

Tax Free Long Dividend Paying Stocks—List of 152 common stocks free of county, city and school personal property taxes in Pennsylvania and which have paid consecutive dividends for the past 25 years or more—Moore, Leonard & Lynch, Union Trust Building, Pittsburgh 19, Pa.

U. S. Government Portfolio Distribution of New York City Banks—Tabulation— The First Boston Corp., 100 Broadway, New York 5, N. Y. Also available is a tabulation of **Net Operating Earnings as a Percent of Mean Capital Funds of 16** New York City Banks.

What's Ahead?—Ten reports a year by Edward R. Dewey, co-author of "Cycles"—sent to persons who contribute $10 a year to the Foundation for the Study of Cycles, 9 East 77th Street, New York 21, N. Y. Also as a dividend a chart of various stock market cycles, projected to 1990 (ask for chart C).

Western Canadian Oils—Brochure—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, Man., Canada, and Royal Bank Building, Toronto, Ont., Canada.

* * *

American Air Filter Co., Inc.—Memorandum—B. G. Phillips & Co., 44 Wall Street, New York 5, N. Y. Also available are memoranda on **American Marietta Co., Foremost Dairies, Inc., Hydraulic Press Brick Co., Mountain Fuel Supply Co.**

Armco Steel—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y. Also available are memoranda on **Carborundum Corp., Firth Sterling, Hooker Electrochemical, Jones & Laughlin, National Gypsum**, and **Pittsburgh Metallurgical.**

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

Bank of America, N. T. & S. A.—Report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also available is a special report on **Kellog Company.**

Byron Jackson—Memorandum—Auchincloss, Parker & Redpath, 729 Fifteenth Street, N. W., Washington 5, D. C. Also available is a memorandum on **J. P. Stevens.**

Canada Dry Ginger Ale, Inc.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available are memoranda on **North American Aviation** and **St. Regis Paper.**

Canadian Pacific Railway Company—Analysis—William Blair & Company, 135 South La Salle Street, Chicago 3, Ill.

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

Donegal Petroleums Limited — Bulletin — Dumont Trading Limited, 331 Bay Street, Toronto, Ont., Canada.

Electric Bond & Share Co.—Analysis—E. F. Hutton & Company, 61 Broadway, New York 5, N. Y.

Elliott Company—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Eureka Corp. Ltd.—Memorandum—Aetna Securities Corp., 111 Broadway, New York 6, N. Y.

Federated Department Stores—Report—Granger & Company, 111 Broadway, New York 6, N. Y. Also available are reports on **Lone Star Cement, Magnavox, McCord Corp., National Tea, Pacific Finance, Republic Steel, St. Louis San Francisco Railway, Studebaker Corp., Tri Continental, Vanadium Corp.**, and **Warren Petroleum.**

Fenimore Iron Mines, Ltd.—Report—Rutberg & Company, Inc., 31 Nassau Street, New York 5, N. Y.

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

Kerr-Addison Gold Mines—Memorandum—G. E. Leslie & Co., Royal Bank Building, Montreal, Que., Canada.

Lincoln National Life Insurance Company—Analysis—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

P. R. Mallory & Co., Inc.—Memorandum—White, Weld & Co., 40 Wall Street, New York City. Also available is a memorandum on **Montana Power Co.**

North American Co.—Memorandum—Smith, Barney & Co., 14 Wall Street, New York City. Also available are memoranda on **United Shoe Machinery Corp.** and **Westinghouse Electric Corp.**

Philco Corp.—Analysis in current issue of the "Monthly Investment Letter"—J. R. Williston, Bruce & Co., 115 Broadway, New York 6, N. Y. Also in the same issue is a discussion of **Sante Fe, Underwood Corp.** and a list of **Oils off the beaten path**; and a bulletin is also available on **Servel, Inc.**

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

Sun Life Assurance Company—Complete 1952 annual report including President's review of the year—Sun Life of Canada, 218 Sun Life Building, Montreal, Que., Canada.

United States Plywood Corporation—Brochure entitled "First Came Sales," the story of the corporation—United States Plywood Corporation, 55 West 44th Street, New York 18, N. Y.

Vermont Industries, Inc. — Circular — George F. Breen, 20 Pine Street, New York 5, N. Y.

Wright Becomes Mr. 1700th Analyst

John Story Wright, partner in Morgan Stanley & Company, investment bankers, and senior in the buying department, became "Mr. 1700" in the New York Society of Security Analysts Wednesday, Feb. 11.

Lancaster M. Greene, a member of the executive committee of the Society, presented Mr. Wright with a copy of Henry George's "Progress and Poverty" which, according to custom, is presented to each hundredth member. Mr. Greene is a partner in the firm of Lancaster and Norvin Greene, investment advisers.

Murray Shields, Vice-President of the Bank of Manhattan Company, became "Mr. 1600" in the Society in 1952, and Lawrence W. Fairfax of Dominick and Dominick was "Mr. 1500."

Two With J. A. Hogle

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George D. Hansen and Michael A. Margucci have become associated with J. A. Hogle & Co., 507 West Sixth Street. Mr. Hansen was previously with King Merritt & Co., Inc. and C. E. Abbett & Co.

Cruttenden Adds Two

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Andrew B. Bryngelson and Frank J. Fitzgerald have become connected with Cruttenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges.

COMING EVENTS

In Investment Field

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.

March 6, 1953 (Toronto, Canada)
Toronto Bond Traders Association Twentieth Annual Dinner at the King Edward 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.

Charles Hazelwood Now With Paul H. Davis Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Charles F. Hazelwood has become associated with Paul H. Davis & Co., 10 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Hazelwood was formerly associated with W. C. Langley & Co. in New York City, and prior thereto was an officer of Blair, Rollins & Co., Inc.

Dietenhofer Joins Southern Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

SOUTHERN PINES, N. C.—Herbert J. F. Dietenhofer has become associated with Southern Investment Co., Inc., Johnston Building, Charlotte, N. C. Mr. Dietenhofer was formerly Vice-President of McAlister, Smith & Pate, Inc.

First Albany Corp. New Dealer Firm

ALBANY, N. Y.—The First Albany Corporation has been formed with offices at 100 State Street, to engage in the securities business. Daniel V. McNamee, Jr., is a principal of the firm. Mr. McNamee was formerly Vice-President of George R. Cooley & Co.

With Louis Love Co.

(Special to THE FINANCIAL CHRONICLE)

MENLO PARK, Calif. — Edna Ferguson has been added to the staff of Louis A. Love Co., 700 Hermosa Way.

Department Store Securities As Investments

By B. EARL PUCKETT*

Chairman of the Board, Allied Stores Corporation

Prominent retailing executive, in discussing investment merits of securities of department stores, stresses advantages of their diversification and flexibility in undertaking risks. Also emphasizes as strong point, stability and growth of consumer demand for most goods. Points out department store securities because of their maturity have become stable investments, and not subject to wide fluctuations. Forecasts favorable department store operations in 1953.

While we in Allied Stores Corporation do not recognize that the company can be classified as either a department store company or a chain store company, I am going to direct my discussion primarily to the department store field. With our strong comprehensive central management and purchasing setup, Allied has many of the characteristics of a chain store system. On the other hand, most of our individual store units were originally developed as individually owned and operated department stores and continue to possess many of the characteristics of such. On these we have superimposed much of which we believe to be the most meritorious characteristics of the chain. This has been done by copying or adoption as well as by adaptation. Not only the background of the individual store units now operated by Allied but also my own personal background, before joining Allied, influence me to approach my discussion today from the department store viewpoint.

B. Earl Puckett

Diversification

I wonder if the extent to which the principle of diversification is inherent in a department store investment is fully understood by the average investor or even his advisors. Suppose we examine this thought. The average department store has a large amount of its total capital funds (usually ranging from 25 to 40% of total funds) invested in prime Grade A downtown real estate. Both as to location and the character of the buildings thereon, this real estate approaches the ultimate in the way of fundamental soundness, whether viewed from the standpoint of security of principal or assured continuity of income. Consider the merits of this type of physical plant investment in contrast with a plant located on some railroad siding or waterfront designed and equipped to produce one specific product.

Remember that this latter plant or even the product it is designed to produce may well be started on the road toward obsolescence before tomorrow morning by laboratory research or technological development. On the other hand, distribution to consumers will continue as long as there are people to consume. A sizable amount of this distribution will take place where the consumers are—downtown. Even if one were so skeptical as to assume that consumers would stop consuming, this department store physical plant is so located and so designed as to lend itself readily to conversion for other uses.

Another large part of the department store company's capital (usually ranging from one-quarter to one-third) is invested in banking—customers' accounts receivable. Again, we find our old friend "diversification" working for us. The average balance on regular charge accounts seldom exceeds $50. Consequently, the individual credit risk is at worst no more than nominal. In practice, the investment in regular charge accounts is turned into cash on a 60-day basis. Even the average balance on deferred payment balances seldom is more than double or triple this amount even though such accounts are secured by the power to repossess the merchandise sold. The investment in deferred payment accounts turns over more rapidly than annually and provides a very handsome return in the form of carrying charges.

The spreading of the risk through diversification almost automatically results in a bad debt loss ratio of less than one-half of 1%. Also, this accounts receivable investment of a department store has a built-in governor as to its amount in total. In times of good business, when the risk is all but non-existent, the amount expands. As business activity recedes, the amount of such investment diminishes automatically, being converted into cash through collections at a rate more rapid than the new lower level of sales.

The third major investment of a department store company, and one that is frequently smaller than either of the other two, is that of inventory. This is the risk investment. It is subject to unbalance, obsolescence, and price fluctuations. Unlike that of the average corporation, however, this investment in a department store is in tens of thousands of items that are in every day use by millions of people rather than one, or just a few items of the same general category and often of highly limited market appeal. Again, our old friend and protector "diversification" is by our side. Another factor, equally protective in nature, is the fact that there is seldom, if any, reason for a department store to be committed for inventory beyond a 90-day period. In addition, there is always a "time lag" between conditions as they exist in the wholesale and consumer markets which, within itself, is an effective cushion for the retailer.

Separate and apart from the balance sheet items, we find the beneficial results of "diversification" working for the retailer in other respects. The very number of customers of the department store carries great strength. Habits, and this particularly includes shopping habits, are not broken suddenly. Once a retailer has gained the consumer as an established customer, that retailer will continue to benefit from that patronage even, for a time, after he has ceased to deserve it. Also, the loss of an individual customer or even a sizable group of them cannot produce an immediate crisis for a department store company.

Flexibility

Closely related to this principle of "diversification" is that of flexibility. We know that corporate histories are filled with the records of companies that have ridden short-term and intermediate-term trends and demands to the pinnacle of success, only to find that these demands and trends reversed themselves, committing those particular single purpose companies to oblivion. This cannot happen to a department store company. A department store is a distributive mechanism equipped to fill the needs and wants of the consumer—whatever they may be. An alert department store management can vary its product as the consumer dictates. Physical plant, location, organization principles and techniques of the department store require only minor readjustments as we move from product to product. Also, this movement is gradual and the real change is usually in sales emphasis with only natural evolutionary changes in other respects. Technological advancement offers no hazards but rather increased opportunities, to the department store because of its inherent flexibility.

Other Fundamental Strengths

In extolling the virtues of department store securities as an investment I would like to emphasize also that:

(1) Distributing consumer goods to consumers is no fad, fancy, or temporary thing. It will continue as long as consumers consume. The principle of specialization from which our economy gains its great driving force dictates that every advancement in the field of production be matched with increased responsibilities and opportunities in the distribution of that which has been produced.

(2) While there is some variation in the physical quantities of consumer goods distributed as between good and bad times, this variation is not great in the lines making up the bulk of department store merchandise. Sales declines of department stores even in deep depressions result primarily from declines of price levels rather than physical quantities. Department stores do not shut down because of lack of orders.

(3) While department stores operate in an open and highly competitive market, many of the advantages that other forms of business could obtain only by monopolistic practices are inherent in a well established, well run, dominant department store as a natural result of consumer shopping habits and selling franchises of well established brands of merchandise. The cumulative effects of many, many million of dollars of past advertising of the department store as an institution and of the manufacturers of lines of merchandise it distributes do not appear on the balance sheet but they represent an unrecorded asset of great value.

(4) Diversification is inherent within an individual department store. When a single company owns a number of department stores well diversified as to appeal, size and geographic location, we find the protective influence of diversification carried to a truly superlative degree.

The Market Multiplier

Some of you may well be saying to yourselves at this time, "Well if department stores have all of these merits, why are they not reflected in the security markets?" This is a good question and one that must and should be faced. Security prices are influenced not only by earnings, but by the "multiplier." This multiplier not only varies by time but by industries and by companies within the industry. As to both the former and latter I have little in the way of specific comment. The "timing" factor is one on which you specialize. I may approach it, at least by inference, in my later comments on operations. The latter question of proper "multiplier" for a particular company within an industry is not a proper subject for this meeting as I understand it. I would just like to comment that a strongly influencing factor should be an appraisal of the relative effectiveness of the company's management. I would like to add that past earnings performances are of value only as an indicator of future possibilities. A favorable past record at variance with a more recent unfavorable, unexplainable trend may prove to be disastrous if permitted to dictate a relatively high multiplier for a particular company within an industry.

Taking the securities of department store companies in general, it is my belief that the past "Industry Multipliers" have not reflected properly the many inherent virtues of the industry. The desirable factors of diversification, flexibility and assured continuity of fundamental need have not been appreciated properly by the investor, his advisors and the analysts. The same can be said in regard to the "built-in" financial control of the department store structure which automatically creates a substantial cash throw-off in times of adversity as a result of accompanying inventory liquidation and account collection. I am quite convinced that a thorough study on your part will convince you that the securities of a well managed department store company are entitled to an investment type "multiplier" of relative high rank. I urge you to give this matter some serious thought.

Department Store Maturity

I would like to examine with you some of the history of the department store industry and take a look at its current status. Only by so doing, can we properly evaluate the future and it is only the future that really matters. I also surmise that misinterpretations of this past record are not unrelated to the erroneous "multiplier" factor just discussed. Here we are faced not only with the question of the accuracy of the record, but also with the validity of the conclusions reached in their interpretations. As practising or former statistical analysts or researchers, each of us appreciates the ever present likelihood of overlooking some pertinent and oftentimes determining factor in arriving at an interpretation of general statistics. Perhaps my more intimate experience in the department store field may add something to your knowledge and trend of thinking in these respects.

The department store industry may well be classified as a mature industry. I, of course, refer to the industry as such and not necessarily to the individual companies therein. I believe it is important that this maturity factor be recognized by the analyst as maturity carries within itself both advantages and disadvantages. It is not wholly either. The department store industry was born just following the Civil War. It had a rapid growth in the quarter cen-

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*An address by Mr. Puckett at the Mid-West Forum of the Investment Analysts Society of Chicago, Chicago, Ill., January 20, 1953.

Problems of Trust Investments In 1953

By ROLAND C. BEHRENS*

Vice-President, St. Louis Trust Company, St. Louis, Mo.

Midwest Trust officer, in outlining problems which portfolio managers must face in 1953, says change from an inflationary economy will require taking into consideration psychological as well as tangible factors. Foresees substantial requirements for industrial construction and municipal improvements along with favorable business prospects, as well as modest rise in interest rates and probable high level dividend payments.

The transition from an economy of inflation, the recent years of which were particularly marked by profligate spending, to one dedicated to sound business principles and sound money, presents much food for thought by those charged with the management of trust investments.

The new Administration faces many difficult problems for which there will be no easy solutions in remoulding our political economy along the lines which made our country great.

In addition to certain tangible factors, the portfolio manager must take into consideration psychological and intangible ones. Since the election, a material change in the mental attitude of business leaders is readily apparent. For a number of years various restrictions, price and material controls, labor rulings, and high taxes had almost destroyed initiative, and there was little incentive to risk capital. The action of the stock market in recent weeks gives some evidence, at least, of a revival of the free enterprise spirit. Apparently captains of industry will not be branded as criminals for thinking in terms of net profits.

It will also be necessary to try to evaluate the consequences of 20 years of inflation much of which has become a permanent part of our economic system.

Without trying to assume the role of a prophet, suppose we examine a few basic facts in our effort to anticipate economic trends in 1953, taking our cue from industry which has become increasingly proficient at sensing trends. A prominent automobile manufacturer recently stated, "A smart guy does not try to buck a trend. He tries to anticipate the trend and ride with it. He lets the economists and professors work out how to buck it. They don't have to meet a payroll."

*An address by Mr. Behrens at the Mid-Winter Trust Conference, sponsored by the American Bankers Association, New York City, Feb. 10, 1953.

Budget

Without doubt control of governmental spending is uppermost in the minds of Federal officials and the taxpayer. The budget, inherited by President Eisenhower, can be summarized roughly as follows:

	Budget 1952-53	Estimated Actual Expends.
	(Billions of $)	
Military (60%)	51.2	48.0
International (13%)	10.8	2.5
Interest (7%)	6.3	6.3
Veterans (5%)	4.2	4.4
Natural resources	3.2	3.5
Social Security, welfare & health	2.7	
Trans. & communication	1.6	
Agricultural	1.5	9.0
General government	1.5	
Education & housing	1.3	
Com. & labor	1.1	
	85.4	73.7

Predicated on estimated receipts, these figures would seem to indicate a cash deficit for the current fiscal year of $3.7 billion, although President Eisenhower in his State of the Union address indicated the current year's deficit at $5.9 billion. Such a deficit, particularly a "cash" one, hardly presents a logical basis for tax relief. All of us are aware that the present Excess Profits Tax Law, variously estimated to produce $2.5 to $3.5 billion this fiscal year, expires June 30, 1953 while the increase in Personal Income Taxes, as a result of the Korean War, estimated to produce $2.5 billion, expires Dec. 15, 1953. In addition certain Excise Taxes estimated to produce $2.0 billion expire March 31, 1954 while the reduction in Corporate Normal and Sur-taxes from 52% to 47% on Jan. 1, 1954 would cost the Treasury an estimated $2.0 billion annually. President Eisenhower, familiar, by reason of his long military career, with the proclivity of the Armed Forces for padding military requirements, can undoubtedly slash billions from the defense program without the loss of production of a single gun, tank, or plane. It is a serious question, however, if military and other far flung and possibly committed international expenditures with respect to which the President, in commenting on accumulated obligations of the Federal Government for future payments, said: "Even this amount is exclusive of large contingent liabilities, so numerous and extensive as to be almost beyond description," can be effectively controlled in the remaining months of this fiscal year and worthwhile tax relief may well have to wait until 1954.

Senator Byrd of Virginia recently stated, "Federal taxes are imposing a cruel burden on both industry and business . . . both are entitled to relief." He uttered a warning against cutting taxes, however, until we have reduced Federal expenditures to balance the budget, eliminated the necessity of deficit spending, and increasing the debt, which Speaker Martin recently described as "a staggering burden of debt to blight the hopes and dim the opportunities of generations yet unborn."

President Eisenhower seemed to have summed up the situation succinctly on Feb. 2nd: "Reduction of taxes will be justified only as we show we can succeed in bringing the budget under control. As the budget is balanced and inflation checked, the tax burden that today stifles initiative can and much be eased.

"Until we can determine the extent to which expenditures can be reduced, it would not be wise to reduce our revenues."

Labor

Labor — so militant under the New and Fair Deals — will be handled carefully and the "incredible" appointment of Mr. Durkin as Secretary of Labor clearly indicates an intention of President Eisenhower to cultivate labor for the future. It probably may be said that labor's reaction to the Election will manifest itself unconsciously in some increase in worker efficiency and production, equivalent to some lessening of the labor burden.

Interest

Interest rates, frequently overemphasized by politicians in their efforts to stimulate business in periods of reduced industrial activity, have attracted a great deal of attention in financial circles,

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To Market! On Credit

By PAUL M. MILLIANS*

Vice-President, Commercial Credit Company
Baltimore, Maryland

Credit company executive decrys attacks on consumer credit and says experience shows very few spend more than they should because of consumer credit sales. Asserts, through "good lending," instalment credit has an excellent record, and denies instalment credit is inflationary, since "credit can add nothing to income." Points out consumer income regulates volume of consumer credit, and its value to society exceeds its cost. Calls attention to importance of credit sales in keeping up full production and optimum profit. Concludes consumer credit must be free to expand.

Paul M. Millians

The story of credit in the complete cycle of distribution from the manufacturer to the distributor, from the distributor to the dealer, from the dealer to the consumer is one that must either be told at immense length or in one of its parts: Consumer sales credit seems to be an appropriate part for us to consider here today because when credit is used to further consumer sales it implements all distribution.

We shall make no special plea for credit, for that would be unworthy of your invitation to come here. However, in the interests of a growing volume of business that must be done on credit, or not at all, let us stop long enough to examine the popular notion that individuals and the economy get into trouble when people use consumer sales credit. Then we shall move closer to the topic announced for our discussion—"To Market! On Credit."

Over the years consumer credit —debt—has been the victim of considerable verbal assault and battery.

Charles Dickens tells us in "David Copperfield" how Wilkins McCawber often found himself in a debtor's prison, and on one occasion when David visited him there Mr. McCawber proclaimed his famous principle that misery follows debt. Descending in history, and apparently as a thought left over from the fiction of Dickens, a solemn-visaged evangelist from Babson Park warned a few years ago that instalment credit is an important factor in making people unhappy. And as late as August of this year—but two months ago—a national business magazine featuring "Two-Line Editorials" and "Thoughts on the Business of Life" echoed that "Personal debt is poison. Instalment credit is seductive."

Less than a quarter of a century ago banking philosophy was opposed to personal debt. And at the high banking level of the Federal Reserve Board, a former Chairman speaking before the House Banking and Currency Committee a few months ago said, in effect, that the free use of consumer credit is something important only to those who have credit to sell; the public is uninterested, labor is uninterested, and most of business cares little about it.

As to trouble for the economy, though there is an extreme range of dissent and agreement, many economists, credit controllers, politicians, and others declare with emphasis and definiteness that instalment credit is inflationary and a grave trap for prosperity.

We honor the honesty of such opinions: We should examine them because they reflect large areas of misunderstanding. We who have credit to employ regret them, as you in distribution must regret them, because they hinder and harm the higher possibilities for credit sales development.

There is no time to venture far with an examination: We do offer three conclusions.

You remember that Wilkins McCawber's trouble was his habit of spending 20 pounds and one shilling of his 20 pounds income. And while "seductive" which we have just quoted is too harsh a word—to be perfectly fair we must recognize that instalment credit, called by "Fortune" magazine recently the "persuasive element" in distribution, does occasionally cause a few to spend more than they should. But very few—the testimony of experience and the statistics of all consumer credit prove overwhelmingly that the great majority of those who buy on time are not improvident and careless McCawbers. With this majority "Wants" and "Needs" are not things in themselves; the majority who buy on credit are men and women of moral strength and courage, and they will "do without" if possession means going into debt beyond their ability to pay.

Not all shrewd financiers are in finance — or Washington. There are millions of them in American homes, working, conserving, planning, toiling into the night to keep the family budget in balance.

Good spending, then, is one reason for the excellent debt record of consumer sales credit. Good "lending" is the other: Modern credit management, trained and with a sense of dedication to the job of sound credit sales promotion; to helping customers with their decisions so that credit will be a constructive force in family welfare and not a "misery"; credit management trained to protect credit from dead-beats and a fringe percentage of those who would misuse it.

No! Consumer debt is not really a bad word.

Is Instalment Credit Inflationary?

On the question of instalment credit as an inflationary force and a "trap" for prosperity:

Belief that instalment credit is inflationary is rooted in the idea that use of credit puts more purchasing power into the hands of consumers than they otherwise would have—in plainer words, that the average urban family income of $363 a month could be increased if the family unit would only buy on credit. But how illogical such reasoning becomes when we reduce it to a single transaction: For example, an automobile is bought on time; obviously the down payment and the monthly payments must be made either out of savings or from income from some other source—the credit used in the transaction certainly added nothing to purchasing power.

And as it is with the individual transaction, so it is with the aggregate.

At any level of instalment debt, totals represent not purchasing power but a transfer of purchasing power from one group to other groups: the consumer debt

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*An address by Mr. Millians at the Boston Conference on Distribution, Boston, Mass.

What We See in Business

By BUREN H. McCORMACK*
Executive Editor, "Wall Street Journal"

Mr. McCormack, though stating business is generally very good, points out several industries, such as shipping and watch making, are suffering from impact of foreign competition. Sees a psychological change ending consumer buying wave, and points out, although manufacturers look for increased sales, there will be greater competition for the consumer's dollar. Looks for greater consumer goods output, but holds "pipelines of production are being filled up."

I have been asked to give a brief report on "What We See In Business." Perhaps the best way to get into that subject would be to have a look at some headlines appearing recently in our newspaper. For example: "Boston Summer Show Produces Record Men's Apparel Buying"; "Carpet Factories Hum Again After Big Slump; Output 60% Above Year Ago"; "Lumber Price Increases May Indicate Another Big Spring For Housing"; "Big Auto Output Plans Worry Some Dealers; But Many are Happy."

B. H. McCormack

Those are a few samples, picked at random, of the kind of business news we've been reporting in recent weeks. What's true of these four industries is true of almost all others, too. I can recall similar stories about electric appliances, furniture, and chinaware; and there has even been a pick-up in movie attendance, which has trended downward in recent years.

Even when business activity is very high, there are pretty sure to be some industries having their troubles. The American shipping companies, for example, are sailing in rough business seas. The main reason is competition from foreign shipping lines, which have much lower pay scales and construction costs. Several industries, such as the makers of watches and sewing machines, have suffered from imports. But you'll note that these troubles arise from foreign competition, not from slumping demand for goods or services.

Business Generally Is Good

Almost all business in this country right now, however, is very good. What's happening, it seems to me, is that we're riding a wave of free enterprise enthusiasm. Business was at a high level in this country back on Nov. 3, the day before the election. But what happened on Nov. 4 brought a psychological uplift that has been transplanted into increased buying of goods.

This psychological shift has taken place without any change in the basic economic picture. But there is a belief among the people that we will have more efficient, less costly government. There is a real hope that spending will be cut and taxes reduced. There is a conviction that we will have less interference with, and control of, business.

You and I know, of course, that psychology has a good deal to do with what happens in business. Let's look for a moment at what has occurred since the Korean War started on June 25, 1950. Within a few days after that event, a scare buying wave began. Consumers actually began hoarding sugar and tires and batteries and even men's suits. They remembered the shortages of World War II and didn't want to get caught again. This hoarding, or precautionary buying, spread to retailers, wholesalers, and manufacturers.

There were two of these scare buying waves until, early in 1951, the psychology changed. People decided there weren't going to be shortages—at least no severe ones. So buying in many things, such as textiles, dropped sharply. It took about a year to get through that period, while manufacturers and wholesalers and retailers adjusted inventories downward. For the better part of a year, things have been picking up again. They were picking up when the free enterprise buying wave hit.

Manufacturers reflect this psychological spurt more than any other group. A number of them have said they expect 1953 to be a very good year. One big electric appliance maker is forecasting that its sales this year will run 15% above 1952. Another one, introducing a new type toaster at the housewares fair in Chicago recently, said his first two days' sales there had been "the greatest in history." When the Associated Glass and Pottery Manufacturers closed their four-day display of goods in Pittsburgh recently, one of the pottery men exclaimed: "This was the fastest and most terrific show we ever had." These makers of dinnerware, by the way, have seen their business going downhill for the past three years—so they're particularly happy.

Another industry that's looking for a big gain is auto manufacturing. Not long ago we surveyed the motor companies. Here is how our Detroit reporter summed up the outlook for passenger cars:

"The most conservative prophets think full year 1953 production will be between 5,000,000 and 5,300,000. Some think it may be much higher. A 5,300,000 figure would mean 23% more new cars than were made in 1952. But it would be well below the record 6,700,000 in 1950."

More Competition for Consumer's Dollar

At the same time we asked about the outlook at Detroit, we interviewed a number of auto dealers around the country to see what they thought of the prospect of a substantial increase in auto output. Most of them expressed eagerness to have more cars to sell. But here and there we found a different reaction. For instance, one on the west coast said: "Sales resistance is high right now . . . and it will get worse. By the middle of the year we'll be cutting each other's throats."

I doubt that auto dealers or other retailers will literally be cutting each other's throats this year but my guess is there'll be more competition among salesmen for the consumer's dollar than at any time since the days before World War II.

Not long ago our reporters talked to department store operators around the country. They were in a jubilant mood. They had enjoyed a Christmas trade 10% above the year before; and their post-Christmas sales were better than they expected; in fact, they were running well above early 1952. But as one Cleveland merchant put it: "Competition is keener, so we will put in more effort promoting our merchandise to get all the business we can."

Still another hint at stepped-up horsepower in the sales department comes from home builders. When they had their annual convention recently in Chicago, the best attended session was that on "how to sell houses"—not how to build them. They're expecting a good year in 1953; in fact, building starts recently have been running about 15% ahead of a year ago; but buyers will need persuasion. One special reason, in this case, is that the builders believe rising interest rates mean bigger downpayments and somewhat larger monthly carrying charges.

What has happened is this: Our civilian goods production machine, which had to slow down to take on the load of the huge defense program, is shifting again into high gear. The goods will roll out this year in huge volume. Materials are available once more; in fact, there are very few important shortages.

It's a very remarkable tribute to American industry that it has been able to absorb the defense production job and still be able to meet civilian needs. You all know of the many factories that have been built in the past couple of years, mostly to produce defense goods. Much of that job has been done, and there is a general expectation that industrial construction may decline some this year. This, of course, does not mean we're going to stop building factories; we never will, in a dynamic free enterprise economy. One of our news men, just back from Louisville, was telling me the other day of the giant new General Electric plants going up there. In Akron, tire companies are just beginning to talk about some wonderful new types of synthetic rubber that will require new factories and new equipment.

I mentioned a few minutes ago that manufacturing seems to be feeling the sharpest impact from the post-election wave of free enterprise enthusiasm. Our production right now is probably at the highest level in history, and plans for the next few months are big. Steel output, for example, is at the rate of 116,000,000 tons a year, or 40% greater than when we entered World War II.

Pipe Lines Are Filled

The big question, then, is whether we're consuming these goods as fast as they're being produced. There's no sure answer, but the best guess is that we are not. Pipelines are being filled up; inventories are climbing.

If this continues, there will be a testing period ahead to see whether the people will absorb the goods being produced. That is something to watch for.

Another thing to keep an eye on is credit, particularly the amount of money people are borrowing. Consumer credit, as you all know, has been climbing. Instalment loans were spurred by the end of Regulation W last year. Total consumer credit outstanding, according to the latest figures, is almost $24 billion. That's up 15% in a year. A lot of bank, savings and loan, and insurance money has been going into mortgages too. The total credit now outstanding on homes is $67 billion. The gain last year was $7 billion.

There's one more segment of the economy, a very big one, that we ought to have a look at. That's farming. All of you are aware, I'm sure, that farm prices have been coming down during the past year. Some important farm products are now selling below the government support price level.

It might be worthwhile to take a moment to trace the course of commodity prices over the past fifteen years. When World War II started in September, 1939, our Dow-Jones Commodity Futures Index stood at 52. By the time that war had ended, this index had almost doubled, to a level of 99. The postwar inflation sent it up to 175 in late 1947. Then came a downswing to 122 in the middle of 1949. It was climbing from that level, in fact had reached 146, when the Korean War broke out. From there the upswing was sharp, to a record high of just over 215 in February, 1951. Since then the trend has been downward again to around 165 now.

Many commodities are included in this index, but the farm commodities weigh heavily. There's a very good chance that the government's farm price support program will have a stern test in the months ahead.

Despite these few caution signs blinking along the business road, there's no doubt that right now business looks mighty good.

As a matter of fact, our news editor dropped by my desk the other day and remarked: "You know, almost everywhere we look we find business going strong. I'm afraid it's getting to be monotonous for the reader."

My answer to that was: "It's a very cheerful kind of monotony."

*An address by Mr. McCormack before the 34th Mid-Winter Trust Conference of the American Bankers Association, Feb. 10, 1953.

Carroll News Dir. For Doremus in NY

William H. Long, Jr., President of Doremus & Company, 120 Broadway, New York City, advertising and public relations firm, announces the appointment of Robert F. Carroll as Director of its New York news department.

Robert F. Carroll

A member of the agency's staff since July, 1948, Mr. Carroll joined Doremus from the public relations staff of the National Board of Fire Underwriters. Before World War II, he was a special agent for the FBI and prior to that was associated with the New York "Times." During the war he served in the Mediterranean theatre as a heavy bomber pilot and operations officer.

Schmidt, Poole Co. Admits Partner

PHILADELPHIA, Pa. — Schmidt, Poole & Co., 123 South Broad Street, members of the Philadelphia-Baltimore Stock Exchange, announce that Allen D. Sapp has been admitted as a general partner in the firm. Mr. Sapp has been associated with the firm specializing in municipals.

How Banks Can Meet Savings And Loan Competition

By JOHN B. MACK, JR.*
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Public relations specialist, in calling attention to serious competition to banks in savings field of Federal Savings and Loan Associations, lists as means of successfully combatting it: (1) legislation and regulation to correct abuses and eliminate inequalities; (2) education, so that public will understand the true nature of the competing institutions; and (3) merchandizing that will sell the bank to people as best place for savings. Says all three should be done on a plane that will reflect credit to the banking business.

In my personal opinion, there is no simple solution to the problem of savings and loan competition. There is a solution, but it requires a lot of hard work.

Of course it would be nice if we could eliminate our competition. It would also be nice if we could raise our rates to 4 or 5% and put our competitors out of business. Those are interesting dreams; but if we are going to tackle this problem in a forthright manner, we'll stop wishing and dreaming and get down to basic fundamentals. For this question of savings leadership is not a superficial one. It has roots that go deep into American history and into the character of American people.

At the outset, let me outline the solution to this problem that I am suggesting here today. It is a three-part plan of action consisting of:

(1) Legislation and regulation to correct abuses and eliminate inequalities.

(2) Education so that the public will understand the true nature of the competing institutions.

(3) Merchandising that will sell the bank to the people as the best place for savings.

Legislation alone, education alone or merchandising alone will not solve our problem. It requires all three, intelligently and vigorously applied.

Sometimes I stop and ask myself: "How did we get ourselves into this situation where another type of institution is competing with banks for savings leadership?" It hardly seems possible. But there are the facts, already stated to you by previous speakers on this program.

In the 166 years of our country's history prior to 1933, banks had practically no competition in attracting the savings of people. When the New Deal came into power in March, 1933, the commercial and savings banks had between them about $24 billion of time deposits. There were no U.S. Savings Bonds, less than $1 billion in postal savings, and about $5 billion in building and loan associations.

It is easy to understand why the banks followed a low-pressure, educational approach to savings development. The main problem then was to sell people on the idea of saving. Once sold, people would naturally bring their money to the banks.

We were in pretty much the same position as Henry Ford in the first few years of the automobile business. All he had to do was sell people on the idea of automobile travel, and they just naturally bought a Ford. But times changed, and Ford soon had to fight for markets with other makes of cars. Take a look at automobile advertising today. Does it try to sell you on traveling by automobile instead of some other form of transportation? Maybe a little, but mainly it concentrates on the advantages of one make over the others—in appearance, price, performance. It merchandises! And that's just what banks have neglected to do.

Something happened back there in 1933 that changed the savings picture. A new type of institution was created—the Federal Savings and Loan Association. The purpose of this new institution as originally conceived was to offer opportunity for investment of private funds at attractive rates and to provide for the local financing of homes. Our new competitors had no doubts about what they must do. They were new and had no traditions. They must start from scratch, in the face of our entrenched position in savings, and try to convince people that they had advantages over banks as the places to save. In short, they knew that they must merchandise their services. And they have seldom deviated from that theme.

Just recently I gathered several score of savings ads published by savings and loan associations in all parts of the country. These ads, I find, bear down heavily on the advantages of the savings and loan associations as a place for savings. They stress rate, convenient location, safety, and the interest of the institution in helping people get ahead.

But how about the banks? Are they trading blow for blow with strong merchandising appeals? I have just finished looking through some 300 bank ads on savings. I find that at least 90% of them stress the "idea" of saving money, as such. They preach thrift and stress the importance of a cash reserve for buying a home, for meeting emergencies, or for building financial security.

Yes, banks go merrily along selling the philosophy of savings while our competitors skim off bigger and bigger portions of the new savings business. If you doubt that, ponder these figures. Since V-E Day, the average commercial bank has had an increase of $950,000 in time deposits. In the same period the average savings and loan association has increased $1,600,000. In 1950 and 1951 total commercial bank time deposits increased by $1½ billion. In the same period savings and loans increased by over $3½ billion.

I know that these statistics are quite familiar to you, but they bear repeating to dramatize the fact that our leadership in the field of savings is being threatened. And the amazing thing is that our competitors hold only one trump card—rate of dividend—while we hold the rest of the entire deck. To put it bluntly, we need to learn how to sell. We must merchandise our services. Let's continue to sell thrift—but let's sell bank accounts too.

Ray Dunkerley has pointed out that rate is important, but that is only part of the story. We have a growing body of proof that rate is less important, especially to the small savers, than many bankers seem to think. Here is an interesting sidelight on the rate question. A savings and loan association in Chicago pays a lower rate than its competitors. Yet is it enjoying the fastest rate of growth in the area. In a survey of new customers in 1952, these are the reasons people gave for coming to the institution:

Loans and other business with us	34%
Personal recommendation	29%
Institutional prestige	14%
Advertising	7%
Convenience	7%
Solicitation	4%
Dividend Rate	3%

In the words of the Vice-President of this institution: "Public relations policies and ways of dealing with people can overcome the obstacle of a higher rate by others"—and that from a savings and loan man!

Before leaving this subject of merchandising, let me say that at least one man foresaw what might happen shortly after the savings and loan associations came into being. Ray Dunkerley put out a booklet, about 15 years ago. As I recall the title it was "Preserving Your Bank's Leadership in Savings." I wish some banking publication would pick that up and reprint it today for the benefit of those bankers who are pointing the finger of blame at everybody but themselves. The message of Ray's booklet was that unless we in banking got off our seats and started to sell, we might find somebody else carrying the torch of leadership. I believe the next speaker is going to suggest specific ways that a bank can attract savings. Methods are of course important. But equally important is your determination to do the job. Once you have that, the rest is relatively simple. I might say that the A.B.A. Public Relations Council, working with the Savings & Mortgage Division, is now preparing a manual on savings development. It will be based on the best methods used by banks and others around the country. You'll be hearing about it soon.

Education

Now let's consider a second point of the three-point plan of legislation, education, merchandising. These are some bankers who believe that the whole problem will be solved if we "educate" or "inform" the public as to the true facts about banks and savings and loan associations. This view springs from a conviction that people are misled into dealing with our competitors — that savings and loan customers think they are depositors, believe they are dealing with banks, have an idea that they get interest instead of dividends, and would all come flocking back to the banks once they saw the light. This just "ain't so." It is wishful thinking. Savings and loan customers are actually fairly well informed about the true facts of life; and even if they have misconceptions and were set straight on the facts, a great many of them would stay put right where they are.

Don't misunderstad me. I am strongly for doing a job of public education on these points, but we should face the facts and realize that even if every person in the country knew the complete facts about banks and savings and loan associations we would not eliminate our competition.

At this point I should tell you that we have a great deal more information on what people know about savings, and why they act the way they do, than we have had at any time before. The A.B.A., through the market research organization of A. J. Wood & Co., Philadelphia, has completed a national personal interview survey. Through scientific sampling methods, information has been obtained which we believe accurately reflects the thinking of the entire population.

It is easy to form a one-sided opinion. We in banking have seen many of our prospects and customers going over to the savings and loan associations with their money. Some of us have concluded that this can only be because of two reasons: (1) Higher rate; and (2) The people are misled by our competitors. A main purpose of the A.B.A. survey was to learn from savings and loan customers the true reasons why they went there; to what extent if any they have been misinformed or to what degree they are uninformed; and how uninformed S & L investors would act if given complete and accurate information about interest, dividends, investments, deposits, insurance, and so forth.

Now I can't possibly give you the complete findings of the survey, but I can give you a brief summary of the highlights. First, who are these men and women who invest their money? Are they strangers who live on the other side of the track? Does it surprise you to learn that they are actually your own customers?

60% of the people with money in savings and loan associations also have savings accounts in banks!

59% of the people with money in S & L associations also have checking accounts in banks!

These are highly significant figures. They indicate that our job is mainly one of customer relations. We have a perfect channel to the majority of savings and loan shareholders because they are right in our own bank family.

Another question: To what degree are savings and loan investors informed about the true nature of their holdings? Contrary to the beliefs of many bankers, those who have money in S & L associations are a fairly well-informed group. Their knowledge on all aspects of their relationship is much more accurate than that of the public as a whole:

62% of the S & L group knows who owns the savings and loan associations.

60% know the nature of their investments.

45% know that they receive dividends.

84% know that earnings are higher than in banks.

88% know S & L's invest most of their money in real estate.

Attitudes and opinions form an important body of information:

Only 25% of the S & L group consider banks safer, 10% think S & L's are safer, and 56% said there was no difference. Remember, this is their opinion, but mighty important when you think of educating people about the difference between deposits and investments, etc.

65% think there might come another time when real estate would be frozen. It is interesting to note that they continue their relationship in spite of this. The reasons are a general confidence due to insurance and a general feeling that the government stands behind the institutions.

Cross analyses of the 62 questions in this survey indicate these general conclusions:

(1) The public in general is apathetic toward the technical differences between types of savings and types of savings institution. They have come to accept both banks and savings and loan associations as reputable, worthwhile organizations. Any attempt to discuss technical aspects tends to bore them. If this is true of face-to-face discussion, consider the obstacles that printed informative literature must surmount! I guess the public attitude is about the same as you would have to a discussion of the offset versus letterpress printing processes. You accept the fact that both are all right, and there your interest probably ends.

(2) There is nevertheless broad public ignorance as to the facts about saving in banks and investing in savings and loan associations. The typical answer from the general public was "I don't know." This should be corrected.

(3) Those with S & L shares have a higher degree of knowledge about savings matters. There is no evidence that an information campaign on the true nature of interest, dividends, investments, etc., would cause savings and loan customers to move their money to banks. In fact there is evidence that the words dividend and investment have a magic appeal in this era of common stocks and inflation. Any educational material should be handled with great care, for there is always present the possibility that it could actually send business into the other camp.

(4) Banks stand high in the esteem of people everywhere. We have great natural advantages in prestige, location, variety of services, ability to help and serve people. Our varied loan services are uppermost in the minds of people. When asked to mention bank services they knew about 47% mentioned loans, 44% savings, 41% checking.

There is no doubt that we have an educational job ahead, but it is equally certain that this is not the whole answer. Personally I think that the basic educational job to be done is to define the difference between true savings and investing. If investors, with full knowledge of the facts, choose to put money into shares to obtain a higher return, that is their business. Many bankers advise customers to do just that, but always with full knowledge of the facts. However, if a person whose real need is for a liquid cash reserve goes to a savings and loan association thinking it is a bank and that he is a depositor, real harm has been done to him—and to us. Our survey indicates that many of those going to S & L's have no business doing so. They are savers rather than investors. For example, 83% of those with savings and loan shares stated that their family income was under $6,000. Obviously many of them are savers and not real investors. Furthermore, 41% of them have incomes under $4,000. Most of these must be savers.

Legislation

The third leg of the tripod that we should erect in support of bank savings, in addition to education and merchandising, is legislation (and regulation). Certainly the public should insist that savings and loan associations as well as banks adhere to the law, that they should both advertise ethically. Savings and loans should not represent themselves to be banks or to render banking services.

If you agree with me that the solution lies in this three-way program of education, merchandising, and legislation, then the course ahead is quite clear. The public has a right to proper legislation. Each bank on its own initiative will sell its own advantages as a place for savings among its own customers and in its own community; and then acting individually, or with local cooperation, banks will see that the general public becomes informed on all aspects of savings.

I hardly need to add that all three can be done, and should be done, on a high plane that will reflect credit on our business of banking.

*An address by Mr. Mack before the Western Savings and Mortgage Conference of the American Bankers Association, Los Angeles, Cal., Feb. 9, 1953.

Federal Reserve and Savings Banks

By ALLAN SPROUL*
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Prefacing his remarks by saying that, with the coming in of a new Administration, new methods and new programs will be in the making, Reserve Bank President calls attention to savings banks' growth in face of the dual competition of savings and loan associations and commercial banks. Points out savings banks, though not members, can borrow from Federal Reserve Banks on security of U. S. obligations. Says he is concerned about current theories of permanent gradual inflation, and indicates importance to savings banks in keeping dollar stable.

I think you will agree with me that this is not the time for me to try to give you either an exposition and defense of past credit policies or a forecast of what may lie ahead. A new Administration has just taken over at Washington. The past is not buried. It can seldom, if ever, be buried. But I think we can be sure that the remains will not lie in state. New methods and new programs will be in the making. In these circumstances, I have no desire to rake over old controversies, nor would I want to complicate the development of new relationships by trying to anticipate the place and performance of credit policy during coming months and years.

Allan Sproul

It can be said with assurance, however, that the independence of the Federal Reserve System, which I have called independence within the Government, not from the Government, will not be seriously challenged. Both the outcome of the hearings of the Subcommittee of the Joint Committee on the Economic Report which studied this matter last year, and the views of those who have spoken for the new Administration of the Executive Branch of the Government, make this assurance doubly sure. And I think it can also be said with assurance that the Federal Reserve System will now try to improve its performance in the administration of the country's banking reserves, and will concentrate its attention on making monetary policy contribute to economic stability. The war and immediate postwar phases of intermingled debt management and monetary policy are clearly over. And the Government security market, after a long period in military service, and then in a nursing home, has now shown that it can take care of itself without our continuous or even frequent intervention. This is not to say that appropriate, vigorous, and coordinated monetary, debt, and fiscal policies should not constitute a primary defense against economic instability. I believe they should and I believe they will, but I am not going to talk about them today.

Having ruled them out as subjects for discussion, and facing this audience, I find myself pushed, by a process of natural selection, into discussing some matters which may particularly affect savings banks. Since most of my contacts are with commercial bankers, and since the major function of the Federal Reserve System is the administration of the reserves of commercial banks, this is not wholly familiar territory. But you and I have some general interests in common which we might explore together.

*An address by Mr. Sproul at the Annual Meetings of the Savings Banks Trust Company and the Institutional Securities Corporation, New York City, January 21, 1953.

Are Savings Banks an Anachronism?

Savings banks, as they have persisted in this part of the United States, are, of course, an anachronism. You should have begun to succumb years ago to the kind of department store banking which has developed in most other parts of the country. But here you are, making new records each month in the amount of your deposits and the number of your depositors. I dropped in, last month, at a savings bank which had just moved into new quarters in midtown Manhattan. I don't know whether I was more surprised to be offered tea and cookies in the lobby, or to be told that on opening day the bank had gained more than 20,000 new accounts and more than $1,300,000 in deposits. That sort of thing, as well as the more comprehensive statistics of the Savings Banks Association, suggest that the savings bank habit continues pretty strong in these parts. Evidently, the passbook is still held in high regard by thrifty Americans, even though United States Savings Bonds have their place, and valiant attempts are made from time to time to convert small savers into stockholders.

Despite these evidences of strength, however, I know you sometimes feel that your continued growth is threatened by the savings and loan associations on one side and the commercial banks, with their time deposit facilities, on the other. At best, this is a healthy awareness of competition. At worst, it might lead you to seek advantages you don't need or to indulge in competitive practices you should avoid. If I might venture a word of advice without getting caught in the middle of current controversies, it would be that so far as possible in a changing world you preserve your special character, and not try to become too much like your competitors. I would guess that a good deal of your strength comes from the fact that you have an institutional personality which recommends you to the saving public.

There is one worry in this competitive situation which perhaps I can help to dispel. As I understand it, some of you feel that everyone else, presently in the business of attracting the savings of the public on a deposit basis, or on what the public probably believes to be a deposit basis, has some place to go, some lender of last resort on which to lean in time of trouble. You, on the other hand, have to rely largely on your own resources and those of the cooperative institution you have created which is meeting here today. Commercial member banks can borrow from the Federal Reserve Banks. Savings and loan associations can borrow from the Federal Home Loan Banks. You are orphans; although you might become members of either the Federal Reserve System or the Federal Home Loan Bank System, or both. Membership in the former appears to be too expensive for you, and membership in the latter involves getting mixed up in the public mind with credit institutions having different characteristics — credit institutions which are not banks of deposit. It is this situation which has led some of you to inquire about borrowing at the Federal Reserve Bank, even though you are not members of the Federal Reserve System.

Savings Banks Can Borrow From Federal Reserve

I assume that of necessity under present law—and rightly I believe so far as borrowing from the Federal Reserve Bank is concerned—the only kind of borrowing you have in mind is borrowing to meet the withdrawal demands of depositors, and then only in cases of emergency or threat of emergency. It would be possible for the Federal Reserve Bank to lend funds to you in such circumstances. The thirteenth paragraph of Section 13 of the Federal Reserve Act permits a Federal Reserve Bank to make a loan to a savings bank on its promissory note, secured by direct obligations of the United States, at interest rates fixed from time by the Federal Reserve Bank subject to the review and determination of the Board of Governors of the Federal Reserve System. At present, the posted rate for such borrowing is 3%.

Now I know that you are not so much interested in the "can you do it" as in the "would we do it." Well, that would depend on the whole bundle of facts at the time in your case just as in the case of a member bank. All of those who deal with the Federal Reserve Banks, whether members or nonmembers, should understand that borrowing from the Federal Reserve Bank is a privilege, not a right. We do have special regard for the liquidity of our commercial banks, of course, because their demand deposits are so large a part of the money supply of the country. But on numerous occasions the Reserve Bank has taken steps to eliminate or reduce borrowing by individual member banks which seemed to be trying to use our funds in excessive amounts or over long periods to augment their earnings, or to avoid making proper adjustments in their own portfolios. More recently, the Reserve Bank has discouraged or refused loans to member banks when the principal purpose of the loans appeared to be or was admitted to be to increase income tax exemption under the excess profits tax.

I take it, however that you are not concerned with day-to-day liquidity, nor would we have much interest in that aspect of your operations. I assume that there are two kinds of situations in which the possibility of savings bank borrowing from the Reserve Bank might be important. One is the case of a run or a threatened run on a fundamentally sound savings bank caused by local rumors or conditions. The second would be a serious decline in economic activity, which threatens or is accompanied by loss of public confidence in savings banks, as well as other financial institutions. In each of these cases the public interest would be served and the stability of the local or the general banking situation might be preserved, if the threat were prevented from becoming an actuality, or if the actual development were met by prompt and vigorous counter-action. These are emergency situations in which a savings bank could come to the Reserve Bank with clean hands, seeking help in working out its problems.

There have been discussions in the past, I know, as to whether in such cases there would be some requirement that you use the notice of withdrawal which is still part of your contract with your depositors. We recognize that custom and usage have pretty well habituated the public to ignore this possibility in committing their savings to you. We recognize that the mixture of demand and time deposits in commercial banks makes for difficulties in requiring notice of withdrawal of savings deposits. And we recognize that the mixture of demand and time deposits in commercial banks makes for difficulties in requiring notice of withdrawal of savings deposits. And we recognize that invoking notice of withdrawal might be just the wrong way to deal with particular situations. So long as the power to require notice exists, however, it is part of the "bundle of facts" I mentioned earlier as entering into our consideration of all loans. I think that you may assume, nevertheless, that either in cases of individual bank difficulties or threatened difficulties, or general banking trouble, or threatened trouble, the Federal Reserve Bank would be in continuing consultation with the State Banking Department and that use of the notice of withdrawal clause would become an important consideration only if it appeared that its use would be constructive. I don't think that you can or should ask for more assurance than that, and I cannot properly commit further those who may be charged with the management of the Reserve Bank at some future time.

Corroding Influence of Inflation on Savings

And now I would like to touch on a matter of more general significance which, nevertheless, has special meaning for the savings banker and, indeed, may condition his continued existence. I refer to the insidious and corroding influence of inflation upon the habit of saving. It is many ways remarkable that the American people have continued to save in such large amounts, and in the form of dollar savings accounts, during the period since 1939 in which the purchasing power of the dollar has declined almost 50%. Some of this can be ascribed to habit which clings to old ways of thrift, in spite of a growing reliance upon institutional arrangements for the care of the aged, the needy and the unemployed, and in spite of changes in prices which shrink the value of the dollar saved. Some of it can be ascribed to belief in the desirability or the necessity of having something always at hand for a rainy day which may be tomorrow—a hoard with which to meet the unforeseen hazards of daily life and the sudden financial emergencies of human existence. These are habits and beliefs not easily shaken, although they can be shaken if inflation goes far enough and fast enough, and a currency is thoroughly debauched. There are countries in Europe where savings as we know them hold no such high place as do savings here. Fortunately, we do not have to be concerned about a collapse of the dollar. But I am concerned, and I think you should be concerned, about the theories of permanent gradual inflation which are being put forward. This is not a matter of politics but of economics—in your case, passbook economics.

I think that savings in this country have continued to pile up in spectacular amounts because our people believe that the experience of the past decade was an aberration due to war. They do not expect a continuance of the process whereby their savings were tapped by an insidious concealed tax. Yet there are those who presently suggest, and more who believe, that a gradual but perpetual inflation is the lesser evil we must accept if we are to continue to have an economy which works at high levels of production and with a minimum of unemployment. These advocates frankly and honestly say that we must make a choice between stable prices with unnecessary unemployment and maximum employment with gradually rising prices, and that they prefer the latter.

What Rising Prices Mean to Savings

Well, first let us take a look at what gradually rising prices mean with respect to savings. The figures most frequently mentioned are a price rise of 2½ or 3% a year on the average. That is a modest increase, and it wouldn't cause public fright about the currency, but over a period of years it would take a considerable nick out of savings accounts, life insurance, pension funds, and similar thrifty provisions for old age or future financial hazards. A rise in prices of 2½% a year, on the average, means a decline in the purchasing power of the dollar of more than 50% in 30 years. A rise in prices of 3% a year means a similar decline in the real value of dollar savings of nearly 60% in 30 years. This is not too long a savings span to contemplate, but such an erosion of savings may be too great to contemplate. Prices have tended upward and the purchasing power of the dollar has

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Goals of Banking in 1953

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Holding banks should be a dependable tower of economic strength, ABA executive indicates absence of banking strength in last depression gave government opportunity for entering the credit field, and this has "just about eaten us out of house and home." Says banking is at crossroads, and bankers must decide to fortify themselves so as to be in position to afford legitimate credit when needed. Says new ways must be devised to add to banking capital, since retained earnings are not sufficient to offset deposits' growth. Calls for end of double taxation on profits.

A strong banking structure is vital to the social and economic well-being of America. The banking business functions in the public interest, and any measures to strengthen it merit studied consideration. It is my purpose to talk to you regarding the issues which relate to a more durable banking structure. Banks should be a dependable tower of strength to our economy. The weakness of so many banks during the last depression aggravated the situation and made it more serious than if our economy had been supported by a stronger banking structure. Too frequently, banks were unable to give the emergency support to legitimate requests which are ordinarily made of banks in a period of stringency. This not only made the situation more serious, but it also retarded recovery. Since business and banks weren't in a position then to assume their complete responsibilities, the way was open and we invited government to put its foot in the front door. As the dispossessed rancher said. "The wolf not only came to the door; she walked right in and had pups."


W. Harold Brenton

During the following decade, the government gave birth to agencies all over the place. Since then, they have grown until they have just about eaten us out of house and home.

The lack of strength in banks during the last depression gave government opportunities for competition with banking. Some of the agencies created were needed temporarily under the circumstances, but they were intended only as stopgaps for the duration. The trend toward controls and government complicatedness was given a big boost.

Current Position of Banks

Let's take a look at the position banks occupy now. Since the last great depression, banks have steadily strengthened their position. They have moved forward to occupy a more prominent place in public respect. They have learned to be helpful to greater masses of people. They have made great progress in handling depositors' funds in a capable and ethical manner. Bankers have achieved these accomplishments by increasing their know-how and know-why and by conscientiously sticking to the banking business. Banks have learned to do an increasingly good job under favorable conditions.

The 14,700 banks are barometers of the thoughts and actions of the people of the communities of this nation. The financial business of a nation is flowing through our banks at the grass roots level. The many things which bankers are doing in good times to strengthen their position are accruing to the public benefit and should help to iron out future peaks and valleys.

Right now, banking is at the crossroads. There is a decision which must be made: Is one of the primary functions of banks to be able to give legitimate assistance to borrowers when such help it seriously needed? If the answer is yes, then much of the dependency which has been placed on government can be eliminated.

People must make the decision; and if we are to revitalize our free enterprise system, the decision must be made in favor of banks. The public would be better served by stronger capitalized banks and so would be less dependent on government.

Bank Deposit Protection

Bank deposit protection is an important topic of discussion nowadays. Bankers have been mindful of the necessity for a greater capital structure as evidenced by the fact that in the last ten years they have voluntarily increased bank capital funds from $6,951,393,000 to $11,615,767,000.

The inflation resulting from World War II and its aftermath has had a debilitating effect upon the capital-asset ratio of the banking system. From 1934 to 1951, the ratio of capital accounts to total assets declined from 13.2% to 6.7%—meaning, the equity of stockholders in their banks is only about half what it was 18 years ago.

It now devolves upon the ingenuity of bankers to devise new ways of building bank capital.

To build this additional bank capital, there are several possibilities. Building increased capital through the sale of common stock is limited and will be attractive only here and there. The issuance of preferred stock generally speaking is opposed by supervisory authorities and bankers.

The amount of retained earnings has not been sufficient to keep pace with deposit growth as a result of high taxes and inflation. Hence, as one aspect of building additional bank capital, consideration must be given to the tax policies of Federal Government and the resulting effect on corporations generally.

The Federal income tax of today bears no resemblance to the original corporate income tax of the 1913 act. American corporations today are caught in a great financial pincer-movement. More and heavier taxes bear down on them on one side, and an obsolete and inequitable tax structure is closing in upon them from the other. Taxes have been loaded on corporations because they do not vote and because the millions of consumers who do vote are not acutely aware of the actual effect that excessive corporate income taxes have upon the higher cost of goods they buy. Many economists think that excessive corporation taxes have the same effect as a sales tax. If this theory is correct, then the public is absorbing excessive taxes through the increased costs of goods and services.

Others contend that excessive corporate taxes greatly reduce the stockholders' real income through reduced dividends. If we adopt this theory, then the 6,500,000 stockholders are paying, in most cases, a 52% tax even before the dividends reach their pockets. A 52% tax is high even in these times, but an 82% tax rate is even more vicious.

Remove Double Taxation of Corporate Profits

The present double taxation of corporate profits should cease. The Revenue Act of 1951 permits that dividends paid by cooperatives and savings and loan associations be allowed as tax deductions; it also exempted them from excess profits tax. These groups are virtually operating under the single tax method. Measures should be put into effect for commercial banks, in a movement toward total elimination of double taxation on all corporate profits.

Bankers should be active in their communities in bringing to public attention the reasons why double taxation is unjust and why the consumer should be interested in its elimination.

The excess profits tax is another particular phase of the corporate tax picture which deserves even more pronounced attention. Assuming that the adoption of a Federal excess profits tax was wise as a war expedient, such tax certainly has not attained in practice the theoretical end at which it aimed.

In many instances, a fair analysis has indicated that the tax has discriminated against conservatively financed corporations, banks in particular. It favors those having an abnormal prior earnings history, or those whose capitalization is exaggerated. The tax has encouraged wasteful expenditures, placed a penalty on brains and energy, throttled enterprise, and discouraged new venture capital. The law is exceedingly complex in its application, difficult in its administration, and unfair in its result. The excess profits tax is no longer in the public interest, and should be abandoned when the present law expires on June 30, 1953. The American Bankers Association is firmly opposed to the excess profits tax, and an active committee is working toward its elimination.

We reemphasize that the capital structure of banks can be improved, and added protection given to bank deposits, by the elimination of excessive taxes. A more reasonable tax level is definitely in the public interest, and the public should be brought to understand it better.

The Matter of Adequate Reserves

Let us next consider still another aspect of bank deposit protection—the matter of adequate reserves for losses on loans and other assets. Farsighted bankers from time immemorial have provided themselves with reserves for future losses. Past experience, time and time again, has indicated that although some loans and investments are sound when made, nevertheless losses may develop later. Such losses often do not become apparent until the economic situation deteriorates.

Every one watches the banker for a clue to the financial weather. One of the wisest bankers I ever knew was very little worried back in the 20's when the depression struck as he had reserves tucked away all around his bank. He had provided over a period of years a means for meeting his losses.

The present statutory law in the Internal Revenue Code permits as a deduction for income tax purposes a reasonable addition to a reserve for bad debts. In 1947 the Commissioner of Internal Revenue recognized the problems peculiar to banks. He issued mimeograph 6209 which provides a method for banks to establish tax-free reserves for bad debts. This ruling allows a bank to accumulate reserves on the basis of its past 20-year loss experience ratio, multiplied by present eligible loans outstanding, with a current ceiling of three times that amount.

At the time the present formula was adopted in 1947, it was the understanding of the Treasury Department and the American Bankers Association that the method would be tried on an experimental basis. The original formula had

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

New Quarters for J. A. Hogle & Co.'s Spokane Office

To keep pace with Spokane's growing importance as a financial center, J. A. Hogle & Co., have moved to new modern offices at West 523 Sprague Avenue, in that City. This announcement was made by Hammitt Porter, Manager of the firm's Spokane office.

According to Mr. Porter, the new offices introduce a new concept of modern facilities to assist investors in Spokane. A large new Board room providing immediate prices of New York Stock Exchange, American Stock Exchange and Spokane Stock Exchange securities, will comfortably accommodate even the largest group of investors. Tastefully furnished and decorated in a modern motif with blond furnishings, the Board room boasts a 20-foot mural of the trading floor of the New York Stock Exchange, and other murals of the American Stock Exchange.

The latest projection-type Trans-lux tickers have been installed to continuously report New York Stock Exchange and Chicago commodity prices. A Dow-Jones ticker and direct wire services across the United States and Canada, brings up-to-the-minute financial reports directly to the firm's new offices.

The staff has been expanded, with the addition of several experienced men, and a statistical library established to provide complete information on all types of securities.

J. A. Hogle & Co., one of the largest brokerage houses in the West, with headquarters in Salt Lake City, Utah, has been serving Spokane investors since April, 1949, when they purchased the E. J. Gibson & Co. firm, for years one of the outstanding mining brokerage offices in the Northwest. Since 1949, the Spokane office of Hogle has steadily grown in volume and importance to the community. Recently it became evident to the firm that the capacity of its location at 5 Wall Street, had been outgrown, and immediate plans had to be made to enlarge its facilities.

Established in 1915, J. A. Hogle & Co. have offices in New York City, Los Angeles, Salt Lake City, Denver, San Diego, Beverly Hills, Idaho Falls, Ogden, Pocatello, Butte, Missoula, Boulder, Riverside, Calif., and Reno.

The firm is a member of the New York Stock Exchange and numerous other Stock and Commodity Exchanges.

LETTER TO THE EDITOR:

"What This Country Needs Today Is Two Presidents"

A satirical yet suggestive discussion of the existing Presidential order which Alexander Wilson holds has now been outgrown. To remedy governmental short-comings, he suggests a new joint system of selecting two Presidents of the same party, one to administer this country's international affairs and the other to manage our national domestic problems.

Editor, Commercial and Financial Chronicle:

It was Vice-President Thomas R. Marshall's facetious remark—"What This County Needs Is a Good Five Cent Cigar"—that won for him the nation's affection during Woodrow Wilson's Administration of which he was a part.

Alexander Wilson

Perhaps this same homespun gentleman from Indiana, were he alive today, might in all seriousness alter his slogan to the subject of this article—"What This Country Needs Today is Two Presidents."

We Extol Our Presidents Same as British People Do Their Kings and Queens

Whether we know it or not, we Americans are a very sentimental people. We individually love to praise, denounce and idolize some of our presidents depending on our moods and circumstances. Be it George Washington, Thomas Jefferson, James Monroe, Andrew Jackson, Abraham Lincoln, Theodore Roosevelt, Grover Cleveland, Woodrow Wilson, Herbert Hoover or any one of our 32 Presidents, each in fact represents an epoch of political development in our country's history.

We love to build up their respective characters and personalities to the stature of full-fledged statesmen with the help of traditions and legends which have been hallowed by time until our presidents emerge as glamorous national heroes to rank with the world's great and near great.

A simple suggestion to consider anything different than one president to head our government will be met by some well-meaning native Americans and hero-worshippers with strong opposition and even personal resentment. For in the course of time we have come to venerate our presidents as national institutions akin to gods on pedestals who are considered to be above reproach and among our most cherished traditions.

This most sacred feeling is generally accepted as the true mark of genuine patriotism—the brand of Americanism that our fathers and mothers proudly instilled in us from the first moment we were able to take an interest in the world around about us.

Every school boy is assiduously taught that the most laudable ambition in his life should be to aspire to the highest office in the land — the Presidency of the United States.

This is lofty "Horatio Alger" advice to the teen-agers, mind you, in a country whose big and little corporate enterprises have produced more presidents to the square foot than all the other nations of the world put together.

A World in Which Angels Fear to Tread

So to venture telling anyone that "What This Country Needs Today Is Two Presidents" is considered by some mortals almost anathema, something ardent citizens of our Republic will scornfully inform you is not within the framework of our Constitution. And, too, any person of voting age with the vision to espouse a two-President Government may perchance find himself as isolated, lonesome and despised as the principal character in Edward Everett Hale's patriotic classic "The Man Without a Country."

Constitutional Limitations and Presidential Powers

For background emphasis, it may be well to take a retrospective look at that greatest instrument of free government known to Man—the Constitution of the United States—which was conceived and written into law by its designers to give us a political system of tripartite government, viz: The executive, legislative and judicial departments each specifically exercising certain functions. Still with the passage of time, particularly during war periods, the executive department was occasionally headed by an over-aggressive and power minded president who, although solemnly sworn to uphold the Constitution, exceeded his constitutional powers. Set forth here are two recent examples which illustrate the usurpation of constitutional power: (1) Mr. Truman in seizing the steel industry in peace-time without the sanction of Congress; and (2) the late Franklin D. Roosevelt in turning over 50 United States destroyers to Britain without consulting Congress. The latter incident happened before we entered World War II in the fight against Germany. Such action rightfully might have been considered by Germany an act of war.

In the last quarter-century, the people of the United States have witnessed the projection of the government by some of our chief executives into every conceivable form of business, political and social activity—activities that were never envisioned by the Founding Fathers as Presidential duties or prerogatives.

When the Election Honeymoon Is Over

After the honeymoon period is over, President-elect Eisenhower is going to find out that we Americans, Republicans and Democrats, in and out of Congress, are not all "brothers under the skin" and it is just too bad that we haven't elected two presidents with equal powers (to be voted for in pairs, two Democrats and two Republicans) for example (1) Dwight D. Eisenhower to have full power and responsibility to administer our international relations; and (2) Earl Warren fully authorized to conduct our domestic national affairs.

For the purpose of illustration let us say that the Democratic presidential contenders had been Stevenson and Kefauver. Employing this system the voters would understand that Stevenson if elected would be accountable to the people for all foreign relations and Kefauver for all domestic affairs.

This voting proposal should also provide for two vice-presidents on each ticket, one vice-president for international affairs and one for domestic policies.

Neither of these gentlemen—the two elected presidents and the two elected vice-presidents — would be subordinate to each other within their rank, but would act in their own right and responsibility to the country.

True, our Constitution, until it is amended will not permit this dual division of authority.

Despite the President's personally appointive Cabinet, constituted to bear the impact of the Chief Executive's official duties, the members of the Cabinet serve only in an advisory capacity, are subordinate to the President and are not directly responsible to Congress or to the country's electorate. **Cabinet members do not individually initiate domestic or foreign policies without presidential sanction. Therefore the brunt of the country's problems is still the Chief Executive's responsibility.**

Cabinet, or no Cabinet, the President has to do the major thinking in all matters and "carry the weights."

The World's Toughest Job—The Presidency of the U. S.

For a long time the intelligentsia have been saying that the president's job has become too big for any one man to fill. So sooner or later we will have to consider the question of a dual presidency and a dual vice-presidency. The country of George Washington's and Alexander Hamilton's day has grown many times—from 13 to 48 States and from 4,000,000 to 158,-000,000 souls. From insular proportions, to be the leading power in a warlike world. Our problems both foreign and domestic are so multitudinous, intricate and far-reaching, no one man can now successfully shoulder the responsibility of the presidential office except in a "run of the mill manner."

Who has not heard over and over again that the duties of the presidency have become too great for one man to cope with and meet the demands on the president's time and person, or to thoughtfully give the problems and policies of his Administration the considerate deliberation they warrant before making his decisions.

For instance if the president was a superman physically and mentally, he could not understandingly read all the laws which the 531 members of Congress pass up to him for approval, signature and enforcement. Nor has he the strength and the time to individually write the comments, vetoes and recommendations of his oral and written messages to Congress and the country and at the same time meet the unending list of callers at the White House on official and social business.

Again how can any one man, in addition to his other duties, be responsible for or keep intimate track of the 58 departments, agencies, bureaus, offices, councils, boards, committees, administrations and commissions that stem from the president's executive office.

How Much Top Executive Personnel Do Big Banks and Corporations Have?

The readers of the "Chronicle" are as familiar as anyone with the official personnel of bank management and know that a handful of New York City trust companies and banks like the Chase National, the National City, the Bankers Trust, Manufacturers Trust and the Guaranty Trust have an executive personnel of over 700 officers and that does not include any officers lower than vice-presidents.

In any comparison that we might make of presidential requirements and the capacity of one man to fill the presidential chair, it might be interesting to turn our sights for a moment on the 500,000 corporations, large and small, in the United States of America headed by 500,000 presidents. Then it would be well to stop and think of the magnitude of our country compared to the lesser combined importance of the 500,000 corporate enterprises and the fact that this beloved country of ours is headed by only one solitary chief executive.

As "Chronicle" readers well know, many of these large corporations are officered with virtually four executives, viz: (1) Chairman of the Board, (2) President, (3) Chairman of the Executive Committee, (4) Chairman of the Finance Committee; the board members acting like an advisory cabinet.

Look at the breakdown of executive personnel in General Motors, with a president in every division of their vast organization, some seven presidents, 37 vice-presidents, a chairman of the board and 26 general managers.

Something Must Be Done

So the writer makes bold to say that if a single large corporation needs not one but several top executive heads to do the "tall thinking" for the company's managing policies and problems in order to make the operational management click smoothly as in the case of General Motors and other corporations, why wouldn't two presidents and two vice-presidents of the same party, elected by and responsible to the electorate be an improvement over our present rather out-moded system of one president and one vice-president in Washington?

This suggested change in the presidential order seems to the writer to be a paramount political question of the day and one for the best legal minds in our land to reason out and a subject for the state bar associations to grapple with in earnest.

Will the Two President Order Work?

Of course, many of my Countrymen, devoted citizens of this great constitutional Republic, will say offhand that the "two presidential order" as suggested in this article, will not work — yet the writer would remind his critics that this country is essentially a **tripartite government** (executive, legislative and judicial departments), directed by **"Two Houses" of Congress** with a membership of 531 contentious legislative minds which have succeeded in giving the world a successful demonstration of the democratic process in action that has been slowly perfected over the last 163 years to its present state of working efficiency. And it should be remembered that the Constitution of this blessed country has been amended no less than 22 times to reach today's attainments.

Another instance, where **two** is the determining factor in our political system, is the Constitutional selection of **two Senators** from each of the 48 states regardless of size or population, to the greatest deliberating body in the world.

ALEXANDER WILSON.

25 Oak Ridge Ave.,
Summit, N. J.
Feb. 3, 1953.

With American Secs.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — John C. Mathis, Jr. has become associated with American Securities Corporation, 111 Devonshire Street. He was formerly with Hemphill, Noyes, Graham, Parsons & Co.

Estabrook Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — William K. Bovey has become affiliated with Estabrook & Co., 15 State Street, members of the New York and Boston Stock Exchanges.

Lawson, Levy Admit Morse & Lamperti

SAN FRANCISCO, Calif.—Recognition of years of service to the firm is marked in the announcement of the admission of Leon Morse and Angelo J. Lamperti to general partnership in the investment banking firm of Lawson, Levy & Williams, 1 Montgomery Street, members of San Francisco Stock Exchange. The advancements are effective as of Jan. 1 last.

Identified with the firm for 17 years, Mr. Morse is office manager and cashier. Mr. Lamperti has served as head of the trading department for eight years.

Founding partners (1935) are Jesse M. Levy, Jr., Harold B. Williams, and Richard Lawson.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

George G. Montgomery, Vice-President, Chairman of the Finance Committee and Director of Castle & Cooke, Ltd., Honolulu, has been elected a Director of **Bankers Trust Company, of New York City**, it was announced on Feb. 6 by S. Sloan Colt, President of the bank. Mr. Montgomery lives in San Francisco, and is active in the sugar, pineapple and shipping interests on the West Coast and in the Hawaiian Islands. His other directorships include those in the General Electric Co., American Trust Company, San Francisco, Matson Navigation Co., etc., etc.

G. G. Montgomery

* * *

The Quarter Century Club of **Bankers Trust Company, of New York** at its tenth annual dinner at the Waldorf Astoria on Feb. 3, welcomed 52 new members. The club now has a membership of 521, of whom 99 are retired. The group was addressed by S. Sloan Colt, President of the bank and honorary member of the club. The new officers elected are Edmund G. Farrell, President; Kent W. Gurney, Vice-President, and Elinor O. Bernsten, Secretary. Harriet A. Kosanke, Edward G. Grimm, Charles Schlatter, Raymond Fausel and Albert H. Hildebrandt were elected to the Board of Governors.

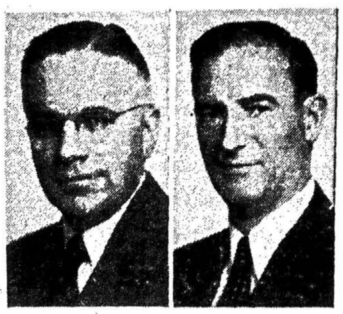
* * *

Mercer C. MacPherson has been elected Assistant Vice-President of **Chemical Bank & Trust Company, of New York**, it was announced on Feb. 6 by N. Baxter Jackson, Chairman. Mr. MacPherson, a Vice-President of the Montclair Savings Bank, Montclair, N. J. will join Chemical Bank on March 1. He will be associated with George Lysle, Vice-President, in the National Division.

On Feb. 3 Chemical Bank & Trust Company revealed plans of further expansion with the acquisition of the property at 349-353 Fifth Avenue. Located on the southeast corner of 34th Street and Fifth Avenue, the property will be reconstructed for a new banking office to serve the bank's business in the midtown area, Chairman N. Baxter Jackson announced. The building, consisting of eight stories and basement, is now occupied by various stores and other tenants. It is anticipated that Chemical will open its new office at this location about May 1, 1954. Chemical, which was the first bank to open an office on Broadway when it was founded on April 1, 1824, maintains 19 offices in greater New York, including executive offices at 165 Broadway. The bank's assets recently crossed the $2 billion mark.

* * *

Frederick N. Goodrich and Jean Mauze have been appointed Vice-Presidents, and John J. Walhovic



F. N. Goodrich Jean Mauze

and Arnold L. Yates have been appointed Assistant Secretaries of the **United States Trust Company of New York**, it was announced on Feb. 5 by Benjamin Strong, President. Both Mr. Goodrich and Mr. Mauze were formerly Assistant Vice-Presidents and have been continuously associated with the company's Investment Department, Mr. Goodrich since 1934 and Mr. Mauze since 1941. Mr. Walhovic has been associated with the Operating Department for the past 16 years, while Mr. Yates has been a member of the company's Investment Department since 1942.

* * *

York Kildea and A. Karl Pons have been elected Vice-Presidents of **Corn Exchange Bank Trust Company of New York**, it was announced this week. Both men formerly were Assistant Vice-Presidents of the bank. Mr. Kildea is in charge of the Park Avenue branch, while Mr. Pons is in charge of the Astor Place branch.

* * *

The newly enlarged capital of $150,000,000 of the **National City Bank of New York**, increased from $144,000,000 by a $6,000,000 stock dividend, became effective Jan. 19. As noted in our issue of Jan. 22 (page 296) the plans to increase the capital were approved by the stockholders at their annual meeting on Jan. 13.

* * *

The New York Agency of the **Swiss Bank Corporation** has announced receipt of cable advices to the effect that directors of the bank, at a meeting held in **Basle, Switzerland**, approved the accounts for 1952. At the general meeting of stockholders in Basle on Feb. 27, it will be proposed to pay a dividend of 8%, as against 7% last year; to donate 1,000,000 francs to the bank's pension fund; to add 2,000,000 francs to the reserve for proposed new bank buildings, and to credit 4,000,000 francs to a special reserve account.

* * *

The capital of the **Gramatan National Bank & Trust Co. of Bronxville, N. Y.**, has been increased as of Jan. 22 from $250,000 to $275,000 by a $25,000 stock dividend.

* * *

As a result of a stock dividend of $1,500,000 the **National Commercial Bank & Trust Co. of Albany, N. Y.**, has enlarged its capital from $1,500,000 to $3,000,000 as of Jan. 26.

* * *

Approval was given by the New York State Banking Department on Jan. 30 to a certificate of increase of capital stock of the **Syracuse Trust Co. of Syracuse, N. Y.**, from $1,800,000 (in 180,000 shares, par $10) to $2,550,000 (in 250,000 shares, par $10). On Jan. 30 also the Banking Department announced the filing of the plan of merger of the **Oswego County National Bank of Oswego, N. Y.**, into the Syracuse Trust Co., of Syracuse, under the title, **"Marine Midland Trust Company of Central New York."**

* * *

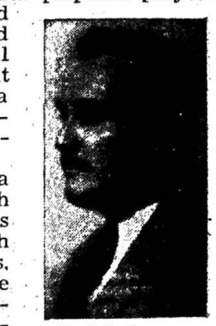
An addition of $100,000 to the capital of the **New Britain Na-**

Continued on page 40

From Washington Ahead of the News

By CARLISLE BARGERON

President Eisenhower's emphasis upon religion since his election has caused a considerable and favorable flurry among the clergy, the church press and apparently among church-going people generally. His action in delivering a self-prepared prayer just prior to his inaugural speech aroused considerable comment and this was followed by his becoming baptized in the National Presbyterian Church, his steady attendance at church and his more recent presence at a hitherto unpublicized prayer breakfast conducted under the auspices of the hotel magnate, Conrad Hilton.



Carlisle Bargeron

Mr. Truman was what you might call a good church-going family man and his much criticized side-kick, General Vaughan, was not only a deacon in a nearby Virginia church but he taught a Sunday School class. This, however, is not exactly the impression the Truman Administration left with us. The majority of us, based upon the last election returns, have more of a picture of loose living and corruption rather than that of a government devoted to the Sermon on the Mount.

There is a feeling among the Washington political experts that Mr. Eisenhower is bent upon setting a high moral tone for his Administration. Not only did he attend the Conrad Hilton breakfast himself but he commanded his Cabinet to be present.

This is certainly all to the good and should prove to be a healthy leadership for the country as a whole. But as I look back it strikes me that all Republican Administrations and Republican politicians generally have a closer association with the church than do the Democrats. I mean no offense against the Democrats and I do not mean that Republicans are more religious minded or more devoted to the church than the Democrats. What I am trying to say, having been close to politics and politicians for a good 25 years, is that the Republican politicians seem to bring the church more into their profession, to utilize it in their business more than the Democrats. Both party conventions always open with invocations by a member of the cloth and I suppose this is true of all the large assemblages of both parties. But it has been my experience that the Republicans will have a prayer at the beginning of a little courthouse political rally whereas the Democrats get down immediately to the business of the evening. I would put it this way: I am sure just as many Democrats get to Heaven as Republicans but the Republicans put on a better show of religious performance.

Frankly, many years ago, before the New Deal came, when I was a young rebel and a Democrat, I used to think the Republicans were professionally sanctimonious. Undoubtedly I was wrong; there was little good, indeed, that I could ever see in the Republicans. I was convinced everything they did, even to attending church, was simply to get votes. After all we have been through, I am mighty glad they finally got enough votes to return to power. Be that all as it may.

I wonder if it is a corollary of the new tone which the Eisenhower Administration is setting that some of the old reformers of the former Republican days are coming back to life. There is the Rev. Clinton Howard for example, a former leader in the dry movement. I had not heard from him since the early days of the New Deal and the repeal of the 18th Amendment. But he swung a lot of weight around Washington in the Coolidge-Hoover days. Now he is back, getting in the papers again with such things as denouncing the Republicans for organizing a club within a stone's throw of the Capitol and serving alcoholic beverages. There are and have been any number of dispensers of alcoholic beverages all around the Capitol. But the Republican club has aroused Mr. Howard's fury and while this would not alarm me in itself, it does alarm me when he once again can get back in the papers with his fury. He is, of course, not the only one of these old-time reformers to reappear. His name just comes readily to mind. Their reappearance has been the subject of much discussion around the National Press Club. We should hate to see a recrudescence of the political power held in the former Republican days by such men as Wayne B. Wheeler and Bishop Cannon. Maybe the fears of those who entertain them are unfounded but it is a fact that these fellows seem to thrive under a Republican Administration. As glad as I am to see the Republicans back I hope these men or their ilk never get a foothold again. I would rather have the hodge-podge of heathens which we have just had.

Managed Investment Programs in Calif.

SAN FRANCISCO, Calif. — Nathaniel S. Chadwick and Clyde M. Monaghan have formed Managed Investment Programs, a partnership, with offices at 41 Sutter Street, to engage in the securities business. Both partners were formerly with E. F. Hutton & Company, and in the past Mr. Chadwick was an officer of National Securities & Research Corporation.

J. O. Whitaker Opens

FT. SMITH, Ark.—J. O. Whitaker is engaging in a securities business from offices at 1815 North "A."

Firm Name Now Bramhall, Falion Co.

The firm name of Bramhall, Barbour & Co., Inc., 2 Wall Street, New York City, dealers in corporate and municipal securities, has been changed to Bramhall, Falion & Co., Inc.

Milwaukee Bond Club Dinner February 13

MILWAUKEE, Wis. — The Milwaukee Bond Club will hold its annual dinner party in the East Room of the Hotel Schroeder, Friday, Feb. 13. Guest tickets are $10.

Mortgages as Life Insurance Investments

By L. DOUGLAS MEREDITH*
Executive Vice-President, National Life Insurance Company
Montpelier, Vt.

Life Insurance executive reveals extent of mortgage holdings by life insurance companies and the current situation in mortgage loan field. Discusses attractiveness of mortgages as investments, and concludes mortgage lending plays a very important part in investment programs of life insurance companies. Looks for increased emphasis upon uninsured mortgage loans.

Life insurance companies during each of the last five years have put not less than 27% nor more than 40% of available funds into mortgage loans. During 1952 they acquired approximately $4,000,000,000 of mortgage loans, and thus brought their total mortgage holdings at the year-end to an estimated total of $21,275,000,000, consisting of more than 2,000,000 individual loans. This total was greater than that held by any other type of investment institution and comprised approximately 23% of outstanding mortgage credit which aggregated an estimated $92,500,000,000 as of the year-end, an all-time high, and comprised the largest single block of non-government long-term debt in the country.

L. Douglas Meredith

At the end of 1952, so-called mortgage holdings of the life insurance companies aggregated 29.1% of total assets, compared with 14.8% only seven years earlier. The latter figure represented the smallest proportion of total assets so invested in the history of the industry. This compared with 43% in 1926, and from 1890 to 1933 the proportion never dropped below 29.3%.

At the year-end life insurance companies held $5,700,000,000 of FHA loans and $3,350,000,000 of VA loans. If these are considered as a separate classification of security because of their certain peculiar attributes, the companies held only $12,225,000,000 of mortgage loans in the strict sense of the word, which represented only 16.7% of total assets.

Outstanding commitments to buy mortgage loans at the end of the year totaled probably slightly in excess of $1,000,000,000, seemingly indicating continuing interest in mortgage loans on the part of life insurance investment officers late in 1952.

How Mortgage Holdings Are Used

Proceeds of the mortgage holdings of life insurance companies were used primarily to finance some form of housing. About 97% of the number of loans were for this purpose, and 80% financed individual homes.

These few figures serve to demonstrate that:

(1) Life insurance companies as a group of institutions hold the largest amount of mortgages, and are a vital factor in financing the homes, business properties and farms of the Nation;

(2) Mortgage credit extended by life insurance companies has been a major factor in providing the home building industry, now one of the Nation's largest industries, with the greatest prosperity it ever has enjoyed;

(3) Mortgage credit from life insurance companies has contributed greatly to the increasing standard of living of the American people;

(4) Mortgage loans, both historically and especially more recently, have been a very significant investment outlet for life insurance companies;

(5) A larger portion of life insurance funds readily could be invested in mortgage loans of all types.

Since Dec. 31, 1947, the assets of 500 United States legal reserve life insurance companies have increased not less than 6.67% nor more than 7.42% in any year, indicating statistically that life insurance companies have an ever-increasing amount of funds available for investment from increased assets, to say nothing of funds becoming available for reinvestment from amortization and other payments. Assets increased about $4,900,000,000 in 1952, and funds available from repayment amounted to approximately $2,000,000,000. Thus, it is fair to assume that in 1953, the life insurance companies will have approximately $7,200,000,000 to invest, with $5,100,000,000 coming from the increase in assets and $2,100,000,000 from repayments. Of course, only part of this very substantial sum will go into mortgage loans, and this fact in turn points to the significant question: What portion of these $7,200,000,000 will be invested in mortgage loans?

Also, it always is possible that if mortgage loans are sufficiently attractive, other assets may be sold and the proceeds reinvested in mortgages.

The interest shown in mortgage loans by investment officers results from the well known investment advantages of such loans, but which warrant restatement here:

(a) Funds invested in mortgage loans are directed, generally speaking, to highly commendable purposes which contribute to elevation of the Nation's standard of living;

(b) Abundant security in the form of real property and debt-paying capacity of the debtor;

(c) Attractive income, depending, of course, upon the relative condition of the mortgage market and other investment markets;

(d) The possibility of high geographic diversification;

(e) High diversification of credit risks;

(f) Attractive maturities;

(g) A high degree of liquidity which a generation ago was not an attribute of mortgage loans.

Implicit in these advantages is the fact that loans insured by the Federal Housing Administration or guaranteed by the Veterans Administration are a hybrid type of security. They rely upon real property for the underlying security, but the insurance and guaranty endow them with many of the attributes of bonds, even though they are called mortgages. Consequently, some investors have been willing to go so far as to think of FHA and VA loans as tantamount to bonds and have supplanted bonds by FHA and VA loans.

This attitude toward FHA and VA loans reflects the thinking of many investors that mortgage loan portfolios possess a higher degree of liquidity than was the case a generation ago. This constitutes a highly significant change in investment attitude or philosophy. Historically, we have tended to think of liquidity as an attribute of an individual invesment, but it is more logical to think of liquidity as an attribute of an investment portfolio. This concept circumvents the difficulty resulting from the fact that one mortgage loan, completely amortizable over its life and in good standing, might be considered an illiquid investment, whereas 2,000 mortgage loans of the same pattern over a period of time might contribute greatly to the liquidity of an institution. The same would be true of a portfolio of bonds of serial or varying maturities.

For the purpose at hand we shall define liquidity of a portfolio as the attribute which makes a sufficient portion of it convertible into cash within a reasonable time by regular payments or self-liquidation, by prompt sale without substantial loss, or by use as collateral for loan purposes to meet the institution's maximum requirements for cash.

Degree of Liquidity of Mortgage Loans

A carefully planned and properly constituted mortgage portfolio affords a higher degree of liquidity than is generally recognized. The pattern of mortgage loans now offered by life insurance companies provides for self-liquidation as a result of monthly payments on principal and interest which differs greatly from the loan pattern of 25 years ago under which a borrower procured a loan for three to five years with no regular reductions on principal. Secondly, an active real estate market greatly contributes to the seeming liquidity of mortgage loans for, as properties are sold, loans tend to be paid off either out of savings or by refinancing. Thirdly, mortgage loan liquidity also is enhanced by insurance of loans by the Federal Housing Administration and by guaranty of loans by the Veterans Administration. These endorsements and the marketability of FHA debentures assure that in the event of foreclosure, the lender can expect an early recovery of cash without the complicated problems of real estate liquidation which resulted from farm loans in the 'twenties and from urban property loans in the 'thirties. Fourthly, the development of Federal agencies with more or less authority to buy mortgage loans augments greatly their real or potential marketability. The Home Owners' Loan Corporation and the Federal Farm Mortgage Corporation set an example in this type of activity by refinancing defaulted loans and demonstrating a commendable experience with them. Though vague assumptions fail to constitute sound investment collateral, it is hard to believe that some phases of HOLC activities would not be renewed or that the Reconstruction Finance Corporation would not enter the market in the event of extensive loan defaults. Fifthly, the use of mortgage loans by the owning institution as collateral for loans at commercial banks or the Federal Reserve Banks affords another possible source of liquidity and there always is the likelihood of sale of loans. Finally, development of FHA loans resulted in the evolution of an over-the-counter market for loans of all types which market prior to 1935 had not existed.

Nothing recently has occurred or impends which alters the attractiveness of mortgage loans as investments to life insurance companies, with the exception of the rate of return available. Therefore, it becomes appropriate to examine the outlook for the possible supply of mortgage loans in 1953, and the relative rate of return.

Bases of Volume of Mortgages

The volume of mortgages available for purchase bears a direct relationship to the volume of new residential construction, and to some extent to the rate of capital expenditures. It is obvious that construction cannot take place without available financing, but it is equally obvious that lenders will not hazard their funds nor will builders assume construction risks unless the demand for new construction expresses itself.

The financial institutions of this country have made possible since the end of the war the greatest building boom in the nation's history, and have effected a new high in American standards of housing. From 1945 through 1952, we constructed 7,100,000 new living units and in four of these years, we produced in excess of 1,000,000 units annually. In 1951 and 1952 more than 1,090,000 units were produced annually, in spite of Regulation X and restrictions on materials. The boom resulted from an increased rate of family formations and births, from liberal credit terms, from a strong movement of the population into the suburbs and from greatly improved housing. Furthermore, 1,400,000 families still continue to live doubled up and many of these families seek their own homes. Each of these influences continues to assert itself to a greater or lesser extent and all will contribute, barring the unexpected, to another good year for new home construction in 1953. Estimates range from 900,000 to 1,200,000 units, and a million seems like a reasonable figure at this time.

Over the longer range, it becomes equally reasonable to expect a gradual slowing down in new home construction. The production of new units some time ago caught up with and since 1949 has exceeded the rate of family formation which is expected to decline significantly, probably to 750,000 families or less per year in the not distant future. The Bureau of the Census predicts 697,000 new households a year through 1955, and then only 624,000 through 1960. Furthermore, the pressure from doubled up families for independent housing can be expected gradually to relax further.

But, for the foreseeable future one can reasonably expect a strong demand for mortgage money from the desire to finance residential property. Commercial construction during recent years has been retarded by materials shortages and Regulation X, and relaxation of the former and last year's suspension of the latter already have added significantly to the demand for mortgage money.

Builders reiterate that credit is a construction commodity, as vital to building as lumber, steel, bricks or cement, in order to emphasize the importance of an adequate supply of money to the construction industry. Interest, in turn is the price paid for this commodity, and whether or not investment officers allot to mortgages the funds at their disposal depends entirely upon whether or not the price offered for the money is sufficiently attractive.

A large number of factors including rate of return, risk of loss. the term of the investment, and expenses of origination and handling, determine the relative attractiveness of various types of investment and the avenues into which these savings will be directed. However, other things remaining the same, rate of return or the price which users of capital are willing to pay for the funds they borrow, is the deciding factor. In an entirely free money market in which interest rates are permitted to find their own level, rates will be determined by the willingness of borrowers to pay the rate necessary to procure capital. In such a market, with limited savings and a strong demand, rates will rise until they reach such a point that a sufficient number of potential borrowers are discouraged from borrowing to make the demand for funds equal the supply. But in recent years a market of this kind has become somewhat theoretical as the result of unprecedented exercise of governmental influences. Prior to March, 1951 and the now famous accord between the Federal Reserve System and the Treasury, government policies prevented a free money market. In the mortgage market, "Fanny May" still serves to prevent the free play of market forces and encourages unrealistic interest rates on FHA and VA loans.

Lending "upon usury," that is, at interest, was forbidden by Mosaic law, and the receipt of interest was anathema even to the Schoolmen of the Middle Ages. Modern usury laws were enacted with the intent of allowing free determination of interest rates by the market place with an outside limit. Any law which prohibits the taking of interest above a certain rate may properly be described as a usury law, and by the same token, current FHA and VA regulations on interest rates become nothing less than highly specialized modern usury enactments. When the FHA was created, a maximum interest rate was imposed by regulative fiat, but this was intended as an outside limit, and not necessarily a limit which coincided with or sought to determine the market rate. As time has passed, the regulation of FHA and VA rates appears to have changed from the imposition of a limit below which the market would determine the rate to actual fixation of a market rate. Unwillingness of officials to recognize changed market rates has resulted in the imposition of charges upon borrowers by other methods, some legal and some devious, and the creation of doubts and uncertainties which have served effectively to reduce if not completely to shut off the flow of funds into these loans from many private sources. As evidence to support this statement, it may be pointed out that in 1952, FHA and VA purchases by life insurance companies comprised only 32.70% of their total purchases, compared with 45.49% in 1951 and 49.69% in 1950.

Much current evidence suggests that at long last government once more will recognize and appreciate the function and value of free markets, and that interest rates fixed by administrative fiat and supported by a lady (Fanny May) whose creation and existence were of doubtful value will restrict mortgage rates less in the future than in the past. If so, realistic interest rates will make FHA and VA loans more attractive to investment officers.

Recently the Federal Housing Administration announced that a one-half percent service charge would be permitted on Title I, Section 8 loans. It is not clear at this time whether this is a recognition of the need for higher interest rates on mortgage loans, or of the need for additional compensation to the investor on this type of loan because of high expenses incident to their small size. It would appear that these loans always were entitled to a differential because of the high costs of handling. In any event, the action provides encouragement for believing that the Federal Housing Administration is becoming increasingly aware of the necessity of maintaining a market return on the loans which it insures and it is to be hoped that further constructive action soon will be taken.

Relative Attraction of Mortgages

Whether available funds are invested in mortgages or other investments depends in large part upon the relative investment attraction of mortgage loans when compared with other securities,

*An address of Mr. Meredith at 8th Annual Conference of the New York University Graduate School of Business Administration, sponsored by the Mortgage Bankers Association of America, New York City, Jan. 28, 1953.

mainly bonds and preferred and common stocks. Persons seeking mortgage credit enter the money market and compete for funds against persons and organizations, not only in this country, but throughout the world, who seek credit for other purposes. If they are permitted to pay a rate of interest which makes mortgages more attractive than other investments, they need have no concern about obtaining adequate funds.

Despite the investment appeal of FHA and VA loans, given an adequate return, life investment officers recently have shown increasing attention to uninsured loans, and this might well continue for several reasons. In the first place, as pointed out earlier, FHA loans and VA loans do not constitute true mortgage lending from the investment point of view. The trend toward less government in business will probably tend to encourage lenders to rely more upon their own judgment and less upon governmental guarantees. Certainly businessmen now enjoy an unusual opportunity in official positions to show what the American system of free enterprise can accomplish. Businessmen not occupying governmental portfolios have a like opportunity to demonstrate that, given a favorable atmosphere, less reliance will be placed upon governmental institutions. In the second place, the proportion of assets of life insurance companies invested in mortgage loans is low when compared with the historical record of the past several decades and, if only uninsured loans are considered, the proportion remains near an all-time low since 1890. Thus, an increase in the holding of uninsured mortgage loans might readily be expected and, particularly in this field company preferences for large versus small loans and for commercial, residential, and farm loans will be exhibited.

The manner in which loans are serviced has a direct bearing upon their attractiveness as investments for life insurance companies. Experience repeatedly has demonstrated that the quality of the servicing frequently determines whether a loan proves to be a good investment or an item of continuous trouble. Life insurance investment officers are coming to greater appreciation of the value of efficient servicing and may be expected to exact only high quality performances from their correspondents. This will pertain particularly as soon as delinquencies begin to rise.

It is difficult, if not impossible, to conclude this discussion without emphasizing once more a point which receives all too little attention. The mortgage lending business traces its origins through the centuries to Rome and even to the ancient city of Ur. The fundamental principle of extending credit with real estate as security remains unchanged, but the manner in which this is done has changed greatly and continues to change. The opportunity for further improvement challenges every alert and progressive lender. While the investment attraction of mortgage loans depends in large part on the return available, some of the attraction will also be found in the adoption of new and improved methods of transacting our business, particularly in servicing, which will serve to improve the net return. Let it never be said that while the physical sciences progressed with revolutionary speed, mortgage lending failed to keep abreast of progress.

In conclusion, the current situation and the outlook for the year ahead may be summarized as follows:

(1) Mortgage lending plays a very important part in the investment programs of life insurance companies;

(2) Mortgage lending will continue to play a very important part in these programs;

(3) A large but probably declining volume of building will, in the foreseeable future, provide a large opportunity for mortgage lending;

(4) The investment appeal of mortgage loans depends upon the return available when compared with other available investments, and we have grounds for believing that mortgages may become relatively more attractive than they have been for the past two years;

(5) Increased emphasis upon uninsured loans may be expected;

(6) Mortgage investors will exact high standards of servicing in order to avoid losses and high costs incident to troublesome cases;

(7) Finally, part of the investment appeal to be found in mortgage loans depends upon our willingness to adopt methods of handling them which add to their investment appeal.

Hard Carbides Seen Increasing Industrial Productivity in 1953

Increased manhour efficiency should help offset effects of inflationary factors in today's economy.

"Production, intelligent distribution, and use of more hard cemented carbide tool metal in 1953 will be of great service to the American people in protecting their standards of living in time of peace and their lives in time of war," said Philip M. McKenna, President of Kennametal Inc., Latrobe, Pa.

Philip M. McKenna

As Mr. McKenna pointed out, the faster-cutting and longer-lasting tools of cemented tungsten and titanium carbide which are harder than any tool steel, often triple the output of men and machines. Alert men in industry, hard pressed by inflation of other costs, will turn increasingly in 1953 to such technological improvements to maintain earnings despite the mounting consequences of inflation. Tungsten carbide mining drills, and bits for coal mining machines, will aid production per man in basic industry in 1953. In the oil industry, Kentanium, the light weight but extremely hard titanium carbide alloy, will be increasingly used in balls and seats for valves in oil pumps, thus saving down-time for pulling pumps for repairs. While primarily developed as a metal that resists the deteriorating effects of 2,000°F in gas turbines, Kentanium will find many uses during 1953 for working under heat or corrosive conditions and where a light metal of high hardness and resistance to bending is required.

An obstacle to earlier wider attainment of the real economic gains by adoption of these relatively new and certainly revolutionary metals has been what is called the excess profits tax. Profit being defined in the dictionary as "accession of good; useful results; desirable consequences," it is difficult for Mr. McKenna to see how there can be an "excess" of desirable consequences! He believes that such an economic monstrosity as EPT will be allowed to expire June 30, 1953 and be remembered only as part of the madness of a self-destructive time. It has cut the financial muscles of the horses able to do the most effective pulling. When everyone is encouraged and enabled by fair laws to pull together, only then will America have prosperity based upon realities. If America has that encouragement from wiser political leaders in 1953, our country can resume the progress which it enjoyed for over 150 years under obedience to the Constitution.

Mr. McKenna, who is also National Chairman of The Gold Standard League, believes that when the new Administration, pledged in its platform to the objective of a "gold convertible currency" for the U. S. Citizen, fulfills that condition of sound money, then industry will be able to respond. Private effort, the backbone of America's strength, can then have the assurance which validates the promises men live by. If on the other hand that condition is not fulfilled we may very well sink into a condition wherein private effort is at a very low ebb, economic activity perforce being carried on by forced draft by the Government through large State-controlled corporations as in Mussolini's Corporate State.

If in 1953 the results of the recent national election are understood as a demand of the people for economic and political freedom from wasteful and big Government, businesses such as of Kennametal Inc. can take heart and doubtless be able to do more in offering useful innovations and inventions for commercial use. The combination of high taxes, coupled with threat of continued monetary and credit inflation, is very hard on growth companies. The net result can be confiscation of capital rather than taxation of income. That means the destruction of initiative in the United States, a consummation doubtless desired by our enemies.

Kennametal Inc. looks forward to improvement in its Canadian business in 1953 through the recently established refinery for both tungsten and titanium carbide at Port Coquitlam, British Columbia, 17 miles east of Vancouver, B. C., which went into operation in December, 1952. The output of its Nevada Scheelite Division is expected to continue at this year's level of about $1¼ million. Exploration being conducted in British Guiana and New Mexico for columbite, used in processing heat-resistant Kentanium, may yield prospects worth operating in 1953. The South American exploration is an activity of Kennametal International, a Panamanian corporation, at present wholly-owned by Kennametal Inc.

In summation, 1953 is a year of decision, according to Mr. McKenna. He believes that by midsummer we should know whether we are to go forward with freedom or whether the juggernaut of big Government and high taxes cannot or will not be removed from our backs. His belief is that the American people can and will choose the right path again.

David S. Miller Joins Union Security Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—David S. Miller has become associated with Union Security Co., 29 South La Salle Street. Mr. Miller was formerly in the investment department of Republic Investment Company.

With DeHaven, Townsend

(Special to THE FINANCIAL CHRONICLE)

STAMFORD, Conn.—George E. Stevens is with DeHaven & Townsend, Crouter & Bodine, 77 Bedford Street.

Canadian Securities

By WILLIAM J. McKAY

Among the important developments which have accompanied Canada's industrial expansion in recent years has been the substantial increase in electric power capacity. As in the United States, this development has been motivated by the surging demands of expanding industries, and the continuous increasing domestic needs for light, fuel and power arising from a rapidly growing population and rising living standards.

Efforts to meet these power demands are demonstrated in a record total of added electric capacity amounting during 1952 to 1,064,600 horsepower. This brings Canada's installed electric capacity to 14,304,230 horsepower, or 8% more than in 1951. Yet, Canada's known water power resources are only about one-quarter in harness.

There is likelihood of a continued and accelerated speedup of Canada's power expansion program. New plants and extensions scheduled for operation in 1953 total 860,000 horsepower, while other developments under way or planned for later years, exceed 2,000,000 horsepower.

Canadian Resources Minister Winters reveals that though hydraulic sources still provide the major portion of industrial and domestic power consumption, steam plants are playing an increasing part "and becoming a more important factor in the field of power production."

The greater number of new electric power installations in 1952 are located in Quebec. Construction also was active in the field of power distribution, with new main transmission lines being completed or under way in many other sections of the country.

It is reported that good progress in rural electrification was made, particularly in Ontario, Quebec and Manitoba. But, progress has also been made in other Provinces. Thus in British Columbia, the B. C. Electric Co. completed its powerhouse at Wahleach Lake, 15 miles east of Chilliwack, with operation of the single unit of 82,000 horsepower.

The British Columbia Power Commission also brought into operation its two-unit 4,000-horsepower Clowhom Falls plant at the head of Salmon Arm which is designed for an ultimate capacity of 12,000 horsepower. In its John Hart plant on Campbell River the Commission has installation under way on two additional units of 28,000 horsepower each with operation planned for early 1953.

The Aluminum Co. of Canada has made good progress on its Nechako-Kitimat development, with work well up to schedule for 1954 initial operation. The present program calls for 420,000 horsepower in three units to be completed in 1954, but ultimate capacity of this development is estimated at more than 2,000,000 horsepower.

In the Yukon area the Northwest Territories Power Commission brought into operation its Mayo River development near Mayo Landing. The plant consists of one 3,000-horsepower turbine driving a generator. Provision has been made for a second similar unit.

The Yukon Hydro Co., Ltd., is planning to increase capacity of its Porter Creek plant near Whitehorse from 500 to 1,440 horsepower.

In Manitoba the Manitoba Hydro-Electric Board completed its 114,000-horsepower Pine Falls development on the lower Winnipeg River with installation of four units. The Board began preliminary construction of the MacArthur Falls development on the Winnipeg River which will have a capacity of 80,000 horsepower in eight units. Operation is slated for 1955.

Likewise, the Winnipeg Electric Co. completed installation of the sixth and final unit of 37,500 horsepower in its Seven Sisters plant on the Winnipeg River. The plant has a total turbine capacity of 225,000 horsepower.

Of course, the most important advances in electric power expansion were witnessed in the well settled sections of Ontario and Quebec. The Ontario Hydro-Electric Power Commission reports the first seven of eight units were placed in operation at the Otto Holden generating station on the Ottawa River near Mattawa. The plant will have a total turbine capacity of 264,000 brake horsepower. Construction is well advanced at the Sir Adam Beck-Niagara generating station No. 2 on the Niagara River which will have 12 units totalling 1,260,000 brake horsepower on completion in 1956.

Another unit began operation at the J. Clark Keith steam generating station, Windsor, which finally will have four units and a 66,000-kilowatt capacity. The third unit of the four-unit Rich L. Hearn generating station, Toronto, was placed in operation. This plant will have a total capacity of 376,000 kilowatts.

The Commission has during 1952 extended its transmission and rural line facilities by more than 2,500 circuit miles and the total number of farm services was expected to reach 129,000 by the end of this year.

Bankers Offer Case Co. 3½% Debentures

Morgan Stanley & Co. and Clark, Dodge & Co. headed a nationwide underwriting group which offered for public sale yesterday (Feb. 11) a new issue of $25,000,000 J. I. Case Co. 25-year 3½% debentures due Feb. 1, 1978. The debentures are priced at 100% plus accrued interest to yield 3.50% to maturity.

Proceeds of the sale will be used by the company to reduce its short-term bank loans and to finance in part seasonal requirements of working capital. The company produces a full line of farm machinery, including tractors, threshers, combines, cultivators, plows, harrows and other machines and implements, and is among the five largest manufacturers in the industry.

The new debentures are subject to redemption at the company's option at 103½% if redeemed on or before Feb. 1, 1957 and thereafter at prices decreasing to the principal amount if redeemed after Feb. 1, 1975. A sinking fund providing for payments of $630,000 in each year 1958 through 1977 is calculated to retire at least 50% of the issue prior to maturity. An additional sinking fund of up to $630,000 will operate in each of these years when net income exceeds $7,000,000. The debentures will be subject to redemption for the sinking fund at prices commencing at 101¾% in the years 1953 to 1956 and decreasing to 100% in the years 1975 to 1977.

For the fiscal year ended Oct. 31, 1952 the company reported net sales of $142,898,000 and income before interest and income taxes amounting to $16,594,000.

The Secondary Mortgage Market

By MILES L. COLEAN*
Washington, D. C.

Asserting, in a strict sense, a secondary mortgage market does not exist, Mr. Colean contends that neither the Home Loan Bank nor the organization known as the Federal National Mortgage Association furnishes a "real" secondary market. Points out these institutions buy but do not sell, and thus do not serve as a last resort for funds. Lays down principles on which a true secondary market should be based, and points out deficiencies in Home Loan Bank System.

In talking to you about the secondary mortgage market, I am taking as a subject something that, in any strict sense, does not exist.

Miles L. Colean

At this conference a year ago, Mr. Louis J. Rub called attention to the definition of a secondary market given in the annual report of the Housing and Home Finance Agency for the year 1950. That report referred to the secondary market as "a place where mortgages can be bought and sold, thus providing assistance for, and additional liquidity in the field of home financing," and went on to say, "a market where such mortgages may be bought or sold provides a means whereby lenders and investors are afforded an opportunity to convert their mortgage holdings into cash, as well as to purchase mortgages for income purposes."

Although the HHFA report was referring to the Federal National Mortgage Association, it is clear, as Mr. Rub pointed out, that, on this definition, FNMA can hardly be referred to as offering a real secondary market. Here are some of the characteristics of FNMA which prevent it from meeting the requirements of the definition:

(1) It can deal only in mortgages of very limited types and, in respect to the total of all such mortgages held by a lender, only to a very limited degree.

(2) It can deal only with the originating institution and offers no outlet at all to institutions that have bought mortgages from other institutions.

(3) Its function in providing liquidity, therefore, is extremely restricted. Actually, the function of FNMA has not been to meet the requirements of HHFA's definition, but rather to provide a means to assure the financing of certain special kinds of loans on which the government had established interest rates not acceptable to private investors. Moreover, in doing this, FNMA was deprived of the other function of providing a place from which mortgages might be sold, because the submarket rate at which its portfolio had been acquired effectively prevented sales from taking place.

Home Loan Banks

If FNMA cannot measure up to the definition of a secondary market, then neither can the Home Loan Banks, which have no authority to buy or sell mortgages. However, according to another definition given at last year's conference, these banks would have some claim to the title. Dr. Sipa Heller defined the term "secondary mortgage market," or "secondary mortgage credit," as "loans made by a last-resort lender, against the security of real estate mortgages. It is provided by an institution from which organizations engaged in making mortgage loans are able to obtain funds in case of need, by pledging mortgages as collateral. It is a central mortgage institution, since as a rule it does not deal directly with ultimate borrowers, but makes loans to member institutions."

But if Dr. Heller's definition lets in the Home Loan Banks, and, for that matter, the Federal Land Banks, it excludes FNMA, since FNMA cannot make loans on the collateral of mortgage loans. It can only, within its narrow limits, buy and sell mortgages. Furthermore, FNMA does not meet another of Dr. Heller's criteria—that of not dealing with ultimate borrowers. FNMA can lend directly on Alaskan mortgages while, in the exercise of its advance commitment authority for mortgages on defense, military, and disaster housing, FNMA comes so close to being the primary lender that any difference is one of words rather than of meaning.

In the language of trade, the insurance companies and the large savings banks, and to some extent large savings and loan associations, are often spoken of as providing a secondary market. The use of the term in this connection, however, is hardly justified.

While it is true that these institutions often buy mortgtges from other lenders, they rarely sell mortgages that have once got into their portfolios, and, of course, they do not lend to other institutions on the security of mortgages. Furthermore, their concern is to build up their own portfolios rather than to provide liquidity to the portfolios of others. As a consequence, they cannot be counted upon to serve the purpose of a last-resort source of funds. If they provide a secondary market at all, it is a fair-weather sort of market, which offers funds when funds are already plentiful; whereas a true secondary market is a foul-weather market, providing funds only when and where the market is stringent and curtailing its lending or buying operations when money is otherwise available.

What Constitutes a Secondary Market

Therefore, I think I can stand on my initial statement that a true secondary mortgage market does not exist. This conclusion, though valid, is helpful only in providing a new starting point. If we are really to come to grips with the secondary market issue, we have to have the answers to three questions:

(1) What are the proper functions of a secondary market?

(2) Is there a real need for institutions that will provide such a market?

(3) How can such institutions be organized so as to serve the purposes for which they are intended?

In agreeing upon the purposes and functions of a secondary market, I believe it is necessary to combine the definition given by Dr. Heller with the one referred to by Mr. Rub. If we do that, we come up with something like this:

(1) A secondary market institution should be empowered to buy and sell mortgage loans and to lend money on the security of mortgage loans, thus combining powers of FNMA and the Home Loan Banks and giving the institution, within its own field, something of the scope of the Federal Reserve Banks in the field of commercial banking.

(2) On the buying and lending side, it should be a last-resort source of funds. There should always be some penalty in dealing with a secondary market institution that would keep it from being attractive when other sources of funds are at hand. Thus it should rarely if ever buy except at a discount from par. On the other hand it should ordinarily sell its holdings only at par or better.

(3) It should deal only with lending institutions and should not be available to individual borrowers.

The purposes of such an institution would be to provide liquidity to mortgage lending institutions in times of stress, to encourage a broader geographic distribution of mortgage funds, and to prevent sudden and wide fluctuations in the flow of funds to the mortgage market.

With such an institution in mind, we may tackle the next question. What need do we have for an institution that will function in these ways and serve these purposes?

I do not believe it possible to give an exact measurement of that need. In the first place, we do not have sufficient statistics about the mortgage market to give us authoritative information about the adequacy or evenness of the flow of mortgage money. Secondly, the situation has recently been so distorted by the retention of interest rates, fixed at submarket levels, on insured and guaranteed loans that statistics on the flow and distribution of funds, even if available, might be misleading.

There are many who seriously and earnestly contend that the mortgage market has no troubles that a flexible interest rate cannot cure. There can be no question that the interest rate plays an important part in determining the flow of funds, as is evidenced by the greater fluctuations in the volume of VA financing by insurance companies as compared with the volume of their conventional mortgage financing. And it is certainly true that, until we are again dealing with marketable rates throughout the whole mortgage system, the proper place of a secondary market institution cannot be determined. So again we are dealing with a hypothetical situation that cannot satisfactorily be resolved unless action is taken on the VA and FHA interest rates and until research has provided us with better knowledge of the amount and locale of the demand for mortgage money.

Deficiencies in Home Mortgage System

In the absence of positive proof of need, however, we can at least make a few plausible conjectures, and, on the theory that, where there is squeaking, there is need of grease, conclude that there are significant deficiencies in the functioning of our home mortgage system. The very number of attempts to improve the system is in itself evidence in support of that proposition.

The Home Loan Bank System had its inception in the need for providing credit reserves for local thrift institutions, which, wholly dependent as they had been on local savings, were subject to severe contraction in times of crisis. It was intended also to serve the purpose of enlarging the area covered by such institutions.

FHA was invented in order to provide a means for broadening the home mortgage market and for moderating the extreme terms under which mortgage loans were made, when they were made at all, in underserviced areas. It was, of course, never thought that FHA only could do this job. Hence the idea of national mortgage associations—institutions designed for the specific and sole purpose of channeling savings into mortgages and diminishing the fluctuations in the availability of mortgage funds from general investment institutions such as banks and insurance companies.

The prewar Federal National Mortgage Association did operate pretty much in the manner originally conceived for it. It made a market; and—even more important—it gave confidence to the market for FHA loans. It bought loans when and where the private market was reluctant, and it sold at a premium when the demand for mortgages by private institutions became active. Since the end of World War II, however, the situation has been so confused by the interest rate question, the sudden shift in monetary policy, and the impact of direct controls that it is difficult to make judgments of any validity for this period.

Nevertheless, the postwar experience did reveal deficiencies of another nature in the mortgage system. It showed that the system as now organized was extremely susceptible to the effects of inflationary forces. Amid the easiest money conditions in history, all of the agencies just referred to did their utmost to make money easier. The Home Loan Bank system extended credit with unprecedented generosity. FHA, and along with it the Veterans' Administration, liberalized mortgage terms to the maximum. FNMA, with its advance commitment policy, became in effect a primary lender, pouring funds into an already glutted market. In other words, the instruments that worked with only partial success to broaden the market during a period of depression proved to be better adapted to intensifying rather than restraining a boom, once one developed.

Had there been in existence, throughout the last 15 years, a secondary market instrumentality such as I have described, it would have acted pretty much as did the original FNMA during the early part of that period, except perhaps on a broader scale, especially in remote areas; but it would presumably have operated on a very restricted basis, if at all, during the postwar boom. While tempering the extremes in interest charges during the depression, it would certainly not have lent itself to the support of a submarket rate during a period of heavy demand for mortgage funds.

Conclusions

Out of the experience we have observed and the evidence we have accumulated, we may therefore safely conclude that (1) there are deficiencies of the mortgage system which need correction and (2) that a true secondary market institution might be one of the means through which deficiencies could be corrected.

Pending further research as to the reasonableness of these conclusions, we may go to our third question. How might a secondary market institution be organized to serve the functions for which it was designed?

First, it seems to me that such an institution would have to be so established as to be at least as free from transitory political and social pressures as is the Federal Reserve Board. To accomplish this, a number of features are indicated: It should have a corporate form with officers and directors of fixed, overlapping terms. Its personnel and operating policies should not be subject to the domination, coordination, or influence of any official or agency having responsibility for promoting housing. It should, to the fullest extent possible, be financed with private capital.

The last point is a particularly tough one. Experience has shown that it is difficult if not impossible to obtain private capital for any genuine type of central banking facility except on the basis of some form of compulsory membership. The scope of such membership, the determination of amount of subscription, and similar matters would require careful exploration.

Second, the institution, while not organized primarily for profit, should assuredly be self-sustaining. Consequently, it should have an adequate ratio between its capital and the amount of the debentures that it would be authorized to issue to the public; and it should be allowed to operate in an environment of freely moving interest rates. The first FNMA operated on a capital-to-debenture ratio of 1-to-20 and a spread between its debenture rate and the current mortgage rate of 2½ percentage points or better; and on this basis it was better than self-sustaining. It may be noted that one reason for this advantageous spread was a tax-exempt feature on the debenture income that probably could not now be obtained.

Another source of profit would come from the difference between the buying and selling prices on mortgages; and, with the first FNMA, this proved to be a substantial source of gain. On the other hand, a secondary institution operating under proper policies might be out of the market for considerable periods during which its assets would be in cash or low-yield liquid securities.

Third, the institution would have to have an assured source of income in time of stress. This again is a difficult feature to achieve, since the time at which mortgage institutions had need for liquidity probably might be a time at which debentures could not be readily sold to the public. It is true that the first FNMA did successfully float two issues during a period of relative depression; but, even on those occasions, the time of panic was passed.

Within its limited scope of operations, the Home Loan Bank System has long been concerned about this contingency and, in 1952, the Congress was persuaded to authorize the Treasury, under certain circumstances and within certain limitations, to purchase the debentures of the Home Loan Banks. Unquestionably, if any more inclusive secondary market facility is to be assured of operation at the time it was most needed, a similar recourse would be essential. My opinion, however, is that a sounder arrangement would be to have that recourse to the central banking system rather than to the Treasury.

This issue promptly brings up another. If the secondary market instrumentality is to have the privilege of relying for ultimate support upon the central banking authority, then the central banking authority must be in a position to exert influence on the policies of the mortgage instrumentality. While this principle seems to me to be axiomatic, the method of its implementation is far from self-evident. There are a number of possibilities, ranging from complete managerial domination to simply a final voice in the establishment of discounts and premiums on purchases and sales of mortgages. This question must be

*An address by Mr. Colean at the Eighth Annual Mortgage Conference of the New York University Graduate School of Business, sponsored by the Mortgage Bankers Association of America, New York City, January 28, 1953.

added to the others requiring serious study.

There are still other questions that are raised by this whole subject. Is there any way in which the Home Loan Bank System might be broadened so as to obtain the scope originally sought for it? If this could be done, would an adequate secondary market facility be provided? Should the proposed secondary facility deal only in insured and guaranteed mortgages, or should its advantages be also extended to take in mortgages held by government-insured institutions, or should it in addition make credit available on conventional home mortgages made by non-insured institutions?

I am sure I have said enough to convince you that the resolution of the secondary market questions involves finding solutions to some very knotty problems. I hope I have, in spite of this, made it seem worth-while to seek for these solutions. Since the early 1930s, after the Home Loan Bank Act and the National Housing Act were passed, there has been very little original thinking done about the mortgage system. Since that time, we have proceeded on a crisis-to-crisis basis, improvising as we went along until our sense of direction has been blurred if not actually lost. A change of Administration in Washington gives an opportunity and should provide the inspiration to start our minds working again with basic issues. We have an opportunity that should not be lost.

First Boston Group Offers Diamond Alkali Co. 3⅜% Debentures

Public offering of $15,000,000 of 3⅜% sinking fund debentures of Diamond Alkali Co., a major producer of basic inorganic chemicals and a recent entrant in the manufacture of organic chemicals, was made on Feb. 6 by an investment banking group headed by The First Boston Corp. The debentures were priced at 101¼% and accrued interest, and mature Feb. 1, 1978.

Beginning in 1957, a sinking fund will operate to retire at least 65% of the issue prior to maturity at an initial redemption price of 101.13 decreasing to 100% in 1975. General redemption prices range from 104¼ prior to Feb. 1, 1954 to 100% after Feb. 1, 1975.

Since the close of World War II, the company has expended approximately $60,000,000 for expansion of its productive capacity, modernization of existing facilities and diversification of plant and product. While expenditures under this program were largely in connection with the company's basic line of inorganic chemicals, including chlorine, alkalis, silicates, chromates and calcium carbonates, in the last two years expansion has been made into the field of organic chemicals, such as insecticides, herbicides, agricultural chemicals, solvents and vinyl plastics.

Proceeds from the current financing will be used to repay $5,800,000 in outstanding debt and for a further program of expansion, modernization and diversification estimated to amount to $14,600,000 for the period 1953-54. Since 1946, the company's net property account had increased from $20,400,000 to $65,000,000 at the close of 1952.

Consolidated net sales of the company and its subsidiaries for the year 1952 amounted to $76,673,000 and net income was $5,462,000.

Restore Gold Standard Immediately!

Walter E. Spahr, Executive Vice-President of the Economists' National Committee on Monetary Policy, says a redeemable currency is becoming more urgent each day, if we are to minimize the penalties of unsound monetary practices.

"Immediate establishment, by our new Administration in Washington, of a gold standard and a redeemable currency is becoming more urgent each day if we are to minimize the penalties we are paying and must yet pay for the unsound monetary practices of the last 20 years and if we are to attain economic health, safeguard the dollar, and provide a sound basis for business and finance," was urged in a statement by Walter E. Spahr, Executive Vice-President of the Economists' National Committee on Monetary Policy.

Walter E. Spahr

"Congress and the President should push through resumption of redemption now while they can safely do so. Later may be too late," Dr. Spahr continued.

"Resumption alone cannot correct all the serious economic diseases that have been building up during the last 20 years, but it is a necessary prerequisite to economic health.

"In five out of six resumptions, business expansion followed promptly upon the heels of resumption. And in the exceptional case, that of 1842, resumption was undertaken during a sharp business recession. The only time our Government as distinguished from banks, was involved in a resumption (Jan. 2, 1879), business expansion quickly followed, gold flowed in from abroad, the volume of money and deposits expanded as business increased, the demand for Government securities swamped the Treasury staff, more gold was turned in for paper money than paper money for gold.

"There is nothing new about this business today, except our people who, like those of 1878, seem not to understand the history of people's reaction under an irredeemable currency.

"Those people who today advise delay in resuming redemption also seem not to know, or to discount the fact, that the longest business recession and depression in our history came (1873 to March, 1879) under an irredeemable currency which, with the Civil War, had invited and made possible the preceding rise in prices and economic distortions.

"It is possible that our nation, like our people from 1873-1879, will have to experience a severe business depression before our Government officials will shed their illusions about the virtues of an irredeemable currency.

"A very important consideration for our people is that while a gold ratio of 10.8% is more than adequate, in the light of experience, to permit resumption of redemption, our Government, by listening to the arguments for delay on resumption, has permitted that ratio to fall from 24.6 to 10.8%. Should that ratio fall to 6.5-7.0%, this nation then, in my opinion, will have entered the danger zone. Resumption then would probably be a dangerous undertaking. A contraction of credit would then be necessary to raise the reserve ratio to the zone of reasonable safety.

"The distance from 10.8 to 7% is not great considering the rapidity with which our Government and Reserve Banks ran the ratio from 24.6 in 1941 to 10.5 in 1945.

"The distortions generated by our irredeemable currency and other unsound practices over a period of 20 years have been so great, and the unfortunate consequences now unfolding in so many directions are so ominous — for example, as revealed in the evils of agricultural subsidies, our huge volume of public and private debt, mounting consumer credit, and so on — that our Government should hasten to resume redemption of all our money and deposits at $35 per ounce of fine gold in order to get every benefit and assurance possible from a purified monetary bloodstream," Dr. Spahr concluded.

Everett T. Tomlinson

Everett T. Tomlinson, a familiar Wall Street figure and a partner in the firm of Merrill, Lynch, Pierce, Fenner & Beane, died last Saturday in the Carlton House, Madison Avenue and 62nd Street, after an illness of several weeks.

In late years, Mr. Tomlinson lived on his Poniton Farm, at Bridgeton, N. J. His warm-hearted simplicity and engaging manner were dominant traits in his character and as a result he had a host of friends in and out of Wall St. Mr. Tomlinson was born in New Brunswick, N. J. sixty-seven years ago and was graduated from Williams College in 1906. During World War I he was a bureau head of the Liberty Loan organization in the 2nd Federal Reserve District.

Joining the Barron organization in 1919, Mr. Tomlinson became Vice-President and General Manager of Doremus & Co. and in 1928 President of this advertising agency. Resigning in 1933, Mr. Tomlinson became a member of Fenner & Beane and when the latter firm merged to form Merrill Lynch, Pierce, Fenner & Beane, he became partner of the consolidated firm. Besides his membership in many New York City and New Jersey clubs, Mr. Tomlinson served on the Executive Committee of the Ministers and Missionaries Board of the American Baptist Convention with which J. Herbert Case of the National City Farmers Trust Co. and George W. Bovenizer, Kuhn, Loeb partners, have been identified for years.

Davies & Co. Adds

(Special to The Financial Chronicle)

LONG BEACH, Calif.—Thomas H. Golden has joined the staff of Davies & Co., Security Building. Mr. Golden was previously with Walston, Hoffman & Goodwin, and Daniel Reeves & Co.

With Crowell, Weedon

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Sidney C. Knoblock is now with Crowell, Weeden & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange.

Joins Hannaford Talbot

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Douglass M. Hodson has become associated with Hannaford & Talbot, 634 South Spring Street. Mr. Hodson was formerly with Gross, Rogers, Barbour, Smith & Co., and Morgan & Co.

Two With Hill Richards

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Frederick L. Rezler and Aubrey V. Senez are now with Hill Richards & Co., 621 South Spring Street, members of the Los Angeles and San Francisco Stock Exchanges.

Railroad Securities

Erie Railroad

As had been expected, and even with sizable year-end adjustments by a number of companies, a vast majority of the railroads of the country have reported gratifying, and in some cases substantial, gains in earnings last year compared with 1951. One of the exceptions to this general trend was Erie. Largely reflecting the prolonged summer steel strike, gross revenues for the year dipped about $2.4 million below the 1951 level. This drop in business was not fully compensated for by reduced costs, and net income before sinking and other reserve funds fell off some $267,000. Common share earnings, also before allowing for the funds, amounted to $4.57 last year compared with $4.68 in the preceding year.

This showing of Erie last year was in particularly sharp contrast to the experience of the other large eastern roads. Baltimore & Ohio, New York Central and Pennsylvania, all of which were also seriously influenced by the strike picture, made uniformly good year-to-year comparisons. Despite the disappointing showing by Erie, however, it is widely held in financial circles that the stock still has considerable appeal for income and for some price appreciation. As the capital structure was streamlined by judicial reorganization, and the property improvement and equipment programs have been virtually completed, it is felt that Erie is in a position conservatively to pass along a larger proportion of earnings to stockholders than are the other three.

There is little question but that Erie stock suffers marketwise psychologically from the onus of its history and the financial excesses that characterized the old company. Even the realistic reorganization consummated early in the 1940's has apparently failed to erase the memory of the old heavy debt structure and the fact that the old company never in its history ever paid a dividend on its common stock and very little on either class of the old preferreds. This is particularly unfortunate in view of the happy dividend experience of the reorganized company. Dividends have been paid on the common regularly since consummation of the reorganization, first at the rate of $1.00 per share per annum and in the last three years the payments have amounted to $1.75 a year. This gives a very handsome yield on a stock selling in the low 20s.

Erie is quite prominent in the movement of fast freight between the Chicago gateway and the New York metropolitan area. Thus, it handles a substantial volume of fruits and vegetables, animal products, etc. This in turn tends to give the road a certain degree of stability and to make it less vulnerable than some of the other eastern roads to wide fluctuations in our industrial economy. This adds an element of strength to the road's position in periods of recession or depression. As a corollary, however, it tends to reduce the earnings leverage in periods of boom conditions and expanding industrial activity. Another restrictive factor is anthracite coal, the use of which has been on a long-term down trend for many years.

Erie has been engaged in a comprehensive property rehabilitation and equipment program. It is generally felt that expenditures for capital improvements from here on, and for some years to come, should be quite modest. With the exception of some of the commuter business in the New York metropolitan area, operations are now fully dieselized. Dieselization of this remaining service will in all likelihood be gradual, paced to the rate at which mileage runs out on the steam power now being used. The work that has already been done and the new equipment that has been installed have resulted in a significant improvement in operating efficiently in recent years. As recently as 1947 the transportation ratio was above 44%. Last year it was below 41% and it seems reasonable that it can be reduced below 40% in the reasonably near future. Traffic was down in the first couple of weeks of the current year but it is indicated that there has been considerable betterment more recently and the prospects over the coming months appear favorable. All in all, then, present indications point to higher net in 1953 than in 1952.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates on Feb. 6 offered $3,000,000 International-Great Northern Railroad of series EE 3¼% serial equipment trust certificates, maturing annually Feb. 20, 1954 to Feb. 20, 1968, inclusive. The certificates are priced to yield from 2.50% to 3.75%, according to maturity. Issuance of the certificates is subject to the authorization of the Interstate Commerce Commission.

These certificates are to be secured by new standard-gauge railroad equipment, consisting of 500 single door all-steel box cars of 100,000 pound capacity, three 1500 hp. diesel-electric road switch locomotives and two 1500 hp. diesel-electric road switch locomotives, with steam generators, estimated to cost not less than $3,804,013.

Other members of the underwriting group are: R. W. Pressprich & Co.; Freeman & Co.; The Illinois Co.; Wm. E. Pollock & Co., Inc.; and McMaster Hutchinson & Company.

Two With Harris Upham

(Special to The Financial Chronicle)

BOSTON, Mass. — William A. Barron, III and John R. Howar have become associated with Harris, Upham & Co., 136 Federal Street. Mr. Barron was formerly with F. S. Moseley & Co. and W. E. Hutton & Co.

Kopel Joins Hirsch Co.

Hirsch & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, announce that Lewis Kopel has joined the organization as associate manager of the firm's research and statistical department. Mr. Kopel was formerly with Lehman Bros.

Gold Coin Counterfeiting in Italy

By PAUL EINZIG

Pointing out, according to the Swiss Federal Court, there is no crime in producing gold coins, Dr. Einzig calls attention to reopening of private mints in Italy where U. S. Double Eagles and Sovereigns are produced. Says coins are of legal weight and fineness. Holds, although sovereigns and gold coins are no longer minted in U. S. and Britain, international action should be taken to end their private minting.

LONDON, Eng. — The recent discovery of forged dollar notes on the Continent has received a fair amount of publicity. But it is not realized in the United States that counterfeiters in Europe are busily engaged not only in producing American paper money but also American gold coins. And whereas those who print the dollar notes are liable to long-term imprisonment if they are caught on this side of the Iron Curtain, those who coin "double eagles" can practice their trade with impunity. Thanks to the judgment of the Swiss Federal Court on Aug. 19, 1952, it has now become lawful to mint privately and sell gold coins that are no longer in active circulation in their own countries.

Dr. Paul Einzig

The judgment was the result of extradition proceedings by the Italian authorities against the Spaniard, Beraha, and the Italian, Bernardi, on the ground that they were guilty of counterfeiting sovereigns. The Swiss Federal Court rejected the demand, whereupon the Italian Government with a questionable logic, dropped the proceedings against the two men and their associates who had been caught and held imprisoned in Italy pending their trial. There was no legal justification for this change of attitude. After all, the Swiss Federal Court is not an International Court of Justice. Its ruling is not legally valid outside the borders of Switzerland. Nevertheless, the Italian authorities choose to submit to it.

As a result the private mint in Italy which was closed down when the Italian authorities decided to take action last year, was reopened. By November the Zurich Correspondent of the London "Statist" was able to report that privately-minted coins were coming to the Swiss market from Italy in ever-increasing quantities. What is more, emboldened by their immunity from prosecution, the producers of coins extended their activities to cover the unauthorized minting of double eagles in addition to sovereigns, Napoleans and some less-known gold coins.

All these coins are alleged to be of full weight and fineness. Indeed it was partly on that ground that the Swiss legal authorities decided that there was no ground for criminal prosecution. The reason why it is profitable for the enterprising individuals concerned to practice their unconventional trade is that there is a substantial premium on coins over their gold value. For hoarding purposes by people of small means they are more convenient than gold bars cut into small pieces. Hence the willingness of the public in Switzerland, France, Greece, the Middle East, Hong Kong, etc., to pay premiums of anything between 25% and 33%, which secures ample profit for the producers of the unauthorized coins even if they do not debase the coins which they counterfeit.

In many instances there is no noticeable difference between the outward appearance of the privately produced specimens and the authentic coins. Even so, the Swiss banks of standing are not very happy about the whole business. They avoid dealing in coins as far as possible. One of the leading Swiss banks sent in some suspected sovereigns to the Royal Mint in London with the request that their weight and fineness should be checked. The bank insisted, however, that the coins must be returned intact, they must not be cut or mutilated in order to assay them. The scientific and technical problem involved would have put even the brain of Sir Isaac Newton, Master of the Mint some two and a half centuries ago, to a severe test. It is true, the water test invented by Archimedes some 22 centuries ago could be applied, but it is hardly accurate enough to ascertain fractional discrepancies in the fineness of such a small object as a sovereign.

When it was suggested to the Royal Mint that, in order to solve the problem, it should cut the sovereigns into pieces and replace them by its own sovereigns the unexpected reply was that the Royal Mint possessed no sovereigns! It could only produce them on instructions from the Bank of England and on the account of that institution. In any event the Royal Mint would be understandably reluctant to give the privately-produced sovereigns its testimonial for correct weight and fineness — even if its tests should confirm the prevailing view that they are correct.

When the news of the Swiss Federal Court's judgment reached London everybody expected the Government to take swift and effective action. In official quarters the ruling of the Swiss Federal Court that sovereigns are no longer legal tender in the United Kingdom was indeed called in question. It was pointed out to press representatives who beseiged the Treasury that under British Law a coin remains legal tender and a current coin of the Realm unless and until it is demonetized by Royal Proclamation — which has certainly not been done in the case of sovereigns. They are in fact legal tender, and anybody who is foolish enough to offer a sovereign in discharge of a liability of £1 is entitled to mobilize the full might of the British Law Courts against anybody who is even more foolish in refusing to accept the sovereign at its old face value.

However, the argument came too late to affect the result of the trial before the Swiss Federal Court at which the British authorities were not even a party to the proceedings. In any case it is doubtful whether the Swiss judges would have been impressed. They feel that, since sovereigns are not in actual circulation in Britain, they are just a form of merchandise. The position is the same regarding American and other gold coins. Evidently what is called for is political action to obtain the modification of Article 2 of the International Convention on Counterfeiting of 1929. The terms of the definition of money under that article are evidently worded too loosely. Another international convention of the participating Governments could easily stop the loopholes. The unauthorized minting of eagles, sovereigns and Napoleons could be made a criminal offense once more, and the Italian Government and other Governments concerned would then have to institute proceedings once more and check the activities of the private mints.

Yet up to the time of writing no steps appear to have been taken either in London or in Washington to achieve that result. Perhaps the British and American Treasuries do not appreciate the importance of the practical implications of the present position. It may in due course well become tempting for private interests to produce debased double eagles and sovereigns and to discredit the coinage of the United States and Great Britain. As it is, many people of standing are beginning to be distrustful, and since they are not in a position to check the fineness of the coins they may prefer to be on the safe side, like the Swiss banks do, in refusing to deal in coins. The considerations involved are thought to be largely considerations of prestige. Even so, this should be no reason why the Governments concerned should not take action. In fact, it is of some practical importance not to increase small-scale gold hoarding by placing additional quantities of coins at the hoarders' disposal. To do so is bound to increase the total extent of gold hoarding. It reduces the amount of gold available for monetary purposes, primarily for meeting the dollar gap. And it will be much more difficult to secure the eventual dehoarding of coins than of bars. So a great deal more is involved than the prestige of American, British or French coins.

Group Offers Equitable Gas Conv. Pfd. Shares

An underwriting group headed by The First Boston Corp., Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, and White, Weld & Co. offered for public sale yesterday (Feb. 11) a new issue of 100,000 shares of Equitable Gas Co. 4.50% convertible cumulative preferred stock ($100 par value) at $102 per share plus accrued dividends.

Funds realized from the sale will be used in part to repay $7,000,000 of outstanding bank loans incurred for construction. The balance will be added to general funds and it is expected that this amount together with cash on hand and from operations will be sufficient to complete the 1953 construction program which will call for an estimated $7,200,000.

The new preferred stock is convertible at any time into common stock of the company at the rate of four shares of common for each share of preferred.

The company's business is the purchase, production and sale of natural gas, its service territory embracing approximately 225 communities in Pennsylvania and West Virginia, including the City of Pittsburgh and surrounding municipalities in Allegheny County, Pa. The area has a population of more than 1,760,000 and the company estimates that it serves approximately 55% of all residential and commercial gas consumers in Allegheny County.

In the 12 months ended Oct. 31, 1952 the company produced from its own wells about 53% of its gas supplies; the balance being purchased.

Eastman, Dillon Adds

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn. — Kenneth A. Wood is with Eastman, Dillon & Co., 75 Pearl Street.

Britain to Stage "Trade-Not-Aid" Show

Coronation year is going to be a big trade year for Britain, Lord Rochdale told a group of business news editors at The Wings Club Thursday, Jan. 29. Vice-President of The British National Union of Manufacturers, Lord Rochdale said of The 1953 British Industries Fair, "The Fair will be the 32nd held by us. It is our showcase, there we display a great deal of what we are turning out and everything we intend to turn out during the next year. It is the largest industrial fair in the world, designed especially for businessmen. It runs from April 27 to May 8. There the overseas buyer will be able to see a representative cross-section of Britain's newest industrial products—from a dress to a dump-truck. It is going to be the best Fair we have ever had, and we expect more buyers than ever before."

Lord Rochdale

He continued: "For really the first time since the war we are meeting the world demand for goods Britain can make—and we are making them, in enormous quantities and new variety. To a very large extent we have overcome the backwash of war, and now we are starting to go ahead.

"We have been helped tremendously by the steel you were able to let us have last year. You may remember that about a year ago Sir Norman Kipping mentioned our great need of steel. Well, we got it, and we made the most of it, as you shall see.

"An indication of how we are bettering our position—and not slowly, either—is shown in the trade figures released a few days ago: in 1949 we exported to you out here $205 million worth of goods. The next year our exports had jumped to $316 million, and in 1951 they were up to $384 million. Last year we sent a record total of $401.9 million worth of exports to U. S.—not enough to close the dollar gap by any means, but well along the right road."

A special sectional city, all of it prefabricated—will be one of the features. A complete school, a clinic, and different sorts of houses will be set up on one floor of the giant Earl's Court exhibition hall. A small-craft section—for medium-priced, family-type vacation boats — cabin-cruisers, dinghies, one-man sailing boats will also be featured.

Debt Refunding Main Problem of New Regime

Dr. Marcus Nadler, consulting economist to Hanover Bank and Professor of Finance at New York University, holds this is most pressing problem, taking precedence over tax changes and budget balancing.

In his second report, as Consulting Economist of the Hanover Bank on Administration problems, issued to Hanover offices and customers, Dr. Marcus Nadler points out because a large volume of short-term obligations comes due this year, refunding operations comprise the most pressing domestic problem facing the new Administration, and this takes precedence over taxation adjustments and balancing the budget, as well as price and wage controls.

Marcus Nadler

"In its refunding operations," Dr. Nadler asserted, "the Treasury must consider not only the increased cost of the debt burden, but more importantly, the effects of such operations on the liquidity of financial institutions and large business concerns, as well as on the money market and on business activity in general.

"A large portion of the floating debt can be converted into long-term obligations attractive to non-bank investors only if the latter have the funds for such investments. Otherwise, such a policy merely leads to an increase in long-term interest rates and can result in a decline in private capital expenditures. At least during the first half of 1953 the capital market will not be ready for large-scale shifts from short- to long-term Treasury obligations."

On taxation versus a balanced budget, Dr. Nadler holds that the new Administration will favor the latter, adding that it was "quite evident that if the budget . . . is not balanced during a period when the economy is operating practically at capacity, it may never be balanced."

"Every effort must be made to reduce Federal expenditures in order to balance the budget and make possible a reduction in taxes, both corporate and individual," he said.

"In considering tax reductions one may expect the Administration will be guided more by economic than political considerations. Not only is there a need for tax alleviation but also for broad overhauling of the entire tax structure."

George Dahlin Joins Goodbody in Chicago

George E. Dahlin

CHICAGO, Ill.—George E. Dahlin has joined Goodbody & Co., 1 North La Salle Street, as head of the mutual funds department. He formerly was with Langill & Co. for many years.

Marache, Dofflemyre Add

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Thomas J. Corcoran, Jr., Ralph T. Huff, Don E. Ruggles, William P. V. Stuart, and Harvey L. Walker have become connected with Marache, Dofflemyre & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

What the Eisenhower Administration Should Do to Promote Well-Being of All the People

In introductory statement accompanying firm's annual report, Charles E. Merrill, Directing Partner, and Winthrop H. Smith, Managing Partner, of Merrill Lynch, Pierce, Fenner & Beane, urge adoption of principles which will assure the greatest measure of prosperity to the entire nation. Stating that financial organizations can provide nation's venture capital needs if favorable legislative and tax climate prevails, authors hold time has come for government to relinquish some of its emergency business projects.

The nation-wide investment banking and brokerage concern of Merrill Lynch, Pierce, Fenner & Beane, has issued an annual report covering its business operations in the year 1952. In an in-

Charles E. Merrill Winthrop H. Smith

troductory statement to the report, signed jointly by Charles E. Merrill, Directing Partner, and Winthrop H. Smith, Managing Partner, attention is called to the need for a favorable legislative and tax climate if existing private financial organizations are to satisfy the demands for venture capital. They also urge a relinquishment by government of some of the powers it "preempted from business during periods of emergency." The text of this joint statement, entitled "Just and Generous and Prosperous to All," follows:

"This country was founded by men who were searching for freedom. One of the freedoms each sought was the right to be his own boss, to run his own business. Private ownership was an essential part of their concept of freedom.

"Three centuries ago almost every American—in the course of a lifetime — came to know the privileges and responsibilities of private ownership. Even the bondsman who signed away several years of his working life as payment for passage to America usually wound up owning his own farm or shop. And our forebears' self-reliance and independence stemmed in large measure from the fact that they had a personal stake in the country's economy.

"Hundreds of years later, Abraham Lincoln expressed this same idea. Speaking to Congress in 1861, he said: 'When one starts poor as most do in the race of life, free society is such that he knows he can better his condition. . . . The prudent, penniless beginner in these States labors for wages awhile, saves a surplus with which to buy tools or land for himself and at length hires another new beginner to help him. This is the just and generous and prosperous system which opens the way to all, gives hope to all, and consequent energy and progress and improvement of conditions to all.'

"That's capitalism in its ideal sense—and for a long time here in America, we managed to hang on to it. But with the development of mass production, although a great blessing in itself, large segments of human beings lost touch with the meaning of private ownership. Too often the assembly line and the conveyor belt deprived them of a sense of sharing in the welfare of the firms for which they worked. They held little hope of becoming capitalists themselves.

"Then came the crash of 1929 and a world-wide depression, and Lincoln's concept of a creative capitalism in which every citizen might own a share in America suffered a further setback. And the next 20 years of New Deal and Fair Deal, of inflation, war and cold war, placed additional strains upon free enterprise.

"The government moved into many areas which had previously been the province of business and industry. It built and operated power plants. It constructed transmission lines. It set up a vast network of administrative bureaucracies and regulatory bodies. And it imposed an unprecedented tax burden upon both corporations and individuals.

"Our net total public and private debt during these years, due to war and inflation, soared from $175 billion in 1932 to the astronomical figure of $561.5 billion in 1951. (Back in 1917, prior to World War I, our total public and private debt was a mere $94 billion.) In the past 20 years, our Federal, state and local debt rose from $37.9 billion to $284.2 billion, our corporate debt from $80 billion to $155.8 billion, and our individual and noncorporate debt from $57.7 billion to $121.4 billion. In other words, we mortgaged our future.

"At the same time new investment of equity capital sharply declined. Out of more than $144 billion which business spent on new plant and equipment since the end of World War II, about $9 billion—or only around 6%—was raised by the sale of common stocks. In short, new equity money, which built this country and made it great, virtually disappeared.

"We relied too much upon debt financing. We became too dependent upon insurance companies, banks, trusts and other institutions—institutions which by their very nature could not furnish venture capital.

"Now, of course, the American people have called for the termination of the New Deal and Fair Deal. An era is ending, and we are faced with the problem of where to go next.

"Have we the wisdom and 'know-how' to put into action the kind of capitalism which Lincoln envisioned? Have we the foresight to make capitalism a creative force, a tool for freedom, a means of strengthening rather than destroying the individual's sense of independence, of opportunity, and of responsibility? Can financial organizations such as ours provide the venture capital the country needs?

"Our answer is emphatically, 'Yes!' But to accomplish this, at least four things will have to be done. We have said these things many times before, but in view of the change of political climate, we feel they should again be emphasized.

"*First, we will have to create a more favorable legislative climate in which business can operate:* Certainly it is time to re-examine the many new laws and experiments of the past two decades. Some of these were much needed and highly constructive. But those which discourage free enterprise should now be discarded; those which foster individual opportunity and industrial growth should be reinforced and strengthened. The laws governing our securities business, for example, have now been in force for almost 18 years. They have accomplished much, but it is now time to restudy and revamp some of them, not only for the benefit of shareholders and ourselves, but for the good of the country as a whole.

"Certainly it is also time for our government to relinquish some of the powers which it pre-empted from business during periods of emergency. And it is time, too, for most of the presently government-owned projects to be returned to private ownership. Let the government 'govern' — keeping its proper place as umpire, as arbitrator and as guardian of the public's best interests.

"*Second, we must modify our tax structure to encourage the investment of venture capital:* Let us study the effects of taxation upon corporate financial policy and on the basis of our findings, establish a tax system which will spur industrial development. Let us re-examine our capital gain and loss tax regulations. For put bluntly capital gains are not income and any tax on them is nothing more or less than confiscation. We must have a tax system which will stimulate venture capital and encourage investors to seek growth opportunities.

"*Third, we must take steps toward reducing our public debt:* At the earliest possible moment, we should operate our government on a pay-as-we-go basis with a balanced budget. Then we should take steps to pay off the mortgage which we have imposed upon future generations. A sound capital structure and a balanced budget are vital to long-term development and growth of a corporation—and equally vital to a nation. When we weaken our monetary system with debt, we weaken capitalism itself—we open the door to financial collapse and its inevitable bedfellow—statism.

"*Fourth, we must educate employees and the American public concerning the function of private ownership:* The employee stock ownership plans and pension and profit-sharing programs of many of our corporations are sound steps toward this objective. But a tremendous job of selling free enterprise remains to be done.

"Only 1.4% of the employees of manufacturing concerns own shares of stock in their business. And even though about 75% of all individuals who own stock today are earning less than $10,000 a year, there are still 8 million families in the $5,000-$10,000 bracket and nearly 1 million families in the $10,000 and over class who own no securities at all.

"American Telephone and Telegraph, General Electric Co., Westinghouse Electric Corp., Dow Chemical, E. R. Squibb & Sons and dozens of other corporations have pioneered in developing employee stock ownership plans to bring such people into the fold of the capitalists. Perhaps the most spectacular of all is Sears Roebuck's Saving and Profit-Sharing Pension Fund. Almost 6,000,000 shares or about 25% of the outstanding capital stock of the company is in the fund, and over 100,000 employees have a stake in it. But many more corporation plans of this sort are needed if capitalism is to enlarge its scope.

"Such programs as these—together with measures to stimulate equity capital and reduce our public debt — cannot help but strengthen capitalism—a capitalism in which freedom and social responsibility go hand in hand.

"We must remain dedicated to the proposition that freedom and social responsibility are inseparable and that neither may be exploited at the expense of the other.

"We must never lose sight of the fact that it is the venture capital of individual investors such as you—to whom we pay tribute in the pages following — which made this country great.

"We must see to it that free enterprise and private ownership are used as a means to strengthen our freedom. We must use them more fully to do so.

"We must make sure that the financial policies of this country of ours are always—as Lincoln envisioned them—'just and generous and prosperous . . . to all'."

Financial Results for 1952

According to its financial statements, the firm of Merrill Lynch, Pierce, Fenner & Beane, in 1952 had a net income, before Federal taxes and charitable contributions, of $6,329,405. This compares with $9,481,359 earned in 1951.

Federal income taxes amounted to an estimated $4,200,000 and charitable contributions totaled $200,093, leaving $1,929,312 for the partners who participate in the profits. This compares with $2,500,316 in 1951.

In addition to regular salaries, the firm paid employee bonuses amounting to $1,348,702 and the partners contributed an additional $607,349 to the employee profit-sharing plan. Contributions to the profit-sharing plan, which was inaugurated in 1945, now total $5,236,268.

Total operating income of the firm in 1952 was $43,614,818, down $697,413 from the preceding year, while operating expenses were up $3,559,546 from 1951, when the expenses ran $30,638,334 compared with $34,197,880 in 1952.

Foreign Gold and Dollar Holdings

"Monthly Review" of Federal Reserve Bank of New York sees an overall improvement in recent months, culminating in aggregate holdings of almost $20 billion at end of 1952.

According to a study made by the Federal Reserve Bank of New York, the results of which are published in the February issue of the Bank's "Monthly Review of Credit and Business Conditions," gold and dollar holdings of foreign countries, which rose for almost two years from September 1949 through June 1951, and declined thereafter until March 1952, have since tended to increase again. At the low point in September 1949 they amounted to $14.6 billion. They then rose to $19.8 billion in June, 1951, declined to $18.5 billion in March of last year, and reached $19.9 billion by the end of 1952.

Gold and Dollar Movements in 1952

Foreign accumulation of gold and dollar reserves during the year, the study reveals, took the form predominantly of dollars rather than of gold. United States net gold sales totaled only $163 million during the nine months ended December 1952, while foreign countries' dollar holdings increased $1.1 billion during the same period. During the second quarter of 1952, the United States bought $106 million of foreign gold, although foreign countries were already accumulating dollars. In the third quarter, the United States sold, on balance, $1 million of gold. In the last quarter, net gold sales by this country reached $268 million. The United States continued to sell gold in January 1953, when (up to Jan. 28) its monetary stock declined by $150 million.

The recent acceleration in United States gold sales reflects principally a more rapid conversion into gold of dollar balances acquired by foreign countries. Just as in earlier periods—most recently during July 1951-June 1952—the foreign monetary authorities sold gold whenever they needed to replenish dollar balances that had fallen below customary levels, so now they have been converting their dollar balances into gold when the former have exceeded these levels. By standing thus ready to buy and sell gold freely at its fixed price in transactions with the foreign monetary authorities for all legitimate monetary purposes, the United States maintains the international gold bullion standard.

While the bulk of the United States gold purchases during July 1951-March 1952 came from the United Kingdom, which holds the central monetary reserves of the sterling area, the purchases during April-June 1952, originated mainly in Latin America. Details by countries of the $268 million of United States net gold sales in the final quarter of 1952 have not yet been published; however, on the basis of official data currently available, the reversal in the gold flow appears to mark an improvement in the positions primarily of the sterling area and of certain Western European countries.

The gold position of individual foreign countries was, of course, affected not only by gold purchases from the United States but also by accruals from new gold production, by transactions between foreign monetary authorities, and by transfers to the International Monetary Fund. The latter amounted to about $160 million last year, and represented principally the payment of subscriptions by the German Federal Republic (Western Germany) and by Japan, and the discharge of repurchase obligations by certain Fund members.

"The over-all improvement during April-September is accounted for principally by increases in the gold and dollar holdings of Canada ($223 million) and Continental Western European countries participating in the Organization for European Economic Cooperation ($765 million)," the "Review" states. "The strength of Canada's international economic position was, however, reflected not only in the increase in its gold and United States dollar holdings but also in the rise of the Canadian dollar rate, whose monthly average reached a high of US$1.0424 in September; the rate stood at US$1.0310 at the year end. Among the Continental countries the growth of gold and dollar holdings was especially marked in Germany ($214 million), the Netherlands ($191 million), and Belgium ($173 million). The $161 million dollar rise in France's holdings was largely attributable to that country's drawings on the $200 million advance made by the Export-Import Bank to cover orders by the United States for military equipment that ultimately will be transferred under the military aid programs. Gold and dollar holdings of the Bank for International Settlements and the European Payments Union, which may be considered as a part of total Western European reserves, also went up markedly."

Howard Millet With H. C. Wainwright & Co.

(Special to The Financial Chronicle)

AUGUSTA, Maine — Howard Millet has become associated with H. C. Wainwright & Co. Mr. Millet was formerly an officer of Ingraham, Millet & Company.

Fabian Co. Adds

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Athol S. Lloyd is now connected with Fabian & Company, 9500 Santa Monica Boulevard.

Continued from first page

Funds Accelerate Buying of Oils

group, which represented a complete turn about from the overall appraisal of the third quarter of 1952 when it was the least popular issue. Nine managements added the stock to their portfolios, while two others made new commitments totaling 34,600 shares. A single block of 4,000 shares was sold. Standard of California, also one of the leading sales on balance during the previous period, was currently the second most popular issue, eight funds adding a total of 37,500 shares, half of which made original purchases. Sixteen managements purchased Socony Vacuum, but much of this increase was stimulated by distribution of rights. Phillips Petroleum was also liked by seven trusts after having experienced some temporary unpopularity earlier in the year. However, while seven funds made purchases, three others did eliminate this issue from their portfolios currently; combined volume of the sales was comparatively light. Five managements added Ohio Oil, the favorite in this group during the preceding quarter, and the same number of companies bought Skelly. Offsetting purchases of the former was sale of a single block of 600 shares but there was liquidation in three portfolios of Skelly. Also well liked during the quarter under review were Shell and Sinclair.

Of particular interest were transactions in Amerada because of the funds' generally heavy commitments in this issue. Purchases consisted of 400 shares by National Investors, 3,000 by Massachusetts Investors Trust and 20 by Bowling Green Fund. A single sale of 400 shares was made by Axe-Houghton "A". The least popular issue during the quarter was Atlantic Refining, four trusts disposing of 18,000 shares, two completely eliminating this issue from their portfolios. Pure Oil continued out of favor, as during the preceding quarter, three managements lightening portfolios. Mission Development was also sold by three companies, while two funds each disposed of shares of Humble and International Petroleum.

Of course, not all companies are heavily interested in the oils and natural gas equities and certain funds were even lightening holdings during the quarter under review. Some representative managements such as those of Axe-Houghton "A", Fidelity Fund, and, to a lesser extent, Johnston Mutual sold petroleum issues on balance.

The following list represents the heaviest concentration in the oil and natural gas industry as a group, as well as in Amerada individually, which in three portfolios approximates 50% of the oil and gas investments:

	Percent Assets— Oils and Natural Gas	Amerada	Net Cash and Governments
Closed-End Companies—			
American European Securities	54.7	22.1	1.4
American International	31.5	9.0	3.0
General American Investors	41.3	14.5	15.2
Lehman Corporation	34.3	10.0	11.8
National Shares Corp.	27.5	14.2	12.5
*U. S. and Foreign Securities	46.6	22.7	4.1
U. S. & International Securities	38.2	21.0	7.9
Open-End Companies—			
Incorporated Investors	25.4	None	5.7
Massachusetts Investors Trust	23.7	3.4	2.4
National Investors	21.9	3.9	3.1
State Street Investment Corp.	26.0	1.0	22.0

*Excluding U. S. and International Securities.

Pacific Gas the Favorite

Pacific Gas and Electric was the outstanding favorite among the public utility stocks as it had been during the two previous quarters of the year. Four managements made initial commitments, while four others added to existing holdings for a total of 42,600 shares; there were no sales. American Telephone and General Public Utilities were next in popularity, although some of the additions of the former were the result of bond conversions. 29,274 shares of GPU were newly acquired by three trusts and added to the portfolios of four others. Four offsetting sales totaled 2,733 shares. A total of 69,660 shares of Niagara Mohawk was added by six managements during the period, part representing conversions of "A" stock, while liquidation appeared in the holdings of three others. Idaho Power and Southern Company were each purchased by five managements, but there was lightening in several portfolios of the latter issue. Columbus and Southern Ohio Electric continued in favor, although commitments were not as heavy as during the third quarter of the year. Four managements purchased a total of 7,200 shares. Consolidated Edison of New York, Texas Utilities, Utah Power and Light and West Penn Electric were also each acquired by four investment companies.

Central and Southwest Corporation and Middle South Utilities bore the brunt of concentrated selling. Seven trusts disposed of a total of 43,900 shares of the former utility and six funds liquidated 13,200 shares of Middle South. However, there were four offsetting purchases of the latter in reduced volume. American Gas and Electric and North American were each lightened in four portfolios, sales of the former totaling 4,550 shares and of the latter, 80,700. Three trusts sold shares of American Power and Light, Idaho Power, Virginia Electric and Power and Wisconsin Electric Power.

Buying of the Rails

Nickel Plate was the favorite in the carrier group, eight managements adding a total of 58,200 shares. There was a complete absence of selling in this rail. Atchison, one of the most popular stocks in this group for some time, was liked by seven funds which bought 18,000 shares; offsetting, however, were five sales totaling 3,000 shares. Ranking third among the carriers during the quarter under review, a total of 8,500 shares of Great Northern preferred was added to four portfolios and initially placed in two others. A couple of small sales amounted to only 600 shares. Four managements each liked Atlantic Coast Line, Chesapeake and Ohio, Illinois Central and Louisville and Nashville. The same number of funds purchased 34,000 shares of Pennsylvania, 51,500 shares of Northern Pacific and 55,200 shares of Western Pacific. Three trusts added Southern. Purchases of Northern Pacific were represented by 3,500 shares bought by General American Investors, 10,000 by the Lehman Corporation (both new commitments), 11,000 shares by Massachusetts Investors Trust and 27,000 by State Street Investment Corporation. Concentrated selling appeared in Canadian Pacific, as during the preceding quarter, a total of 19,000 shares being lightened in two portfolios and completely eliminated from three others.

The Chemicals

Monsanto, sold on balance during the third quarter of 1952, was the current favorite in the chemical division as a total of 9,500 shares was added to six portfolios and newly introduced into two others. DuPont was also a leading purchase, 6,500 shares representing five additions to existing holdings and two initial commitments. Ranking third in popularity during the period, Union Carbide was purchased by five managements for a total of 7,100 shares. Three funds each bought Air Reduction (which had been the most heavily purchased in the group during the third quarter of the year), Allied Chemical, International Minerals and Chemical and Texas Gulf Sulphur. Mathieson was received by Squibb holders, of course, as a result of the merger. The major portion of additions to holdings in Dow represented the 2½% stock distribution as well as shares purchased through the exercise of the recent issuance of rights. Eastman Kodak bore the brunt of the little concentrated selling in this group, four managements eliminating a total of 27,800 shares.

U. S. Gypsum Leads Building Stocks

United States Gypsum led the parade of building stocks, purchases of which, as has been pointed out, doubled over that of the preceding quarter. A total of 7,100 shares was added to four portfolios and initially committed to three others. Two sales amounted to 5,100 shares. Yale and Towne was the second favorite in this group, five managements acquiring 6,800 shares. Two portfolio eliminations totaled 900 shares. Three funds each bought National Gypsum, Otis Elevator, Pittsburgh Plate Glass and Simmons. There were two buyers each of several of the major cement concerns — Lehigh Portland, Lone Star and Penn-Dixie. Selling was concentrated on American Radiator, a total of 30,300 shares being lightened in two portfolios and eliminated from three others. Five managements also sold Johns-Manville and two reduced holdings of Weyerhaeuser Timber.

Motors Division

Chrysler was the current quarter's favorite in the motors division, eight managers purchasing a total of 12,500 shares; there were three offsetting sales. General Motors almost paralleled this popularity, four portfolio additions and two new purchases totaling 39,800 shares. 7,200 shares were sold out of four portfolios. Opinion was divided on Studebaker, four transactions taking place on each side of the market. Bendix was the favorite among the suppliers, stock finding its way into seven portfolios. Also liked were Libbey-Owens-Ford by six funds, Borg Warner and Doehler-Jarvis by five, and Electric Auto-Lite by four. Selling was concentrated on no particular issue.

The Electrical Equipments

Westinghouse and General Electric shared honors as the most popular issues in the electrical equipment group, each finding favor with eight managements. A total of 13,500 shares of Westinghouse and 21,800 shares of GE were added to portfolios. Radio Corp., in which only mild interest had been displayed during the immediately preceding quarter, found five purchasers for 14,800 shares. A pair of sales totaled 6,000 shares. Sylvania was added to three portfolios and initially introduced into another. Three trusts each bought McGraw Electric, Square "D" and Sunbeam. Selling was scattered and very light.

Ward Features Merchandisers

Allied Stores still held its position as top favorite in the merchandising group, six funds buying a total of 13,000 shares. A pair of sales amounted to 3,000 shares Montgomery Ward was purchased on management balance, although the character of the selling was important. Three sales represented holdings of several years' standing and one was made

Continued on page 27

Balance Between Cash and Investments of 60 Investment Companies

End of Quarterly Periods September and December, 1952

	Net Cash & Gov'ts Thous. of Dollars —End of—		Net Cash & Gov'ts Per Cent —End of—		Invest. Bonds & Preferred Stocks Per Cent * —End of—		Com. Stks. Plus Lower Grade Bonds & Pfds. Per Cent —End of—	
	Sept.	Dec.	Sept.	Dec.	Sept.	Dec.	Sept.	Dec.
Open-End Balanced Funds:								
American Business Shares	8,772	8,220	22.9	21.2	29.2	28.3	47.9	50.5
Axe-Houghton Fund "A"	5,720	2,995	21.5	10.1	25.1	24.1	53.4	65.8
Axe-Houghton "B"	1,182	1,329	4.6	4.8	26.7	25.8	68.7	69.4
Boston Fund	331	3,647	0.4	3.9	43.1	39.2	56.5	56.9
Commonwealth Investment	3,313	3,578	6.1	5.9	24.3	25.1	69.6	69.0
Diversified Investment Fund—Diversified Funds, Inc.	526	712	1.8	2.1	21.1	23.8	77.1	74.1
‡Dreyfus Fund	453	353	37.3	26.5	7.6	8.3	55.1	65.2
Eaton & Howard Balanced	8,161	8,030	9.2	8.5	30.3	28.9	60.5	62.6
Fully Administered Fund—Group Secs.	3,594	3,286	54.1	48.6	9.0	8.8	36.9	42.6
General Investors Trust	287	345	12.4	14.7	11.1	10.9	76.5	74.4
¶Investors Mutual	12,339	9,850	3.1	2.3	33.0	31.1	63.9	66.6
Johnston Mutual Fund	313	273	18.1	14.0	19.2	21.0	62.7	65.0
§Mutual Fund of Boston	25	37	1.2	1.7	38.5	38.1	60.3	60.2
National Securities—Income	624	958	2.4	3.3	16.9	16.4	80.7	80.3
Nation Wide Securities	2,813	3,274	14.6	16.3	29.3	25.4	56.1	58.3
George Putnam Fund	4,858	4,474	8.4	7.2	21.7	23.1	69.9	69.7
Scudder, Stevens & Clark	5,499	5,236	14.1	13.2	32.5	31.8	53.4	55.0
Shareholders Trust of Boston	388	489	4.9	5.6	23.4	23.4	71.7	71.0
Wellington Fund	27,216	20,471	12.0	8.3	27.1	27.1	60.9	64.6
Whitehall Fund	39	65	1.5	2.4	47.1	45.2	51.4	52.4
Wisconsin Investment Co.	837	900	17.0	17.5	7.0	7.6	76.0	74.9
Open-End Stock Funds:								
Affiliated Fund	6,391	3,101	2.9	1.3	0.1	0.1	97.0	98.6
Bowling Green Fund	140	127	18.2	16.2	26.7	19.5	55.1	64.3
Blue Ridge Mutual Fund	1,235	937	5.9	4.2	None	None	94.1	95.8
Broad Street Investing	1,127	1,017	4.0	3.3	5.3	4.9	90.7	91.8
Bullock Fund	2,040	1,645	14.4	10.8	0.9	0.1	84.7	89.1
Delaware Fund	422	350	3.0	2.3	3.0	3.1	94.0	94.6
Dividend Shares	14,821	13,624	13.4	11.4	0.2	None	86.4	88.6
Eaton & Howard Stock	881	766	6.5	4.5	2.0	1.0	91.5	94.5
Fidelity Fund	2,887	3,800	3.8	4.5	3.7	1.2	92.5	94.3
Fundamental Investors	2,789	3,121	2.0	2.1	None	None	98.0	97.9
General Capital Corp.	2,727	2,843	20.3	19.8	None	None	79.7	80.2
Group Securities—Common Stock Fund	358	375	8.2	7.6	None	None	91.8	92.4
Incorporated Investors	8,725	7,807	7.0	5.7	None	None	93.0	94.3
Institutional Shs.—Stock & Bond Group	384	42	17.7	1.9	9.5	14.3	72.8	83.8
Investment Co. of America	3,382	3,732	17.0	16.7	None	0.5	82.5	82.8
Investors Management Fund	275	288	2.0	2.0	None	None	98.0	98.0
Knickerbocker Fund	11,572	7,073	70.9	42.6	3.9	3.4	25.2	54.0
Loomis-Sayles Mutual Fund	8,148	8,344	29.6	28.3	20.4	22.0	50.0	49.7
Mass. Investors Trust	12,215	12,377	2.6	2.4	None	None	97.4	97.6
Mass. Investors Growth Stk. Fd.	NA	NA	NA	NA	NA	NA	NA	NA
Mutual Investment Fund	325	298	15.5	11.8	32.3	33.6	52.2	54.6
National Investors	680	972	2.4	3.1	None	None	97.6	96.9
National Securities—Stock	1,404	3,025	2.9	5.4	None	None	97.1	94.6
New England Fund	1,431	1,436	24.3	22.5	8.8	5.5	66.9	72.0
Republic Investors	646	290	10.9	4.7	27.6	23.0	61.5	72.3
Selected American Shares	2,361	1,838	9.7	6.9	None	None	90.3	93.1
Sovereign Investors	7	5	1.1	0.8	5.6	4.8	93.3	94.4
State St. Investment Corp.	25,686	25,628	23.1	22.0	0.5	0.5	76.4	77.5
Wall St. Investing Corp.	749	782	21.3	20.9	None	None	78.7	79.1
Closed-End Companies:								
Adams Express								
American European Securities	3,827	3,097	7.1	5.7	0.5	0.5	92.4	93.8
American International	997	183	7.4	1.4	13.7	12.5	78.9	86.1
Capital Administration	1,458	737	5.9	3.0	0.8	0.7	93.3	96.3
General American Investors	399	204	3.8	1.8	14.6	16.6	81.6	81.6
General Public Service	8,680	8,043	16.0	15.2	None	None	84.0	84.8
Lehman Corporation	1,228	326	9.2	2.5	None	None	90.8	97.5
¶National Shares Corp.	17,442	18,083	12.0	11.8	None	None	88.0	88.2
Tri-Continental Corp.	1,861	1,604	14.2	12.5	6.7	5.8	79.1	81.7
†U. S. & Foreign Securities	3,518	1,243	2.2	0.7	14.1	14.5	83.7	84.8
U. S. International Secur.	2,978	2,543	4.8	4.1	None	None	95.2	95.9
	5,551	5,157	8.5	7.9	0.1	0.1	91.4	92.0

* Investment bonds and preferred stocks: Moody's Aaa through Ba for bonds; Fitch's AAA through BB and approximate equivalents for preferreds. † Portfolio exclusive of securities in subsidiary or associated companies. ‡ Name changed from Nesbett Fund. §Name changed from Russell Berg Fund. ¶September figures revised. NA Not available.

SUMMARY

Change in Cash Position of 60 Investment Companies

(Period—Fourth Quarter—1952)

	Plus	Minus	Unchanged	Total
Open-End Companies:				
Balanced Funds	10	10	1	21
Stock Funds	6	15	7	28
Closed-End Companies	0	10	1	11
Totals—All Companies	16	35	9	60

Changes in Common Stock Holdings of 44 Investment Management Groups

(Sept. 30—Dec. 31, 1952)

Transactions in which buyers exceed sellers—or sellers exceed buyers—by two or more management groups. Issues which more managements sold than bought are in italics. Numerals in parentheses indicate number of managements making entirely new purchases or completely eliminating the stock from their portfolios.

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Agricultural Equipment:		
2	*10,000*	*Deere and Co.*	*15,200*	*5(1)*
None	*None*	*Oliver Corp.*	*13,000*	*2(2)*
		Auto and Auto Parts:		
7(3)	6,200	Bendix Aviation	3,200	2
5(3)	8,100	Borg Warner	1,000	1
8(3)	12,500	Chrysler	20,200	3(2)
4	13,750	Clark Equipment [1]	1,800	1
2(1)	2,500	Dana Corp.	None	None
5(1)	8,100	Doehler-Jarvis Corp.	800	1(1)
3(1)	2,800	Eaton Mfg.	700	1
4(3)	3,400	Electric Auto-Lite	900	1
6(2)	39,800	General Motors	7,200	4(1)
6(3)	15,100	Libbey-Owens-Ford Glass	None	None
2(1)	3,300	Midland Steel Products	None	None
		Aviation:		
4	11,500	American Airlines	2,000	2(2)
4(4)	8,600	Boeing Airplane	None	None
4	10,300	Eastern Airlines	1,000	1(1)
3	3,130	Lockheed Aircraft [2]	700	1
2	13,000	North American Aviation	None	None
4(1)	10,200	United Airlines	3,500.1	2
		Beverages:		
2	2,500	Canada Dry Ginger Ale	None	None
3(1)	1,200	Coca Cola	300	1
4(1)	3,300	National Distillers	3,000	2(1)
1(1)	*500*	*Distillers Corp.-Seagrams*	*20,100*	*3(2)*
		Building Construction and Equipment:		
2	4,000	Flintkote	None	None
2(1)	2,100	Lehigh Portland Cement	None	None
2(1)	2,200	Lone Star Cement	None	None
3(1)	9,540	National Gypsum	None	None
3(1)	6,200	Otis Elevator	400	1(1)
2(2)	4,000	Penn-Dixie Cement	None	None
3(3)	20,600	Pittsburgh Plate Glass	2,300	1
2	855	Ruberoid [3]	None	None
2(1)	150	Sherwin Williams	None	None
3	5,500	Simmons Co.	None	None
2(1)	2,050	Trane Co.	None	None
7(3)	7,100	United States Gypsum	5,100	2(1)
5(1)	6,800	Yale and Towne	900	2(2)
1	*1,000*	*American Radiator*	*30,300*	*5(3)*
3(1)	*4,400*	*Johns-Manville*	*9,200*	*5(3)*
None	*None*	*Weyerhaeuser Timber*	*3,100*	*2*
		Chemicals:		
3	9,400	Air Reduction	None	None
3	8,100	Allied Chemical and Dye	None	None
2	10,100	Commercial Solvents	None	None
15	18,223	Dow Chemical [4]	125	1
7(2)	6,500	du Pont	None	None
2(1)	4,000	Freeport Sulphur	None	None
2(1)	1,100	Hercules Powder	None	None
3(1)	5,600	Internat'l Min. & Chem. Corp.	None	None
4(3)	68,300	Mathieson Chemical [5]	4,000	2(1)
8(2)	9,500	Monsanto Chemical	1,500	1
3	1,035	Rohm and Haas [6]	None	None
2(1)	1,900	Spencer Chemical	None	None
2(1)	7,400	Tennessee Corp.	None	None
3(1)	3,000	Texas Gulf Sulphur	500	1(1)
5(2)	7,100	Union Carbide	None	None
2(1)	*140*	*Eastman Kodak*	*27,800*	*4(4)*
		Containers and Glass:		
5(2)	22,400	American Can	3,500	2(1)
7(2)	9,000	Continental Can	400	1(1)
3(1)	6,500	Corning Glass Works	None	None
2	1,200	Crown Cork and Seal	None	None
1	*3,400*	*Owens-Illinois Glass*	*7,200*	*3(1)*

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Drug Products:		
2(1)	2,500	American Hospital Supply	None	None
10(1)	13,168.75	Colgate-Palmolive-Peet [7]	None	None
6(1)	13,200	McKesson and Robbins	None	None
6(2)	19,800	Merck and Co.	17,000	2
5(1)	8,600	Parke Davis and Co.	20,000	1(1)
2	4,500	Sterling Drug	None	None
None	*None*	*Bristol-Myers*	*23,200*	*2(2)*
None	*None*	*Squibb [5]*	*8,700*	*4(4)*
		Electrical Equipment:		
8(3)	21,800	General Electric	500	2(2)
3(2)	11,200	McGraw Electric	1,200	1
5(1)	14,800	Radio Corp. of America	6,000	2
3(1)	5,950	Sprague Electric [8]	None	None
3(1)	5,000	Square "D"	None	None
3(1)	5,800	Sunbeam Corp.	None	None
4(1)	10,200	Sylvania Electric	1,600	2
8(2)	13,500	Westinghouse Electric	2,100	2
		Financial, Banking and Insurance:		
2(1)	2,600	American Reinsurance	None	None
3	8,833	Continental Casualty [8a]	None	None
2(1)	4,500	Employers' Group Associates	None	None
2	10,500	First Bank Stock Corp.	None	None
4	3,600	General Reinsurance [9]	None	None
3(1)	5,200	Household Finance Corp.	None	None
2	7,400	Marine Midland Corp.	None	None
2	1,100	Security-First Nat. Bank of L. A.	None	None
2(2)	3,200	Traders Finance "A"	None	None
2(2)	3,500	U. S. Fidelity & Guaranty	None	None
None	*None*	*Bank of Manhattan*	*15,900*	*3(3)*
		Food Products:		
2	7,500	Best Foods	None	None
2(1)	10,100	California Packing	None	None
6(1)	17,700	Corn Products	600	1
4(1)	11,300	General Foods	500	1
4(1)	38,400	National Dairy Products	3,000	1(1)
		Machinery and Industrial Equipment:		
8(2)	20,200	Allis Chalmers	11,500	3
3	3,900	Bucyrus Erie	None	None
2	2,000	Chicago Pneumatic Tool	None	None
2	15,233	Worthington Corp. [10]	None	None
1	*1,000*	*Dresser Industries*	*2,400*	*3(3)*
		Metals and Mining:		
4	6,049	American Metal Co. [11]	None	None
2(1)	9,157	Magma Copper	None	None
4(2)	3,200	New Jersey Zinc	None	None
3	9,780	Reynolds Metals	440	1(1)
None	*None*	*Consolidated Mining & Smelt.*	*4,900*	*3*
		Natural Gas:		
2	10,700	Chicago Corp.	None	None
2(1)	600	Consolidated Natural Gas	None	None
2(1)	9,600	Lone Star Gas	None	None
2	200	Oklahoma Natural Gas	None	None
10	9,114	Panhandle Eastern Pipeline [20]	1,850	2(1)
11(1)	15,255	Peoples Gas Light and Coke [21]	None	None
8	33,110	Shamrock Oil and Gas [22]	300	1(1)
7(1)	25,500	United Gas Corp. [22a]	14,300	4(1)
2	26,176	Western Natural Gas	None	None
None	*None*	*Texas Gas Transmission*	*6,500*	*2*
		Office Equipment:		
5	4,447	Addressograph-Multigraph [12]	1,200	1
9	19,222	Inter. Business Machines [13]	None	None
		Paper and Printing:		
3(3)	12,700	Champion Paper & Fibre	None	None
3	4,300	Container Corp.	3,000	1
2	1,300	Crown Zellerbach	None	None
7(1)	34,200	International Paper	53,300	4
3	4,860	The Mead Corp. [14]	None	None
2	2,600	Scott Paper	None	None
8	21,499	Union Bag and Paper [15]	1,600	2(1)
None	*None*	*Abitibi Power and Paper*	*11,300*	*2*
		Petroleum:		
3	3,420	Amerada	400	1
20(1)	28,928	Gulf Oil [16]	3,368	6(3)
3	8,240	Hancock Oil [17]	None	None
7(1)	13,200	Phillips Petroleum	1,000	3(3)
3	2,500	Richfield Oil	None	None
4(1)	20,600	Shell Oil	None	None
6	3,855	Signal Oil and Gas "A" [18]	None	None
5	6,170	Skelly Oil	14,262	3(2)
16(4)	84,950	Socony Vacuum Oil [19]	None	None
8(4)	37,500	Standard Oil of California	5,200	3(2)
2	3,500	Standard Oil of Ohio	None	None
11(2)	34,600	Texas Company	4,000	1
None	*None*	*Atlantic Refining*	*18,000*	*4(2)*
None	*None*	*Humble Oil and Refining*	*9,100*	*2(1)*
None	*None*	*International Petroleum*	*8,000*	*2(1)*
None	*None*	*Mission Development Co.*	*3,800*	*3(2)*
1	*1,000*	*Pure Oil*	*800*	*3(2)*
		Public Utilities:		
9(3)	8,200	American Tel. and Tel. [23]	None	None
3(1)	3,900	Central Illinois Pub. Service	None	None
3	5,360	Cleveland Electric Illum. [24]	None	None
4(1)	7,200	Columbus & South. Ohio Elec.	None	None
3(1)	6,600	Commonwealth Edison	3,500	1(1)
4(2)	12,000	Consolidated Edison of N. Y.	None	None
2	23,320	Duquesne Light [23a]	None	None

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
2(2)	33,313	Florida Power Corp.	None	None
7(3)	29,274	General Public Utilities	2,733	4
2(1)	400	General Telephone Corp.	None	None
5(3)	35,400	Idaho Power Co.	None	None
3(1)	5,500	Indianapolis Power and Light	None	None
2	6,500	International Tel. and Tel.	None	None
2(1)	6,600	Interstate Power Corp.	None	None
2(1)	7,325	Kansas Gas and Electric	None	None
4	30,015	Long Island Lighting [25]	16,000	1(1)
3(1)	8,600	Minnesota Power and Light	3,000	1
3	40,600	New England Electric System	None	None
6(3)	69,660	Niagara Mohawk Power [25a]	5,430	3(1)
3	14,900	Ohio Edison	6,500	1
4(4)	33,480	Oklahoma Gas and Electric [23a]	None	None
8(4)	42,600	Pacific Gas and Electric	None	None
2(2)	22,600	Potomac Electric Power	None	None
3	2,800	Southern California Edison	200	1
4(4)	23,700	Texas Utilities	6,565	2
9(9)	28,570	Union Electric (Mo.) [26]	None	None
4(1)	9,540	Utah Power and Light	None	None
7(2)	5,400	Washington Water Power [27]	5,080	3(1)
4(2)	3,575	West Penn Electric	None	None
2(2)	28,940	Wisconsin Public Service [23a]	None	None
2(1)	*600*	*American Gas and Electric*	*4,550*	*4(1)*
None	*None*	*American Power and Light*	*7,000*	*3(2)*
1	*8,200*	*Central and Southwest Corp.*	*43,900*	*7(3)*
1	*2,300*	*Iowa Power and Light*	*6,400*	*3(1)*
None	*None*	*Kansas City Power and Light*	*3,300*	*2*
4(1)	*6,650*	*Middle South Utilities*	*13,200*	*6(1)*
1	*13,900*	*North American Co.*	*80,700*	*4(1)*
1	*1,050*	*Virginia Electric and Power*	*16,500*	*3(1)*
1	*200*	*Wisconsin Electric Power*	*4,600*	*3(1)*
Radio and Amusement:				
4(1)	51,000	Loew's, Inc.	None	None
3(1)	25,600	Paramount Pictures	None	None
None	*None*	*National Theatres, Inc.*	*5,500*	*2(2)*
Railroads:				
7(1)	18,000	Atchison, Topeka & Santa Fe	3,000	5(2)
4(3)	7,000	Atlantic Coast Line	None	None
4(1)	17,300	Chesapeake and Ohio	None	None
6(2)	8,500	Great Northern Pfd.	600	2(1)
4(1)	21,200	Illinois Central	21,950	2(2)
4	12,000	Louisville and Nashville	None	None
8(1)	58,200	N. Y., Chicago and St. Louis	None	None
2	2,500	Norfolk and Western	None	None
4(2)	51,500	Northern Pacific	None	None
4(3)	34,000	Pennsylvania	None	None
3(1)	3,400	Southern Railway	None	None
4	55,200	Western Pacific	1,000	1(1)
None	*None*	*Canadian Pacific*	*19,000*	*5(3)*
Railroad Equipment:				
2	5,500	General American Transport	None	None
Retail Trade:				
6(1)	13,000	Allied Stores	3,000	2
2	3,500	First National Stores	None	None
3	4,600	Grant (W. T.) Co.	3,700	1(1)
2(1)	19,000	Hecht Co.	None	None
3(1)	19,100	May Department Stores	None	None
4(2)	9,700	Montgomery Ward	37,000	2(1)
2	1,300	Murphy (G. C.) Co.	None	None
2(2)	2,300	Safeway Stores	None	None
2(1)	10,000	Sears Roebuck	None	None
2(1)	2,800	Western Auto Supply	None	None
3	5,400	Woolworth	None	None
1	*1,000*	*Gimbel Brothers*	*37,900*	*4(2)*
2(1)	*2,800*	*Marshall Field*	*26,000*	*4(2)*
Rubber and Tires:				
5	29,900	Firestone	3,000	1
14(2)	34,280	Goodyear [28]	5,080	4
5(4)	42,000	United States Rubber	2,000	1
3	*8,000*	*Goodrich*	*8,900*	*6(1)*
Steels:				
8(1)	6,400	Allegheny Ludlum Steel [29]	1,160	2
8(2)	28,500	Bethlehem Steel	15,000	1
4(2)	33,500	Republic Steel	1,000	1(1)
4(2)	37,500	United States Steel	7,500	2(1)
2(2)	4,000	Vanadium	None	None
3	6,400	Wheeling Steel	1,000	1
Textiles:				
7(1)	12,000	American Viscose	4,800	2
5	2,412½	Industrial Rayon [30]	912½	3(1)
7(1)	16,300	Steven (J. P.) Co.	500	1
None	*None*	*Burlington Mills*	*6,750*	*4(2)*
3(1)	*19,800*	*Celanese Corp. of America*	*4,000*	*5(2)*
1	*1,000*	*Robbins Mills*	*8,300*	*3(1)*

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Funds Accelerate Buying of Oils

by a mutual, Massachusetts Investors Trust, which two years ago publicly objected to management policy. U. S. and Foreign Securities sold its entire holding of 7,000 shares and its affiliate, United States and International Securities, eliminated a block of 12,500 shares. M.I.T. disposed of 17,500 shares, but still retained 70,000 shares in its portfolio. Sears was also slightly favored. Three managements each liked W. T. Grant, May Department Stores and Woolworth, while Gimbel Brothers and Marshall Field were the unpopular stocks in this group, four funds each disposing of these issues.

Natural Gas

Purchasing of Natural Gas issues was somewhat heavier than during the preceding quarter, but fairly well scattered among several companies. The exceptions were United Gas, Panhandle Eastern Pipeline, Peoples Gas Light and Coke and Shamrock Oil and Gas, but the major portion of additions of the first named utility was stimulated through rights distributed by Electric Bond and Share, while additions of the other three were largely represented by stock dividends. Two managements sold Texas Gas Transmission.

Non-Ferrous Metals

New Jersey Zinc was one of the few outstanding favorites in the non-ferrous metals group, four funds purchasing 3,200 shares. Reynolds Metals was also liked by three managements and Magma Copper by two. Selling on balance was marked by lightening of Consolidated Mining and Smelting in three portfolios. Opinion was split on Kennecott, five transactions being registered on either side of the market, while there was also a fairly even division of opinion on Anaconda, Phelps Dodge and Nickel.

Among the food issues, Corn Products was the favorite, six trusts purchasing a total of 17,700 shares. Four funds each acquired General Foods and National Dairy Products, while Best Foods and California Packing each found a couple of purchasers. Selling was extremely light and scattered. United Fruit found an evenly divided opinion between bulls and bears. The drug products were featured by six purchases each of McKesson and Robbins and Merck. Five managements also liked Parke Davis. Bristol-Myers, whose dividend was recently reduced, was completely eliminated from two portfolios with no purchases made during the quarter.

The Steels

Top favorite in the steels was Bethlehem, a total of 28,500 shares representing six portfolio additions and two initial commitments. One block of 15,000 shares was sold. Four funds each bought United States Steel and Republic, while Wheeling was liked by three trusts. Allis Chalmers was the outstanding issue in the machinery group, eight purchases totaling 20,200 shares. Also liked were Bucyrus Erie and Chicago Pneumatic Tool. Dresser was sold on balance, three trusts completely eliminating a total of 2,400 shares. Union Bag was the top purchase among the paper stocks but part of the additions were stimulated through rights. Eight portfolio additions totaled 21,499 shares. Seven trusts added a total of 34,200 shares of International Paper. Three other funds each bought Champion and Container while Crown Zellerbach and Scott were added to two portfolios. Abitibi was sold by two managements.

Buying continued scattered and at a slightly reduced pace in the insurance and banking issues. Among the commercial banks liked during the period were First Bank Stock Corp., Marine Midland and Security-First National of Los Angeles. Three managements eliminated a total of 15,900 shares of Bank of Manhattan. Opinion was divided on C. I. T. Financial and Commercial Credit. Household Finance and Traders Finance "A" were each liked by several trusts. Four managements acquired a total of 11,500 shares of American Airlines 10,200 of United and 10,300 of Eastern. There were two portfolio eliminations of American and United, however, and one of Eastern. Boeing and Lockheed were the favorite manufacturing issues and North American was in light favor.

Interest in the tire and rubber issues picked up considerably as Firestone, Goodyear and United States Rubber each found five or more purchasers. Goodrich, however, was sold on balance. The tobaccos also continued to be well bought with a total of only two selling transactions registered among the four issues favored—American, Liggett and Myers, Reynolds and Philip Morris. A

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—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
Tobaccos:				
7(3)	24,100	American Tobacco	600	1
5(3)	8,900	Liggett and Myers	None	None
3(1)	10,900	Philip Morris	200	1
6(6)	45,800	Reynolds Tobacco	None	None
Miscellaneous:				
2(1)	9,300	Hilton Hotels	None	None
2	3,000	Newport News Shipbuilding	None	None

SUMMARY

Balance Purchases and Sales Portfolio Securities
59 Investment Companies

	Bought	Sold	Matched	Total
Open-End Companies:				
Balanced Funds	13	3	5	21
Stock Funds	19	2	6	27
Closed-End Companies	0	2	9	11
Totals—All companies	32	7	20	59

FOOTNOTES

1 8,750 shares represent 50% stock dividend.
2 Excluding stock received as 10% dividend.
3 Stock distribution of 5% equals 561 shares.
4 Part received as 2½% stock dividend and part purchased through rights. Basis: 1 for 50.
5 Mathieson Chemical shares received for Squibb as a result of merger. Basis: 6 for 10.
6 With exception of 92 shares, additions received as 4% stock dividend.
7 8,377.75 shares represent 5% stock dividend.
8 3,400 shares received as 50% stock dividend.
8a Additions for most part represent 33⅓% stock dividend.
9 3,230 shares distributed as 10% stock dividend.
10 Part received in conversion of preferred stock.
11 5% stock dividend represented by 2,659 shares.
12 3% stock dividend equals 2,190 shares.
13 5% stock dividend amounts to 3,057 shares.
14 2% stock dividend equals 1,482 shares.
15 Part purchased through rights. Basis: 1 for 6.
16 21,012 shares received as 4% stock dividend.
17 1,040 shares distributed as 2% stock dividend.
18 Part represents 5% stock dividend.
19 In part purchased through rights. Basis: 1 for 10.
20 2½% stock dividend represented by 4,614 shares.
21 20% stock dividend equals 8,515 shares.
22 Major portion received as 10% stock dividend.
22a Part purchased through rights issued by Electric Bond and Share. Basis: 1 United Gas for each 10 Electric Bond and Share.
23 Part received through conversion of bonds.
23a Received in part dissolution of Standard Gas and Electric.
24 Purchased through rights. Basis: 1 for 5.
25 In part bought with rights. Basis: 1 for 7.
25a Part converted from "A" stock.
26 Distribution from North American. Basis: 1 for 10.
27 Except 2,500 shares represent distribution from Electric Bond and Share. Basis: 1 Washington Power for 50 Electric Bond and Share.
28 10,265 shares received as 5% stock dividend.
29 1,100 shares represent 2% stock dividend.
30 5% stock dividend represented by 2,300 shares.

NOTE — This survey covers 61 investment companies, but purchases or sales of funds sponsored by the same management are treated as a unit. For example, the several funds sponsored by Calvin Bullock are considered as having the weight of one manager. Individual portfolio changes of the Loomis-Sayles Mutual Fund are not surveyed.

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Funds Accelerate Buying of Oils

new commitment of 11,000 shares was also made in Lorillard. In the theatre group, Loew's and Paramount Pictures were liked, but two managements eliminated National Theatres. Textiles found sellers slightly on the ascendant. Celanese, Burlington and Robbins Mills were sold on management balance. However, seven purchases each were made of American Viscose and J. P. Stevens while a few shares of Industrial Rayon were purchased in addition to those received as a stock dividend.

Newcomers

Relative newcomers to portfolios during the quarter under review were Bower Roller Bearing purchased by Republic Investors and Axe-Houghton "A," and Austin Nichols also added to the portfolio of the latter fund. Other less familiar purchases were Tecumseh Products bought by Shareholders' Trust of Boston, Dravo Corporation by Knickerbocker Fund and Agava Products by Republic Investors.

Lehigh Valley Railroad was added to the portfolios of the two Seligman closed-end funds, Tri-Continental Corporation and Capital Administration (which it is expected will soon be merged, granted SEC clearing on fairness of terms and stockholder approval).

Closed-End Merging and Open-Ending

This group has followed through a commendable program of merging into one company what formerly were several other investment trusts under common control. Such a policy might well be pursued by other closed-end groups under common control such as U. S. and Foreign Securities and U. S. and International, as well as Adams Express and American International. Where there is a simple single-deck capital structure as in the case of Adams, the program might well be carried forward another step to the logical stage of mutualization or "open-ending" so that participations might be redeemable to shareholders at or very near the asset value of the portfolio. This would remove the possible market risk resulting from speculation in Adams' own shares and probably make them more acceptable to fiduciary investors. A resolution has been introduced proposing this very thing which will be voted upon at the coming annual meeting.

Caution in Some Quarters

Notwithstanding the renewed interest in acquisition of the oil issues during the quarter under review and the stepped-up tempo of purchases in general, caution remains the watchword in many representative management quarters. The trustees of the Shareholders' Trust of Boston state in their Fifth Annual Report: ". . . in projecting business trends and determining investment policy, great importance must attach to the foreign policy of the new Administration. It might very well be that measures will be adopted to accelerate our rearmament program and to intensify our efforts in Korea. Barring such a development, and recognizing that it is impossible to predict just when the three major props under our economy (defense expenditures, the foreign aid program and capital outlays for plant expansion and modernization) may weaken, there is evidence that the expenditures involved have reached their peak and that the boom is assuming the characteristics of maturity. A decline in such expenditures, which may very well begin sometime in 1953, would find our productive capacity in excess of demand, competition from both domestic and foreign sources highly intensified and, in the complete absence of shortages, some inventories proving to be burdensome. . . ."

Edward C. Johnson 2d, President of Fidelity Fund, also sounds a warning note in his letter to shareholders accompanying the Fidelity Annual Report: "In the further future, it would seem that some downward readjustment in business activity would be a natural expectancy, as . . . short term supports wear themselves out. It may well be possible that the ending of the postwar boom will not have the tragic aspects of a 1929-1932 but instead will see the transition to a more stable type of economy take place in an orderly fashion. Painful readjustments of one kind or another consequent to such transition seem likely. . . ."

And another amber light is flashed in the Sixth Annual Report of the Johnston Mutual Fund by its President, Douglas T. Johnston: "From here on . . . [defense expenditures] . . . will be a sustaining rather than a stimulating force. Estimates of expenditures for new plant and equipment for 1953 are again surprisingly high—only slightly below the record level of 1952. The extent to which the productive capacity of the country has already been increased at least raises the question as to how much longer this type of expansion can continue. The boom in residential construction is expected by many to continue through 1953. As, however, new housing units are now being produced at a faster rate than family formation, a decline in the future must be expected. Thus, there is considerable basis for the prevailing optimistic forecasts for 1953, but they must be tempered with a growing caution. There are other discordant notes such as the persistent decline in commodity prices (an indication that production has caught up with demand), the tightening credit situation, the rising levels of debt, and increasingly keen competitive conditions in domestic and world markets. The imponderable of the international situation which may have further profound effects on our economic life seems always to be with us."

However, Emerson W. Axe in his annual report to shareholders of Republic Investors Fund disagrees with these views and claims they give "too much weight to superficial statistical analogy and overlook points of fundamental strength which are particular to the present situation. . . . A still more important factor . . . is the change to a more conservative Administration . . . but it is of course possible to imagine that the immediate effect might be deflationary. In this connection it is well to remember what happened when the French franc was returned to gold in 1926-27. Many observers believed that with the ending of the danger of further decline in the currency, French business and stock prices would fall, or at least stabilize. But actually the return of confidence produced a sustained and substantial advance. It is also interesting to recall the events of 1879-81 and 1896-1902 in this country. The return to gold in the first instance, and the removal of a political threat to the soundness of the currency in the second, were followed by substantial advances in the general level of common stock prices. It is easy to underestimate the effect of a return of financial confidence today." But query: Since a considerable percentage of the voting population did not support the present Administration at the polls and the support of the investing public is supposedly necessary for a sustained market rise, are these analogies fallacious today—in 1953?

J. C. Siegman With Westheimer & Co.

Jack C. Siegman

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Jack C. Siegman has become associated with Westheimer & Co., 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges. Mr. Siegman was formerly manager of the corporate trading department for Bohmer-Reinhart & Co. In the past he was with Edward Brockhaus & Co. for many years.

Joins Wm. C. Roney Co.

(Special to THE FINANCIAL CHRONICLE)

BATTLE CREEK, Mich.—Lawrence E. Jordon is now with Wm. C. Roney & Co., Securities National Bank Building.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich. — Bethune Duffield is now with Merrill Lynch, Pierce, Fenner & Beane, Michigan Trust Company Building.

Two With Ed. E. Mathews

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Gilbert J. Bouley and Stephen P. Stuka are now with Edward E. Mathews Co., 53 State Street.

Formation of Investment Company To Bridge Dollar Gap Advocated

Formation of an American "Foreign Investment Company" to facilitate the placement of foreign securities in the United States as a means of aiding foreign countries in bridging their dollar gap, and the backing of such an agency by all influential members of the financial community, is urged by the firm of Model, Roland & Stone, members of the New York Stock Exchange, 120 Broadway, New York City 5, N. Y., in its current monthly investment survey.

The Foreign Investment Company would function in accordance with the principles observed in the domestic underwriting business and would be supervised by the Securities and Exchange Commission. Thus it could provide American investors with research facilities needed for the exploration of the record, merits, advantages and disadvantages of every individual foreign security that is to be offered on the American markets, the firm states.

The agency, sponsored by investment banking and underwriting firms, could distribute foreign securities through its sponsoring houses or could handle placements directly. "Leadership of the company would have to be placed in most competent hands and men of the highest caliber, such as Robert A. Lovett, John J. McCloy or Allen Sproul, should be persuaded to devote their agency and reputation to an enterprise of this kind," the firm declared.

Securities Salesman's Corner

By JOHN DUTTON

BUILDING AN INVESTMENT CLIENTELE

(Article 5—Part 2)

"Using the Telephone to Arrange Interviews"

The telephone can save you valuable time. It can find out for you whether or not you should make a personal call, or if a client is able to see you at a specified time. It can be your means of communication that will save you many lost hours of travel. It can help you to transact business after you have established sufficient confidence with your customers, so that they will not feel the necessity of personal interviews. But you must learn how to use the telephone. It won't make sales for you unless you can master the technique of projecting your personality, and your ideas, skillfully over the long miles of space between you and your prospect, or customer.

Your Voice Is You to the Other Person on the Phone

Listen to the radio announcers who have a pleasing personality. Have you not often sat by your radio and made a mental image of some radio announcer just from the sound of his voice? There are voices that inspire confidence—cheer—optimism—and cause you to listen. There are voices that are dull—flat—monotonous. There are voices that are cold and impersonal—others are warm and friendly. There are voices that are tense—high pitched and lacking in conviction. A good voice is a moderate to low pitched voice—it is a voice with inflection. It is the result of a projection of your own thinking.

The next time you pick up a telephone to call a customer or a prospect stop and think a moment about what you wish to say. Create a mental image of yourself and of the person on the other end of the wire. Say to yourself, "This is important to the person to whom I am going to speak; I am going to gain a contact with him that will cause him to listen and to respond. I will not overtalk nor will I drag it out. I know exactly what I wish to say and I will say it clearly, concisely, and in a friendly way." Then be yourself. Don't tighten up on the phone but make it work for you. Music can come out of the other end of the wire or it can be a collection of discords. I am not joking about this. I have seen people who have mastered the fine art of handling a telephone who could sell everything from newspaper subscriptions to charitable bazaar donations, and who never saw their customers, or expected to see them. There is rhythm in a well spaced sentence—there is something that will hold the attention of any one of us within a good telephone voice that knows when to turn it on, and when to turn it off. Practice, and trial and error, will gradually perfect your technique.

The Appointment Is the First Sale

Some salesmen are afraid to call a prospect because they think they might get a turndown if they ask for an appointment. They will be rebuffed by some prospects that is true. But in certain areas, congested cities, office buildings, and other plices where you will find it difficult to obtain interviews by making a personal call, if you are able to master the following telephone approach you will save a great deal of time and you will have better interviews.

Remember—you are on an important mission—you are going to talk to a prospective client about the most important thing in his life next to his health—that is his financial future. **Make It Important.** If you think it is something that you can barge in and talk about without any planning or preliminary arrangements then you certainly can be sure that he too will not consider your proposition of much consequence. Think about this. But if you sincerely believe that your business is **Important** you should have no trouble in handling the following telephone conversation.

Sell the Interview First

Remember what happens when you make a telephone call—the phone rings—your man on the other end of the line picks up his receiver—he may have been in the middle of an important task—he may have been rushed—perturbed—resting—dozing—or just plain sore at the world. You have disturbed his routine. What is your first step? **Connect** your thoughts with his. Use a familiar bridgeover. Don't talk about yourself. Talk to him about **his** interests. Here goes!

You—"Mr. Jones, good morning! My name is Brown, Bill Brown of the Blank Securities Co. **You received a card from us about** your 'XYZ' stock. There is a report just released on this company and you may find it very helpful to you. I would also like to meet you and I find that I am going to be in your neighborhood in the next few days and I would like to **come by** to see you. Would 10 o'clock tomorrow morning be satisfactory or would 2:20 in the afternoon be better for you?"

Mr. Jones—He may take any one of several reactions. He may say, "Who do you say you are?" Or he may tell you he doesn't want to buy any stocks. He may ask you how you got his name. Or he may wish you to talk more about his holdings on the telephone. Now here is the fine point. When he starts talking, keep him going. Lead his conversation along your lines. Don't get off the track. Project your personality. Assure him by your brevity, your voice inflection and your command of the situation that you want to meet him. Don't be led off into a long sales talk—strive to discover his interests and his ideas. Sometimes you can draw a man out so skillfully over the phone that he will tell you a great deal about his investments. Wait for that opening. Try and find something that concerns him. Find out his fears and his hopes. A word may give you the clue. You will catch it if you learn to listen and to warm up your telephone approach so as to break down the cold resistance that is created by every stranger who calls another stranger on the telephone.

I realize all this is rather general. The use of the telephone technique I am suggesting here requires patient handling. You cannot learn it overnight, nor do I believe that you could teach it too well in a class. But watch a finished telephone salesman work at it. If there is one in your office listen in sometimes. Make notes. Take the tension out—relax—project your ideas and your personality.

But above all—on your first call find a common denominator. Then **sell the appointment.** Even if you can only arrange it for 10 minutes, say this: "Mr. Jones, I do want to meet you. Possibly some day we can both benefit from this contact. Our firm has many contacts that are important. I will stay but 10 minutes if you wish, but in that 10 minutes we can get to know each other and I can give you information that I am sure will be valuable to you. Can I see you at 10 as I suggested, or would 2:20 tomorrow afternoon suit you better?" Go for the interview. Make that sale first. Give your man a choice of "when" he can see you as I have suggested. This is not new or original. Some of the best life insurance men have used this technique for years with great success. Follow your leads. Find a common spark or contact (no matter how slight) upon which you can make your first approach to your prospect. Take the cold reserve away by the warmth of your voice but don't be gushing or effusive. **Remember:** You are engaged in an important business, it is a good business. It is concerned with helping your fellow man preserve his financial well-being. You can only help him if he gives you an interview at a **favorable time and under favorable circumstances.** Start right by making a contact with him over the telephone. Then by appointment see him and begin to sell him on **you.** After he has gone that far, you can begin to build a client that will rely upon your advice and suggestions during the years ahead.

Use the law of averages. You will not arrange appointments with all those you approach. Some will be satisfied with their present salesman, broker, advisor, or customer's representative. Others will only waste your time. But there will be some that will be waiting to see you and that are ready to do business with you. The telephone will dignify your business because you have asked for an appointment. This gets you off to the right start. Sell the interview **first.**

Bankers Offer May Dept. Stores Debs.

Goldman, Sachs & Co. and Lehman Brothers and associates on Feb. 10 offered $25,000,000 of May Department Stores Co. 3¼% sinking fund debentures due Feb. 1, 1978 at 100% and accrued interest from Feb. 1, 1953.

Of the net proceeds from the sale of the debentures, a total of $7,910,719 will be applied to the retirement of two 2½% promissory notes due May 10 and Aug. 1, 1953, a 3¾% mortgage due to July 1, 1971, and a 4% note due to July 10, 1966 of a subsidiary. The balance will be added to the company's general funds and will be available for general corporate purposes, including working capital and expenditures for additions and improvements to its facilities.

The debentures will be redeemable through the sinking fund at par and otherwise than through operation of the sinking fund at 103% during the 12 months beginning Feb. 1, 1953, with successive reductions annually to par on Feb. 1, 1977.

The May Department Stores Co. operates 25 department stores, 10 of which are main downtown stores and the remainder branch stores. Combined sales volume of these stores for the fiscal year ended Jan. 31, 1953, exceeded $440,000,000. The 10 main stores are located in St. Louis, Los Angeles, Pittsburgh, Cleveland (two stores), Akron, Denver, Baltimore, Youngstown and Sioux City. In these cities, with the exception of Baltimore, Denver and Sioux City, the company conducts the largest department store business. The 15 branch stores now operated by the company include five large units, three of which are located in the Los Angeles area and two in the St. Louis area.

American Stock Exchange Elects Officers

John J. Mann, Board Chairman of the American Stock Exchange, was reelected to that post for the next 12 months at the market's

John J. Mann

Frank C. Masterson

Louis Reich

Stanley E. Symons

annual elections held Feb. 9, according to an announcement by Edward T. McCormick, President of the exchange.

It was also stated that the election of Stanley E. Symons, partner in 95-year-old Sutro & Co. of San Francisco, Los Angeles, San Jose and Beverly Hills, marks the first time that a representative of the Pacific Coast has appeared on the exchange's governing board.

Mann launched his Wall Street career as a page boy on the New York Curb Market. He started in the Summer of 1925, became a part time office employee for a broker several weeks later, and, following the reception of his BA from St. John's College, Fordham University in 1928, he became one of the first specialist's clerks on the Curb trading floor. Mr. Mann became a member of the New York Curb Exchange and a stock specialist in 1933. In 1948 he was elected a Governor of the exchange and became Vice-Chairman of the Board in 1950. This marks his third consecutive election to the market's chairmanship.

Mr. McCormick noted that "Mr. Symons, born in Butte, Montana, a California resident since 1922 and an alumnus of the University of California, is well qualified to represent the Far West and Pacific areas on our governing board. Last year for the first time, we elected a member of a Canadian exchange to our board to keep pace with our role as the largest market for foreign securities in the United States. Now, as a further recognition of the rapidly expanding Pacific Coast economy we have, also for the first time, elected a resident of that area to our governing board. The election of Mr. Symons is closely allied to our leadership in the extension of trading hours last June in recognition of the time zone differentials and because of the westward movement of capital and population."

The entire slate as proposed by the nominating committee was elected to office. Elected to three year terms as class "A" members of the board were Charles W. Halden, H. L. Buchanan & Co.; David S. Jackson; Charles J. Kershaw, Reynolds & Co.; Frank C. Masterson, F. C. Masterson & Co. and Edward C. Werle, Johnson & Wood. While Mr. Masterson, who served for a short period in 1937, is a relative newcomer to the board, the other four are former board members.

Mr. Werle served three terms as Board Chairman. He held that post in 1947, 1948 and 1949. Kershaw was Vice-Chairman of the Board in 1951.

Edward C. Bench, Clark, Dodge & Co.; Michael W. McCarthy, Merrill Lynch, Pierce, Fenner & Beane; Louis Reich, Reich & Co. and Mr. Symons were elected to three year terms as class "B" members of the board. Bench and McCarthy have served in the past. Reich and Symons are new board members.

E. R. McCormick, first President of the indoor New York Curb Market in 1921, was elected to a three year term as trustee of the gratuity fund.

Of the three new Governors, Mr. Masterson and Mr. Reich began their Wall Street careers as runners on the old outdoor Curb Market. Mr. Symons began as a clerk with Sutro & Co.

American Stock Exch. Reports Reduced Net Income in 1952

Net income of $36,772 compares with $122,136 the year previous. President McCormick emphasizes Exchange "is a non-profit service association," and despite small earnings, is in sound financial condition.

According to the statement by Edward T. McCormick, American Stock Exchange President, the Exchange and its operating affiliates, American Stock Exchange Realty Associates, Inc., and American Stock Exchange Securities Clearing Corporation, showed total consolidated income of $2,162,410.58 for the year ended Dec. 31, 1952. This compares with total consolidated income of $2,179,593.46 for the preceding year.

E. T. McCormick

With operating expenses of $2,125,637.98, net operating income for the year stood at $36,772.60, compared with net income for the previous year of $122,136.06 based upon operating expenses of $2,057,457.40.

At the close of 1952 Exchange surplus, or the net equity of its 499 regular members, stood at $5,024,821.95, equal to $10,070 per member, as against $4,989,529.35 or $9,999 per member at the end of 1951.

The consolidated balance sheet of the American Stock Exchange and operating affiliates showed total assets of $6,545,873.55 at the close of the year. Current assets, including cash of $453,255.34 and $1,710,140.00 in United States Government bonds, totaled $2,207,218.08. Current liabilities were $35,055.90.

Most major expense items continued to rise. Salaries, 55% of operating costs, amounted to $1,176,874.60, an increase of $76,068.22. Taxes, 8% of costs, totaled $159,077.11.

Mr. McCormick called attention to the strong financial position of the Exchange and made it clear that it is a non-profit association of member firms. "We are a non-profit service institution designed to provide efficient services to the investor and corporate enterprise."

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The money markets are getting back into stride again, after that period in which the primary concern of followers of Treasury obligations was the refunding operation. The government had a successful deal in its first refunding operation even though there were many more of the 2¼s taken than there were 2½s. The figures showed that liquidity is still a very appealing factor as far as the money markets are concerned. The fact that less than 7% of the holders of the Feb. 15 certificates turned in for the longer 2½s was not exactly as favorable a development as had been expected in some quarters.

The government market again seems to be taking on a divided appearance, that is the shorts and the intermediates appear to be in one group, with the most distant maturities in the other one. It is the opinion of many money market followers that because of the uncertainties that face the government market, due to changes in debt management and credit policy, there is not likely to be as much attraction in the longs, as in the other maturities.

Change in Debt Policy

With the February refunding out of the way, the money markets are now busying themselves with ways and means of hedging against the uncertainties that always accompany a major change in debt management and credit policy. There seems to be very little doubt among most followers of the government market that the new Administration is going to make changes in the methods of handling credit policies and the management of the public debt. The increase in the rediscount rate is considered the first step in the new direction, and this was followed in turn by the offering of refunding obligations carrying higher coupon rates than had been in use by the previous Administration.

These departures from past policies will most likely be just the forerunners of other things to come, with not a few of the shrewder followers of the money market of the opinion that a long-term 3%, 3⅛%, or even a 3¼% obligation will be used for refunding purposes before the year 1953 is over. President Eisenhower, in his State of the Nation message, indicated the need to cut down the large floating debt by means of refunding operations, even if this might have to be done at slightly higher rates of interest.

Initial Effort a Success

The Treasury got a start in the refunding of the floating debt when it offered the five-year ten-months 2½% issue for the maturing 1⅞% Feb. 15 certificates. While it was not expected that the holders of the 1⅞% February certificates would exactly be panicked by such an offer, to the extent that owners of the maturing 1⅞s took the longer 2½s in exchange, there has been an extension of the floating debt. This is a favorable development and successive operations along these lines could result in more of the floating debt being moved out into longer maturing obligations. However, whether this first refunding operation is going to set the pattern for future ones is largely a matter of conjecture, but there are quite a few in the financial district who hold to the opinion that future refundings will not be less favorable than the recent one, and more favorable terms would not be unexpected.

Market Reaction

Therefore, while the money markets are going through the current period of uncertainty, the short-term obligations are expected to get most of the attention of those that have funds to invest in government securities. The feeling is that while the course of yields on Treasury obligations is uncertain, and is likely to trend upward, the best place to keep one's funds is in the near-term liquid securities.

On the other hand, there are those who cannot keep too large amounts of their funds in short-terms mainly, and as a result they are making commitments in the intermediate term obligations. this gives them a somewhat larger return than is available in the shortest maturities. Likewise, they are not inclined to take positions in the longest maturities of governments even though these issues seem to have fairly well discounted any offering of longer-term governments that might come along in the future. Because of the feeling that the most distant Treasuries still embody many uncertainties, there is not likely to be as much action or interest in these obligations, as there will be in the shorts and the intermediates, at least until there is clarification about what will be done by the powers that be about credit policies and debt management.

Credit Restriction a Possibility

It had been believed in some quarters that the new Administration would rely more on the indirect method to control economic trends of the country, especially the loan curve which seems to be one of the most important forces in the picture from the standpoint of being an unfavorable factor. The sharp rise in consumers' loans, since the elimination of Regulation W last May, has created concern among many monetary authorities. There appears to be considerable of an opinion now that there may have to be a resort again to the direct method to slow down the trend of these loans.

With Paine, Webber Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — William M. M. Beamish has become affiliated with Paine, Webber, Jackson & Curtis, 626 South Spring Street. He was previously with Walston, Hoffman & Goodwin.

With Reinholdt & Gardner

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — John H. Cragin has become associated with Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges. In the past he was with Edward D. Jones & Co.

Continued from page 9

Department Store Securities As Investments

tury preceding World War I. Many of America's great fortunes were built by it in that period. It might be said that the department store industry approached maturity around the World War I period. Few new individually owned department stores have been developed subsequent to World War I.

Prior to 1920, few retail securities were publicly owned. Retail securities came to the "big board" in the 1920's — after the department store industry, as such, was relatively mature. It had at least passed through its adolescent period, the period of most rapid development. The fantastically favorable aspects of the financial development of this fabulous industry during the period of its most rapid growth were never a matter of public record. The securities of the department store companies, therefore, were never given credit for their marvelous earlier performances by the investing public.

Our government, trade associations, and many universities went into the "statistics business" following World War I, again, after the department store had approach maturity as an industry. These statistics were reasonably complete and accurate as to all forms of distribution. Their timing, however, was such as to catch the department store industry at or near maturity and many other forms of distribution at birth or in their years of most dynamic growth. I contend that this maturity period vs. period of immaturity, and, therefore, of rapid growth, is important if we are to interpret properly, rather than misinterpret the valuable statistics that are at our disposal. Failure to recognize the uncomparable aspects of that which is being compared has resulted in many false conclusions that have been harmful to the market of department store securities and its "multiplier."

We all know that many so-called statisticians and analysts have taken statistics as issued and so assembled and interpreted them as to seem to prove that in this modern world the department store just cannot stand up competitively against certain newer forms of distribution. They conclude, or at least infer, that the department store is an aged, high cost, ineffective, obsolete form of distribution that is about ready for the scrap heap. This, I want to challenge in no uncertain terms. Department stores are mature, yes—obsolete, no. It seems to be a rule of all life that the period of rapid growth represents approximately one-fifth of a useful life. There is a long span between maturity and ineffectiveness. The period of rapid growth of the department store industry was from 1880 to 1920. If I am around in the 22nd century, I am going to be looking for obsolescence in my chosen industry—and I mean industry as such and not certain individual units therein.

For one to take statistics, industry by industry, and find that certain types of distributive companies had a more rapid growth in a certain decade than did department stores and then use this comparison as a measure of merchandising competitive effectiveness and as proof of obsolescence is carrying the psuedo-science of statistical analysis much too far. The fact that certain types of chain stores, for instance, grew more rapidly in the 1920 or the 1930 decade than did department stores is about as staggering in its implications as if some other statistician "discovered" that people grow more rapidly in their first 20 years of life than in the age bracket of from 20 to 40 years. A man's effectiveness is **not** measured by rate of growth and does not cease upon reaching maturity. Neither does that of an industry.

One might well ask "Why is not the rate of consumer acceptance growth a fair measure of the effectiveness of competing types of distribution?" This is the point on which far too many analysts have foundered. First, one must acknowledge that the number of department stores has not increased measurably over the past 30 years. Secondly, many factors pertaining to location, real estate situations, etc., have been a retarding influence on the expansion of those department stores that did exist in the World War I period. Thirdly, one must question the number of chain store companies that were included in the general statistics, the number of units operated by each company and what policy changes have been made by one or more of these chain store companies included in the comparison regarding size and type of unit operated. Only by eliminating the uncomparables can one compare, interpret and get a true measure of effectiveness. The true measure of relative effectiveness in this highly competitive field can only be taken on a unit basis and not on an industry basis. On this basis, and eliminating the effects of policy changes on the type of chain store unit operated, the department store continues to stand up as a highly effective form of retail distribution in this year of 1953.

As further proof of this growth period vs. maturity premise, I would like to point out that many fundamental policy changes affecting the type of unit and breadth of lines carried have been necessary within the past decade on the part of most chain store companies to enable them to continue to show any reasonable growth on a per unit basis or even in total. The rapidly growing youngsters of the 1920's and the early 1930's found themselves in the 1940's in the exact same position as did the department stores in the period immediately preceding World War I. They had not ceased to be effective. **They had grown up.**

Maturity vs. Growth Investments

A less well informed audience would at this point pose the question, "Well, granting the incomparability of statistics and your premise of maturity vs. growth, why should one choose maturity as against growth?" This sophisticated audience, of course, knows the answer. We know that investments must fit the desires and needs of the individual investor. We know that if one can afford to risk his principal, does not require a continuity of substantial income in the way of percentage of earnings paid out as dividends and is willing to assume that he can be so fortunate as to pick the right individual company within a growth industry that the opportunity for capital gains is great.

On the other hand, most companies in rapidly growing industries are either relatively young or inexperienced with the nature and scope of their principal activities. This poses management risks of the highest magnitude. Financing problems of a leading company in a rapidly growing industry are most complex and often hazardous — hazardous from the viewpoint of capital preservation and doubly hazardous as to dividends. We fully recognize that even in the fastest growing industries that failure of individual companies is almost the rule rather than the exception. We know that no industry ever had greater growth possibilities than did the automotive industry at the turn of the century but that of the almost 2,000 companies launched, only a handful reached the 1930 depression, much less survived it. We know that even today there are hundreds of chemical companies getting nowhere fast.

I know that Allied has taken over two chain store organizations and has refused to take over dozens of them that have been available. How many companies in the more rapidly growing forms of distribution can you name that have been in financial difficulties in the past quarter century? Can you match them with an equal number of department store companies? Of course you can't. Yes, youth is wonderful—it seems almost criminal that it is always wasted on the young and inexperienced. There are advantages in investing in mature industries. The greater safety of maturity entitles such securities to a high "multiplier." The department store industry is an effective, mature industry and is entitled to be recognized as such by the investor, his advisors and the analyst.

Population Migrations

There has been one fundamental factor that has been working against the department store industry over the past few decades, that of a migrating population away from the inner core of the larger cities—the homes of the department stores. This migration is of two forms, i.e., migration of the city dweller to the suburbs and migration to the smaller and newer cities and towns. The automobile was chiefly responsible for the first. Decentralization of industry generally, the development of the rich natural resources of the gulf coast and the northwest and a fuller appreciation of the climate of such areas as Florida, California and Arizona have been responsible primarily for the latter.

Much consumer purchasing is done near where the consumer lives as a matter of convenience. Each of the forms of migration mentioned resulted in a decline of actual number of customers for the big downtown department stores of the larger cities. At least what would have been obtained by these stores in the way of normal growth has been syphoned off to a substantial degree by these migrations. In addition, therefore, to the department store industry being mature at or about the time of World War I, the industry has actually been suffering from what might be termed a low grade infection since then. This is a point that should not be overlooked by the analyst. This weakening of the department store within the field of retailing, however, was a result and not a cause. It did not reflect on the effectiveness of the department store when viewed competitively. It simply reflected the fact that people were moving to localities that were not of the size and character that would support this particular type of retailing.

The fact that an industry is consistently losing customers, however, cannot be disregarded by the investor or the analyst, regardless of cause. There are those who unthinkingly question the alertness of the department store operator in his not following the customer in these migrations rather than apparently just sitting back oblivious to the trends. Those who do such questioning do not have a proper appreciation of what a department store is and what makes it tick. A department store is an instrument of mass distribution. In order to have mass distribution, we must have the masses. The masses simply did not exist in these areas to which people were migrating during the quarter century following World War I. Other forms of retailing—the independent and the chains with their smaller units—could and did follow the consumer.

When the effect of these migrations were buried in our overall total country-wide statistics, this was another factor which made it appear that the department store might well be becoming an ineffective obsolete form of retail distribution. Rather than criticize the department store operator for not foolishly endeavoring to do that which his institution was incapable of doing well, we might well commend the department store operator of that period for his wisdom in not frantically endeavoring to do that for which he was not equipped. Some department store operators did endeavor to establish small branch stores in that period but such small branches did not reflect the character of the mother store and as a consequence, their success was mediocre at best.

The Smaller Rapidly Growing Cities

It became apparent to Allied Stores Corporation around 1935 that the then present size and population trends of many of the smaller cities of the country ranging in size from 25,000 to 100,000 in population were beginning to represent markets which could be cultivated profitably by the application of the principles and techniques of metropolitan department store merchandising. We decided to do something about it. Allied now has 40 units operating in such cities, having added three in the past year. There are definite plans to add one or more in 1953. The migration of the past five years has resulted in the opening up of many new such markets which can be cultivated profitably by the department store. Allied expects to continue developments in this field. Undoubtedly, other department store companies will be seizing these opportunities throughout the 1950 decade.

Suburban Migration

The convenience purchasing of the suburbanite near home represented a decentralization of retailing. As areas became thickly spotted with these small local suburban communities, the opportunity then presented itself for a recentralization of retailing. This, of course, is just the job for which the department store is admirably equipped. A retail unit large enough to be representative of a larger downtown department store can be supported by an area which includes a number of these suburban communities. Major branches of downtown department stores have been launched in areas containing numerous small suburban communities in the post World War II period. These branches have been universally successful.

Such branches established alone, however, are only half way measures as they recentralize certain types of shopping but leave many other types on a completely decentralized basis. This not only detracts from the dynamic force of the endeavor, but also results in an unnecessary inconvenience to customers as it still means many stops in a shopping tour with all the accompanying problems of traveling, parking, etc. In Allied, we believe that the customer is better served and recentralization is accelerated by the establishment of pre-planned, fully coordinated regional shopping centers which are equipped to serve practically every consumer need. In other words, we believe that the suburban consumer is entitled to "one-stop" shopping on a recentralized basis.

Allied opened its first preplanned coordinated "one-stop" shopping center in 1950 in Northgate, Seattle. It opened a second in the suburbs of Boston in 1951. It now has definite plans (including land ownership or long term leaseholds) for seven more such shopping centers. There is hardly a hamlet today, (or perhaps even a real estate man) that is not dreaming of the establishment of one or more of these coordinated "one-stop" shopping centers. It is our opinion that many mistakes will be made by the inexperienced in these developments. We have confidence in this type of development if done properly and we believe that Allied's early experience in this field will prove to be most beneficial in the years ahead of us.

I have reviewed the effects of population migrations and their relationship to the decentralization of retailing away from the established downtown department store because I believe that a thorough understanding of this picture is necessary if an analyst is to truly analyze. I have endeavored to give you a thumbnail sketch of what is happening in the way of (a) bringing department store techniques to the smaller rapidly growing cities, and (b) the suburban branch store and its relationship to the coordinated "one-stop" shopping center because there is every evidence that what has been a retarding influence on department store growth in the past quarter century is now being converted into a plus factor that promises to reach substantial proportions within the next decade. The turning of a negative influence into a positive one is certainly something that should not be overlooked by you in studying the securities of department store companies.

Current Outlook

In every post Christmas period, it becomes the fashion for businessmen, and particularly retailers, to do some forecasting. Perhaps the reason that retailers follow this fashion more closely than do the leaders of many other industries is because the retailer is "fashion" conscious by training. Our experience has taught us that it is expensive to be "out of fashion." Not directly for this reason, however, but rather because those responsible for your program made some specific requests, I will now endeavor to give you my viewpoints regarding the outlook for retailing in 1953 in my closing comments. I am not an economist. I have no crystal ball. I am certainly no prophet. On the other hand, the chief executive officer of large companies must establish a framework within which he intends to operate. This is not too serious a job, however, for the retailer due to his relatively rapid inventory turnover and the inherent flexibility of the retail business. While we must make certain assumptions regarding the future, we always know that modification can be made from day to day as the true picture is unveiled.

I considered that 1952 was a good year for retailing. It was also the first year in quite some time when there were no abnormalities of great magnitude injected into our operations within the year. Such fluctuations in trends as appear to have been present as we look back over the year 1952, were caused more by the abnormalities of 1951, which period was used as a comparison, than by any important change in the fundamental trend within the year of 1952. We have behind us, therefore, a year that can be used as a pattern on a month to month basis.

The year 1952 was a good year in retailing because there was an adequate purchasing power, an adequate supply of merchandise and a reasonably stable price level. The adequate purchasing power of 1952 resulted from high employment, high wages and satisfactory agricultural prices, each admittedly supported by enormous government spending. I know of no reason at this time to assume that government spending will be substantially less in 1953 than it was in 1952 and on an annual basis it might be even higher. In the absence of any convincing evidence to the contrary, it appears reasonable, therefore, to assume that consumer purchasing in 1953 will probably closely approximate that of 1952.

If one wanted to be somewhat more optimistic, one could refer to the likelihood of some decline in the rate of savings and the fact that historically the consumers make a larger proportion of their total expenditures in department stores when they are not faced with an accumulated deficiency in such things as appliances, automobiles and housing. While I would not advocate the idea that department stores are going to be the beneficiaries of a diversion of consumer dollars which have been going to meet these needs over the past few years, I do believe it is proper to mention this factor as a cushion against some of the unforeseeable factors. Even higher wages or perhaps even a tax reduction could possibly result in actually more take-home income in 1953 than in 1952 which are additional possibilities as cushioning.

There are upward pressures on operating costs for the retailer. As wage rates mount and as the retailer finds himself working with plant and equipment acquired at current high cost levels, the expense problem is one that cannot be overlooked. On the other hand, the elimination of price controls will enable the retailer to follow more equitable pricing policies, item by item, and as a consequence, the overall original markup of the retailer for 1953 should compare favorably with that of the year just closed. The retailer's inventory was relatively well balanced at the beginning of 1953 which could not be said as of the comparable date one year earlier. This should mean that the retailer should not only be able to do a more effective selling job but should also benefit from a lower markdown or price reduction rate. It would seem reasonable to expect that increased expenses if well controlled should not jeapardize 1953 profits as they should be offset by these increased markup and reduced markdown factors.

Summary

As department stores enter this relatively favorable 1953 outlook, let us remember in our work that (a) by nature they represent the near ultimate in diversification and flexibility, (b) that they are part of the most fundamental of industries as the need for them exists as long as consumers consume, (c) that a great amount of their patronage is assured purely as a matter of consumer habit, and (d) that the population migrations that have been a liability over the past quarter century can now be labelled as a potential asset. What should be the effect of these favorable factors on the department store multiplier? This question I leave with you.

With Barmonde, Gilliland

Hampton S. Sealy has become associated with the New York City office of Barmonde, Gilliland & Co., 52 Wall Street, New York City. Mr. Sealy was formerly with Newburger, Loeb & Co.

Frederick H. Prince

Frederick H. Prince, member of the New York Stock Exchange and other Exchanges, passed away at his home in France at the age of 93.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

Operating results of the major fire and casualty insurance companies for 1952 to be published over the next several weeks, are expected to show considerable improvement over those of the previous year.

On the whole the period just ended was a good one for the insurance industry. While the experience on the important automobile lines was not entirely satisfactory, it was much improved over the record losses reported in 1951. At the same time, fire lines continued to show a favorable underwriting profit margin and with some gain in earned premiums, statutory profits were generally above those of the previous year.

For some of the other classifications of underwriting, conditions varied considerably. Overall fidelity and surety results were about the same as in 1952 although there was some variation between the two lines. Accident and health continued to expand with profit margins generally satisfactory. Workmen's compensation, on the other hand, presented a difficult problem for most companies writing this line, largely because of an inadequate rate structure. However, there was some improvement in operations over the unsatisfactory showing of 1951.

The two large classifications of business, however, fire and automobile, accounting for over 60% of the total volume written by stock fire and casualty companies, dominated the underwriting operations.

This produced a result wherein the large companies writing both lines will be able to report a favorable gain in earnings primarily because of the better trend in certain casualty classifications. Of course, the experience will vary from company to company depending on the breakdown of business written and the character of operations including underwriting policies. In other words, where a company has been writing a large amount of automobile liability and property damage business, the improvement over 1951 should be more marked than where volume is concentrated exclusively in fire lines. Final results will reflect these differences. In general, however, most companies are expected to show a moderate gain in statutory underwriting profits.

In the investment phase of the business, most institutions continued to achieve favorable results. A larger volume of funds available for investment accruing from a higher level of premium income and retained earnings broadened the base of security holdings. Then with dividends on equities well maintained and higher interest rates on fixed income obligations, net investment income was slightly higher.

The gain in underwriting profits necessitated a larger accrual for taxes. Nevertheless, final operating results were above those of the previous year.

As an indication of the earnings to be expected in the coming weeks, a tabulation of 24 major fire and casualty companies is presented below. These estimates and the computations of prior years' earnings were recently prepared by Geyer & Co., 63 Wall Street, New York, N. Y.

It should be recognized that these figures are on an adjusted basis and not necessarily the way the different companies will report earnings to stockholders. In other words, in order to show a more realistic record of operations and as is the common practice, Geyer & Co. have adjusted the figures for changes in the unearned premium reserve and have made their estimates accordingly. In general the computations for 1952 make a favorable comparison with those of the previous year.

	Estimated —1952—	1951	Approximate 5-Yr. Avera (1948-1952)
Aetna Fire	$4.75 -$5.00	$2.51	$5.85
Agricultural Insurance	10.25 -10.75	6.97	10.46
American Insurance	2.20 - 2.40	2.01	2.33
American Surety	About 1.00	—3.98	1.66
Boston Insurance	2.50 - 2.75	1.93	2.47
Continental Casualty	5.10 - 5.40	3.79	5.11
Federal Insurance	6.25 - 6.75	4.89	6.36
Fire Association of Philadelphia	6.30 - 6.60	4.36	6.81
Fireman's Fund	3.40 - 3.75	3.54	4.21
Firemen's (Newark)	3.00 - 3.25	2.41	3.22
Glens Falls Insurance	4.50 - 4.75	2.90	5.09
Great American	3.50 - 3.75	2.17	3.22
Hanover Fire	4.20 - 4.50	2.87	4.02
Hartford Fire	11.50 -12.50	9.23	12.05
Home Insurance	3.50 - 3.75	2.98	3.66
Insurance Co. of North America	5.75 - 6.00	4.87	5.47
New Hampshire	5.75 - 6.00	5.45	5.35
Northern Insurance	6.50 - 7.00	3.88	3.65
Phoenix Insurance	9.50 -10.00	5.92	7.82
St. Paul Fire & Marine	2.10 - 2.30	1.97	2.36
Springfield Fire & Marine	4.75 - 5.00	4.00	4.89
U. S. Fidelity & Guaranty	3.80 - 4.20	2.12	5.58
U. S. Fire	3.50 - 3.75	3.45	3.59
Westchester Fire	2.00 - 2.25	2.14	2.22

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As We See It

originating with the vested interest in largesse, is clearly suggested in much of the current comment on the various moves already made—comment in friendly as well as professionally opposing circles. Throughout much of this comment runs the notion, implied if not expressed, that it is sound Americanism and not New Deal and Fair Deal deviations which are on trial. Again and again and again in current discussions we hear the refrain that all this return to orthodoxy is certainly welcome—if it will work in this "modern" complex society of ours. Again and again and again we hear the timorous counsel that panaceas and "emergency" programs which have never worked ought to be kept on ice as it were just in case they are needed as a result of failure of the common sense now being resorted to. One would suppose that the New Deal and the Fair Deal had worked pretty well, and that they were being in some part (and only, unfortunately, in some part) discarded just for the Hell of it.

This type of attitude was well described in Washington despatches over the past week-end. One of the writers for the New York "Times" last Sunday, reflects "sentiment" in Washington doubtless when he says:

"The domestic program President Eisenhower put forward last week touched directly on the pocketbook nerve of the U. S. voter. It bore down heavily on problems in two areas, interrelated and interacting, that dominate the dollars and cents side of American life—the U. S. economy and the U. S. budget.

"The U. S. economy is a fantastic complex—250,000 manufacturing enterprises, more than 60,000,000 workers, 5,400,000 farms — that produces goods and services measured in dollar terms at around $2,300 per year per capita. The government has reached into many avenues of the nation's economic life—agriculture, resources development, finance, social welfare and now the intricate processes of mobilization for defense and the manifold controls that go with it.

"The U. S. budget is equally fantastic by the standards of a generation ago. It is taking one dollar of every four in the national income. It pays the salaries of 2,600,000 civilian employees and 3,600,000 in the armed forces. Seven-eighths of it goes for wars of the past and present and security against future war. It is deep in the red—this year to the extent of nearly $6 billion, or one-fourth more than the whole budget in Herbert Hoover's last full year.

"Among President Eisenhower's firmest campaign commitments was a broad-gauge pledge to 'free' the economy by contracting the role of the government as far as consistent with the national welfare, and to ease the taxpayer's burden through the strictest economy all through the vast apparatus of government. In both areas the Administration last week made beginnings, but the problems ahead, as the President himself acknowledged, were formidable."

Now another writer for the New York "Times," Joseph A. Loftus, speaking from Washington and apparently reflecting the views he had encountered there, says in this same issue of this leading newspaper:

"The President quite clearly was aware that he was taking a chance on freedom, not offering guarantees; that there are powerful forces in the economy and delicate balances, and perhaps the controls he was discarding might have to be re-imposed at some later date.

"'It is axiomatic,' he said, 'that our economy is a highly complex and sensitive mechanism. Hasty and ill-considered action of any kind could seriously upset the subtle equation that encompasses debts, obligations, expenditures, defense demands, deficits, taxes, and the general economic health of the nation.'

"Thus, whether the new philosophy will work is a question. At any rate, a new policy has been declared and the first step taken. The policy is far from an attempt to repeal the essential social elements of the New Deal and the Fair Deal, but it is plainly in the direction of minimizing the interference of government with the natural economic laws."

For our part, we believe the way to begin such essential changes as these is to begin. We think it unfortunate that such beginnings have to be made when so many seem so timid and uncertain about them, but we are strongly of the opinion that these and any other changes which take us back toward the true Americanism which has brought us to our present position of strength and good fortune should be started at the earliest moment. We have not the slightest doubt that we shall fare much better under our own American system than we have ever done since we abandoned it or so much of it under the leadership of Franklin Roosevelt.

It seems to us that many of us need a new baptism in the faith our forefathers left us. We think that it would be well if those men of light and leading who understand the true inwardness of all this would to the limit of their ability and energy inculcate and induce confidence in true Americanism. The rank and file may need that sort of faith to resist the enticing palaver of the semi-socialists of the New Deal and Fair Deal vintage when reforms do not overnight perform miracles or when those who have been living under the sheltering wing of a paternalistic government have again to depend upon themselves.

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Federal Reserve and Savings Banks

tended downward in the past, and we must recognize that there are strong forces pushing us in that direction now. But I don't think acquiescence is the indicated response for anyone, and particularly not for savings bankers. The protection which the public is offered, by those who foresee and accept gradually rising prices, is investment in real estate and stocks and *keeping savings bank accounts to a minimum.*

Yet, if the only alternative to greater stability of the purchasing power of the dollar is unnecessary unemployment, defense of the dollar may not be a popular cause; it is likely to have few leaders and few followers. That adjective, "unnecessary," attached to the word unemployment might detain us a little, if we had time, because *unnecessary* unemployment is what would make defense of a stable dollar seem callous and unresponsive to human suffering. Let's by-pass this bit of semantics, however, and put our problem another way. What we all should be interested in trying to achieve and maintain is a high level of employment and production, with provision for the relief of the hardships of whatever transitional amount of unemployment develops, from time to time, as a result of the free and dynamic character of our economy.

But we are now told that to have any chance of success in such an endeavor we shall have to jettison stable prices. Here is the way the argument goes in capsule form: It is the established policy of the country, and the only tolerable policy in terms of domestic, social and political conditions, and international economic relationships, to see to it that whatever business recessions the United States may experience are kept as mild as possible. The more successfully the country checks depressions (keeping them mild) the more certain it will be that prices will creep upward; the price advances in good times will exceed the price declines in mildly bad times. This upward movement of prices will come about chiefly because, at some point short of full employment, the bargaining power of most unions becomes so strong that they are able to push up money wages faster than the engineers and managers can increase output per man-hour. In other words, increasing labor costs are going to push up prices, because powerful labor unions are able to force wage increases in excess of increases in productivity. In these circumstances, expansion of the money supply is only the vehicle, not the cause of inflation, and credit policy in reality is made at the collective bargaining table, not in the Federal Reserve System.

That is the way the record of the past several years is being projected into the future. It may be the realistic, hard-headed way to view the future. There is another way, however, which may not be wholly fanciful. It would be based on a better division of the rewards of increased productivity than we have yet achieved. During the past 50 years it is estimated that the real national product of the United States has increased five-fold, while population doubled, so that output per capita increased two and one-half times. Nor is that all. The greater product per capita was achieved with less effort, so that we have been able to combine satisfaction of our material wants and needs with greater opportunities for education and relaxation — for leisure and learning.

Lets Have Better Division of Rewards and Increased Productivity

The record is a proud one even though the gains of the past 50 years were not distributed evenly over time, and even though some of the gains were shot away in two World Wars. But in the future perhaps we can do better. Perhaps we can avoid the extreme ups and downs which are concealed in the averages of the past half-century. One approach would be through a better division of the rewards of increased productivity, in terms of keeping our economy dynamic while avoiding the payment of tribute to pressure groups. There were times in the past when the owners and managers of enterprises claimed and took more than was their due in the form of profits. There were times when the farmer was on the short end of the stick and times when he reaped where he had not sown. Now organized labor has achieved such strength that it tends to claim the lion's share of what increased productivity produces. Too little attention has been paid by these various economic groups to the possibility of giving the consumer—that is, all of us—a little more of the rewards of increased productivity in the form of lower prices or of greater values for money spent. With ownership that employs navigators as well as captains of industry, with more mature leadership in a more mature labor movement, and with Government that holds the scales in balance between management and labor, not tipping them for political purposes, a great deal might be accomplished.

I am assuming, of course, that conditions of vigorous competition will be maintained, both to spur the utilization of our dramatic technological developments and to continue incentives for price reduction or improved quality as business searches for expanding markets.

Those who hold the opposite view are likely to fall back on the argument that even if attainable, stable or declining prices are inimical to high level production and employment. That, of course, depends on the reasons for the behavior of prices. Stable or declining prices have been and can be accompanied by declining production and employment. But if lower prices or greater values at stable prices are the result of more efficient production, and the vigorous competitive attempts of producers and distributors to broaden their markets, they are likely to lead to larger production, more employment opportunities, and better living for people generally. How did our great mass production industries become great? By this very process.

A somewhat contrary example may be found, perhaps, in the building industry. I understand that great strides have been made in this industry since the war, but there appear to be at least remnants of old practices, which prevent the consumer from getting more real value for his money. And so it still tends to be a boom-and-bust industry, subtracting from rather than adding to our economic stability, contributing to periods of inflation and deflation.

This has to do, of course, with the backbone of your business: loans on and investments in real estate mortgages, and particularly home mortgages. I do not know whether the savings banks have ever taken an interest in or done anything about trying to see that the mortgage borrower gets value received for his money. I am not thinking of value received in terms of relative prices or costs of similar structures, but in terms of what he might get for his money if all the possibilities of technological improvement and new materials were exploited in the building industry. If it is the case that restrictive practices in the building trades, restrictive practices in the building materials field, and archaic building codes still combine to give your borrowers less than their money's worth, I should say it is of interest to you and to your customers. I know it is of interest to those who are seeking a stable progressive economy without extremes of inflation or deflation.

We have adopted as a national policy the promotion of home ownership, but most of what is done to promote home ownership is to make credit easier to obtain in terms of Government or Government-guaranteed or insured loans, with low interest rates, small down payments and long runs to maturity. If there are restrictive practices in the building industry, and if there are archaic building codes, we are making it easier for people to go into debt, while condoning their being given less for their money than they should receive. This must be a concern of the savings banks, as the source and center of much of our mortgage lending. Would it not be desirable, therefore, to take steps, or to prod the Government to take steps, to see if these conditions actually exist and, if so, what can be done about them to improve the position of the mortgage borrower? If private business condones such practices by acquiescence, or public officials connive in them by inaction, we are guilty of giving assistance to those who would undermine our system of democratic capitalism. It is not necessary to descend to the low level of a New York dock scandal in order to find a situation which is a denial of our better instincts and of our best performance.

I should like to see the building industry, generally, improve its production standards, and then give the consumer, the mortgage borrower, the home owner, a larger share of the rewards of increased productivity in terms of lower prices for well-built modest homes, and for improvement of or repairs to those homes. Nothing would contribute more to the promotion of economic stability, the prevention of inflation, and the encouragement of saving.

This is supplementary to my general theme but perhaps I have said enough to indicate that I think we can refuse to make the intolerable choice between unnecessary unemployment and perpetual inflation. I think the core of the answer is to be found in increased productivity and a just sharing of the product. I think we must refuse to surrender in advance to creeping inflation which destroys the habit and rewards of individual or family saving. But if this is the stuff of dreams, and if the fatal choice must be made between unnecessary unemployment and persistently rising prices, then your business is in danger. You had better begin to look beyond the records you are making today to the problems of shrinkage or liquidation which your successors may face tomorrow.

I do not deny that we have to make a choice, and it is a fundamental choice. We can plump for a propped-up economy, with a perpetual bias toward inflation. That might well keep us going at a high level of production and employment for a considerable period of time. But, in my view, it would carry within itself the seeds of an eventual breakdown. The other choice, the one I have tried to point up in these remarks, is that of an economy which emphasizes increased productivity, taking some related ups and downs in its stride, and fitting into place those economic and social improvements which the rate of growth of productivity permits. It is an economy which asks value received from management and labor, from farmer and city dweller; an economy which implies a healthy degree of effort to make a profit or hold a job. To fulfill the possibilities of this choice we shall have to struggle in a variety of ways with the various causes of instability in our economy, as one or another of them assumes particular importance. This prescription is not so easy and so clear as a policy of perpetual mild inflation, but I believe it is the high road to real economic stability.

A. J. Cortese With A. M. Kidder & Co.

A. J. Cortese

A. J. Cortese has become associated with A. M. Kidder & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, as a Market Analyst. Mr. Cortese was formerly with Faroll & Co. and W. E. Hutton & Co. in New York.

Harris Upham Adds

(Special to The Financial Chronicle)

WINSTON-SALEM, N. C.—Herman C. Hedgepeth has become affiliated with Harris, Upham & Co., Pepper Building. Mr. Hedgepeth was previously with Thomson & McKinnon for many years.

Joins Robert Baird

(Special to The Financial Chronicle)

MILWAUKEE, Wis. — John T. Seaman, Jr. has joined the staff of Robert W. Baird & Co., 110 East Wisconsin Avenue. Mr. Seaman was previously with Harris, Upham & Co.

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The State of Trade and Industry

ment may be pressed on the theory that steel is better than money in the bank, concludes "The Iron Age."

Automotive car production last week rolled along at a high rate but signs were appearing that a slower pace was in the works, states "Ward's Automotive Reports."

In the past week the industry turned out 117,478 autos, about the same as the 117,654 in the prior week but about 61% more than the 73,043 made in the like 1952 week, "Ward's" added.

"Ward's" referred to growing shortages of certain types of steel and "labor unrest" as possible reasons for a decline.

However, the big three makers—General Motors Corp., Chrysler Corp. and Ford Motor Co.—have an ample supply of steel to maintain steady auto output for some time, this agency said.

Steel Output Scheduled at Slightly Higher Rate

Don't worry about a general increase in steel prices, says "Steel," the weekly magazine of metalworking. It won't come with death of price controls, even though steel is in such strong demand that the industry is operating at capacity to fill orders.

Steel supply is catching up with demand, adds this trade paper and the steel industry will not wish to embarrass an administration which is working for a free economy.

Some adjustments in steel prices and a resumption of movement of prices can be expected, this trade publication points out, adding, adjustments, most of them upward, will be needed to correct imbalances that have risen in a rigid structure of prices under government controls. Then the resumption of movement of prices, up and down, in response to demand and production costs will tend to maintain balance among prices.

Supporting the belief there will be no general increase in steel prices is the growing cost consciousness of buyers. Another evidence of that is seen in the Boston area where some jobbers and consumers are not taking all of the large cold-finished bars they are entitled to for the second quarter under government allotments. Although large bars have been particularly insufficient in supply, these buyers turned down the tonnage because it would have to come from the Pittsburgh district, and that would involve considerable freight charges, states this trade weekly.

While some of the major forms of finished steel are in strong demand, a decided improvement in the balance between supply and demand is expected by three months from now, a survey by "Steel" shows. A substantial portion of the strong demand in the last several months has come from efforts of consumers to rebuild their steel inventories that were pulled down by last summer's strike of steelworkers. That this rebuilding is pretty well accomplished is revealed in "Steel's" survey. Majority of those reporting say they have a 30- to 60-day supply. Some even have a 60- to 90-day supply even though only a 45-day supply is legal under government controls. Continued consumption of steel during the two-months' steel strike last summer suggests there were more than 45 days' supply on hand.

Most concerned over difficulty in obtaining the forms of steel that are in strongest demand are small consumers and automotive suppliers, "Steel's" survey indicates. Small consumers feel they do not pack enough weight to receive preferred treatment, and the automotive suppliers are trying to keep pace with the production drive of the automobile industry.

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at an average of 98.7% of capacity for the week beginning Feb. 9, 1953, equivalent to 2,226,000 tons of ingots and steel for castings. In the week starting Feb. 2, the actual rate was 97.7% of capacity and output totaled 2,202,000 tons. A month ago actual output stood at 99.3%, or 2,238,000 tons, while a year ago when the capacity was smaller actual output was 2,080,000 tons, or 100.1%.

Electric Output Declines in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Feb. 7, 1953, was estimated at 8,129,038,000 kwh., according to the Edison Electric Institute.

The current total was 21,496,000 kwh. below that of the preceding week when output totaled 8,150,534,000 kwh. It was 673,529,000 kwh., or 9.0% above the total output for the week ended Feb. 9, 1952, and 1,171,754,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Edge Slightly Lower in Latest Week

Loadings of revenue freight for the week ended Jan. 31, 1953, totaled 697,616 cars, according to the Association of American Railroads, representing a decrease of 25 cars below the preceding week.

The week's total represented a decrease of 33,602 cars, or 4.6% below the corresponding week a year ago, but an increase of 46,451 cars, or 7.1% above the corresponding week in 1951, when loadings were reduced by a strike of railroad switchmen.

United States Auto Output Holds to High Rate In Past Week

Passenger car production in the United States last week continued at a high rate, according to "Ward's Automotive Reports."

It aggregated 117,478 cars compared with 117,654 cars (revised) in the previous week and 73,043 cars one year ago.

Total output for the past week was made up of 117,478 cars and 22,445 trucks built in the United States, against 117,654 cars and 23,483 trucks the previous week and 73,043 cars and 22,367 trucks in the comparable 1952 week.

Canadian plants turned out 7,423 cars and 1,835 trucks against 7,629 cars and 1,523 trucks in the prior week and 3,360 cars and 3,636 trucks in the comparable 1952 week.

Business Failures Continue to Fall

Commercial and industrial failures dipped slightly to 159 in the week ended Feb. 5 from 162 in the preceding week, Dun & Bradstreet, Inc., reports. Despite this decline, casualties exceeded the 134 which occurred in the comparable week a year ago, although they were below the 1951 total of 191. Continuing far below the prewar level, failures were 50% from the 318 recorded in 1939.

Food Price Index Touches Lowest Point in Seven Weeks

A general downward movement in food prices last week carried the Dun & Bradstreet wholesale food price index for Feb. 3 to $6.13, a decline of nine cents from $6.22 the week before. The current figure is only two cents above last year's low of $6.11 on Dec. 16, when the index hit the lowest point since pre-Korea. The high since the Korean conflict started was $7.31 recorded on Feb. 20, 1951. This week's number at $6.13, compares with $6.61 the corresponding date a year ago, or a drop of 7.3%.

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 Holds to a Steady Pace

The general price level held fairly steady last week at slightly below that of a week ago. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., closed at 278.07 on Feb. 3, as compared with 279.32 a week earlier, and with 306.25 at this time a year ago.

Grain markets were irregular and unsettled in the week with little change in prices from the preceding period.

A fair volume of export business developed in wheat and helped to sustain prices of that cereal.

Prospects for the winter wheat crop in the Southwest continued poor due to the lack of subsoil moisture. Corn continued to lag under pressure of continued marketings of CCC stocks, a reduction in the feeding ratio, and the absence of foreign interest. Rye and oats declined in light trading.

Some scattered bookings of spring wheat flours were noted early last week as mills protected against price advances. Aside from this, activity in the domestic flour market continued in the very cautious manner which has prevailed for some time. Cocoa prices were slightly easier as the result of lagging manufacturer demand. Warehouse stocks, totaling 70,936 bags, were down slightly for the week, and compared with 96,121 bags a year earlier. Lard continued lower, with loose lard dipping to the lowest in 12 years. There was general weakness in all classes of livestock at Chicago. Cattle and hogs were off despite a substantial reduction in receipts. Lambs were more plentiful, however, and values dropped to the lowest January price in recent years.

Prices in the domestic cotton market continued to move irregularly higher the past week. Supporting factors included moderate price-fixing for domestic and export account and the continued substantial movement of the staple into the government loan program.

Export inquiry showed some improvement and a moderate volume of sales was reported.

The goods market was more active, reflecting a better demand for certain textile constructions. Sales of cotton in the ten spot markets increased for the week and totaled 177,300 bales, against 159,500 the previous week, and 145,600 a year ago.

CCC loan entries during the week ended Jan. 23 were reported at 121,800 bales, as compared with 200,000 in the preceding week, Entries for the season through Jan. 23 totaled 1,561,400 bales, as against 877,200 to the same date last year.

Trading in the Boston wool market remained quiet except for occasional odd lots of carpet wools and scoured woolen wools and noils which moved at around the same levels as a week ago.

Following the sharp decline of last week, spot hide prices moved higher to close about ½ cent above a week ago. Big packer sales of hides, however, dropped to less than half those of a week ago.

Trade Volume Shows Little Change From Previous Week

The cities with declines in retail trade during the period ended on Wednesday of last week were about as numerous as those with gains. However, those with year-to-year gains were in the overwhelming majority. Some large stores in Eastern cities failed to equal the levels of a year before, reflecting to a great extent, the shift of shoppers to the suburbs. Washington, D. C., was one of the few cities with sales below a year ago.

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 comparable levels of a year ago by the following percentages: New England 0 to +4; East —3 to +1; Midwest and Northwest +1 to +5; South + 3 to +7; Southwest and Pacific Coast +4 to +8.

The buying of household goods continued to falter the past week but remained slightly higher than the level of a year before. Particularly popular were bedding, decorating materials, freezers and clock-radios. The interest in television was sharper than a year ago but less pronounced than two years before.

Trading activity in most of the nation's wholesale markets was sustained in the week as merchants went ahead with preparations for the new selling season.

The total dollar volume of wholesale orders did not vary markedly from the record level set a few weeks ago which was the highest yet attained for this time of the year; it remained moderately above that of a year before.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended Jan. 31, 1953, increased 2% from the level of the preceding week. In the previous week an increase of 2% (revised) was reported from that of the similar week of 1952. For the four weeks ended Jan. 31, 1953, an increase of 1% was reported. For the year 1952, department store sales registered an increase of 1% above 1951.

Retail trade volume in New York last week again trailed the volume for the like week a year ago, dropping an estimated 8%.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Jan. 31, 1953, showed no change from the like period of last year. In the preceding week a decrease of 4% (revised) was reported from that of the similar week of 1952, while for the four weeks ended Jan. 31, 1953, a decrease of 4% was recorded. For the year 1952, volume declined 7% under the preceding year.

Continued from first page

The Long-Term Outlook For Commodity Prices

very sharp declines. By 1816 the wholesale price level was lower than it had been in 1811. (1816—103.5; 1811—104.9.)

Civil War—There was a peak of 132 in 1865, the index had declined to 97.7 by 1868 and averaged 82 to 84 in the early 70's. This was about 33% above the level prevailing just before the Civil War.

World War I—From May 1920, when the peak was reached, to January 1922 wholesale prices were cut almost in half. During the 20's they remained at a level about 40% above prewar.

Prices declined soon after the ending of the War of 1812 and the Civil War. They reached their peak 18 months after World War I. Three years and two months after the Armistice in November 1918, the postwar price deflation had been completed. Moreover, these earlier postwar declines were quite precipitous. There never was a slow or gradual decline from those stratospheric heights.

Consumers' prices showed similar trends although the magnitude of the rise, and in turn the subsequent decline was smaller than shown for wholesale prices. Thus, during and immediately after World War I, consumers' prices more than doubled (106%). When the post-1920 decline had been completed, consumers' prices remained about 70% higher than they had been before World War I.

Post-World War II Price Movements

The price experience during and since the end of World War II has been in marked contrast to that following the three earlier wars. From 1939 to the end of World War II wholesale prices rose only 37.1%. (From 77.1 to 105.7; 1926 =100.) The rise continued after the war until a peak was reached in August 1948 (169.8). The combined war and postwar rise was 120.2% or in line with the experience during and after previous wars. But here the similarity ends. In the sixteen months from August 1948 to December 1949, the index fell steadily from 169.8 to 151.2 or a decline of 11%. Contrast this modest adjustment with the slash of almost 50% in the 20-months following May 1920. After the 1948-49 decline, the wholesale price level remained almost double (96%) the pre-World War II level. Prior to the start of the Korean War, the price index had been rising gradually for 6 months from 151.4 to 157.3. To state it differently, almost five years after V-J Day, the wholesale price level was close to the post-war peak—more than double the prewar level.

What has happened since June 1950? Under the impact of a wave of scare buying and anticipated shortages prices rose sharply. By March 1951, the wholesale price index reached 184.0 (1926=100) or 17% above the pre-Korean level and 138.7% above the 1939 level. Since that date, the index has declined gradually so that currently it is about 10% above the June 1950 level. Thus, some seven and a half years have elapsed since the end of World War II and no collapse in wholesale prices has yet developed; five years of this period had elapsed before the new war broke out in Korea.

The trends of retail prices have been similar. By the end of World War II, the consumers' price index had risen only 33. The first postwar peak was reached in August 1948 when the index was 75% above the prewar level. A modest decline of less than 5% took place in the following months with the low point reached in February 1950. By June 1950, consumers prices were about 70% above the prewar level. Since the Korean War started, there has been a persistent rise in retail prices so that at the end of 1952, the level was at its postwar peak, some 91% above the 1939 level. It will be noted that despite the postwar and Korean developments, the rise in the consumers price index has been somewhat less than the 106% rise during and after World War I.

Differences—Post-World Wars I and II

What factors account for the sharp differences in price behavior after World War II and after the preceding wars? Why did we fail to have a collapse in prices? The main factors at work may be highlighted by comparing the experience during and after World Wars I and II.

It will be recalled that the magnitude of the price rise was much smaller during the hostilities of World War II. This development was undoubtedly due to the comprehensive anti-inflation program in effect during World War II. The deferred inflation of World War II was reflected in higher prices after the war.

The magnitude of the change-over to a war economy and hence the magnitude of deferred demands was smaller in World War I than during the recent conflict.

The magnitude of the inflation in World War I was considerably smaller than it was in World War II. Our total spending for World War I, including war debts, was less than $35 billion. In 1943, 1944 and 1945, we spent more than that amount every five months. During the recent conflict, we spent approximately $300 billion.

After World War I we didn't have support prices for agriculture; we have them today. This program has not prevented sharp rises in agricultural prices above parity price, but it does act to restrict declines below the levels of price support or loan programs. Moreover, if prices decline because of surpluses, crop restrictions are introduced and to the extent that new output is curtailed, the pressure on prices is reduced.

After World War I there were susbtantial wage increases, but they were not so large as during the recent postwar period, and the labor unions did not have as much economic power. Our price system today is on higher labor cost stilts than ever before in our history—and it is difficult to visualize our being able to come off these stilts. Breakeven points have been raised to new high levels in many industries.

Finally, after World War I, the world disarmed much more quickly, while this time armaments expenditures were still being made on a vast scale. For example, total government spending in this country declined by five-sixths from the World War I peak. After World War II the decline was only about 60%. This was a major difference between the two periods.

In other words, the qualitative and quantitative differences between World Wars I and II have been so significant as to explain the differences in behavior of prices in both periods.

Factors Contributing to Price Rise

Any evaluations of the outlook for the price level must give considerable emphasis to the factors which contributed to the rise and the probability of a reversal in their significance. The current level of prices reflects the combination of the sharp rise in money and credit resulting from the budgetary deficits of World War II, the postwar expansion in private credit, the record high level of taxation, and the sharp rise in labor costs in recent years.

World War II Deficit Finance

From July, 1940, until June, 1946, the Federal Government had a budgetary deficit of $211 billion. This deficit was met in part by the sale of government bonds to the banks and by an increase in the supply of currency. Here is the basic source of the wartime and early postwar inflation in prices.

	1939	1945	1952
	(billions of dollars)		
Bank Loans	17.2	26.1	64.4
Bank Holding of Govt. Securities	16.3	90.6	63.5
Demand Deposits	32.5	105.9	114.2
Currency in Circulation	6.4	26.5	27.9

During the war years, the total volume of demand deposits and currency in circulation more than tripled. When the restraints on prices and wages were removed at the end of the war, the inflation built into our economy during the war years was quickly reflected in higher prices.

It is important to note that in the period from July, 1946, to June 30, 1952, the Federal budget actually was in the black by $3.8 billion. During the postwar years, therefore, no new inflation has been created by deficit financing. Such new inflation as may have developed has been in the private sector of the economy rather than in the Federal budget.

Postwar Private Debt Creations

Since the end of World War II there has been a record expansion in private debt. The total at the end of 1945 was $140.8 billion; by the end of 1951, it had increased to $277.2 billion. The details of this doubling of private debt are shown in the following tabulation:

Private Debt

	1945	1951	Inc.
	(billions of dollars)		
Corporate	85.3	155.8	70.5
Long-term	38.3	64.8	26.5
Short-term	47.0	91.0	44.0
Ind. and Non-Corp.	55.5	121.4	65.9
Farm Mortgage	4.7	6.3	1.6
Non-Farm Mortgage	27.9	69.5	41.6
Other Debts—			
Farm	2.5	7.0	4.5
Non-Farm	20.5	38.7	18.3
Grand Total	140.8	277.2	136.4

A further large increase took place in 1952 so that currently, it is probable that the total private debt exceeds $300 billion. Some idea of the magnitude of the recent increase is obtained when it is remembered that from 1920 to 1929, the total private debt rose by $55.7 billion or 52.6%. Non-farm mortgage debt rose from $27.9 billion at the end of 1945 to $69.5 billion at the end of 1951. Currently, the total probably exceeds $75 billion.

During the past three years, private debt expansion has financed more than 12% of the total consumer and business spending; the proportion in 1929 was 5.4%. There are significant differences between the nature of the debt today and in 1929 (for example, stock market speculation was important in 1929). Nevertheless, it is doubtful whether the volume of business activity and the price level would have been as high in recent years if private debt had been incurred at a more moderate rate. I do not mean that all private debt is bad. However, I doubt whether the recent rate of increase can be maintained without causing serious problems.

Turnover of Deposits

While the foregoing discussion has been concerned with the increase in the volume of money and credit and the factors contributing to that increase, this is only part of the story. The velocity or turnover of deposits also is important. The following tabulation shows the turnover ratio for 1939 and the postwar years for leading banks outside of New York City.

Turnover of Demand Deposits, Except Interbank and Govt.

1939	19.4
1945	16.1
1946	16.5
1947	18.0
1948	19.2
1949	18.7
1950	20.3
1951	21.7
1952 (11 mos.)	21.4

Source: "Federal Reserve Bulletin."

In 1945, the turnover ratio was 16.1 as compared with 19.4 in 1939. The various wartime controls contributed to this reduction in turnover. During the early postwar years, the ratio gradually rose until in 1948 it was again at about the prewar level. These data suggest that as between 1939 and 1948, when the first postwar peak in prices was reached, velocity was a neutral factor. Rising velocity played an important role, however, during the 1950-1952 price inflation. It will be recalled that there was no fiscal inflation during this period.

Record High Level of Taxation

Aonther important factor contributing to the present price level is the record high level of taxation. While higher taxes can siphon off purchasing power and hence hold down inflation, a major part of this taxation is reflected in the general price level. Thus, for example, total excise taxes in the current fiscal year are estimated at $9.8 billion or almost 5% of total consumption expenditures. These taxes are included in the consumers price index. Direct corporation taxes are estimated at $23.7 billion for the current fiscal year. These taxes are recovered to a significant extent in the prices charged. In connection with public utility and railroad rates, for example, such taxes are specifically included as costs and the fair return is determined on an after-taxes basis. Similarly many local property taxes are passed on to the tenant and result in higher rents. The high cost of government clearly is an element in the high cost of living and in the high cost of doing business.

Rise in Unit Labor Costs

One of the underpinnings of the present price level is the sharp rise in labor costs during the past 13 years. Let me make several points clear before I indicate the magnitude of these changes. I do not mean to imply that the rise in labor costs has been the primary factor in the price inflation we have experienced. Wages as well as prices have risen because of the inflation in money and credit. In some instances, however, the increases in wages and prices have contributed to the basic inflation because they have necessitated the issuance of more money and credit and larger budgetary deficits. (Steel, coal, and railroads come to mind in this connection.) Secondly, I am not implying that costs determine prices in the short run or that wage costs are the basic determinant of selling prices. Thirdly, it must be recognized that some of these increases in unit labor costs may be offset by lower unit overhead costs. In addition, in many industries raw material cost changes also are very important. Finally, the full impact of the rise in unit labor costs may be avoided by the adoption of various labor saving devices.

For the economy as a whole, private product per manhour—productivity—has risen by about 43% since 1939. During this same period, the comprehensive index of wages published by the Federal Reserve Bank of New York has risen by 140%. These data suggest that unit labor costs have risen about 68% since 1939. However, these data do not show the entire record. Labor costs also have risen because of the adoption of employer-financed pensions and various welfare programs. Allowing for these costs, the overall rise in unit labor costs since 1939 is probably about 80%.

What is the probability that there will be any significant reduction in this cost factor in the next few years? Two ways in which these costs may be reduced is by cutting wages or social welfare costs and by increasing productivity to a greater extent than wages rise. Any objective analysis of wage and social welfare costs must conclude that the total is more likely to increase than to decrease. Social welfare plans in industry are still increasing in importance. And the end is not yet in sight. Any significant reduction in wage rates generally seems out of the question. Here, too, all the pressures are upward.

Similarly, annual increases in productivity tend to be very modest. Assuming that total wage costs did remain unchanged then the reduction in unit labor costs because of rising productivity must be very small—an average of some 2% a year. But here we have another problem. Under the impetus of the General Motors plan, many unions have been seeking so-called productivity wage increases. While I believe that this is not a sound basis of wage determination for all companies,[1] the attempts to adopt the formula does indicate an unwillingness on the part of some labor leaders to permit decreases in unit labor costs as productivity rises.

Let me emphasize again that this rise in unit labor costs does not provide an absolute floor to any potential decline in prices. However, it is an important factor in long-term pricing. In any event, a large decline in selling prices under these conditions would have a catastrophic impact upon profits.

Impact of Price Decline on Purchasing Power of Liquid Savings and Life Insurance

The present price level may be examined from another point of view. At the end of 1951, the total value of liquid assets and life insurance policies aggregated $513.6 billion.

	Billions
Currency	$25.2
Demand Deposits	70.7
Time Deposits	59.6
Savings & Loan Assn.	15.8
U. S. Gov't Securities	89.2
Total Liquid Assets	$260.5
Life Insurance Policies	253.1
Total	$513.6

The totals were greater at the end of 1952 but final figures are not yet available. The point with which I am concerned, however, can be demonstrated by using the 1951 data. What would happen to the purchasing power of this $513.6 billion, if prices should return to the 1945 level? The measurement can be made in terms of retail prices and in terms of wholesale prices. A return to the price level prevailing at the end of World War II would necessitate

[1] See Jules Backman, *The Economics of Annual Improvement Factor Wage Increases*, New York University School of Business, 1952, 72 pp.

a decrease of 30% in the consumers price index and a decrease of 37.4% in the wholesale price index.

Assuming that there were no accompanying reduction in the total volume of liquid assets and life insurance, the increase in real purchasing power of the $513.6 billion would be $217 billion in terms of retail prices and $307 billion in terms of wholesale prices.

If the analysis is confined to the total liquid assets of $260.5 billion, the increase in real purchasing power would be $110 billion in terms of retail prices and $156 billion in terms of wholesale prices.

To state it differently, these figures mean that the holders of liquid assets and life insurance policies would increase their command over goods and services by perfectly enormous amounts. But where would these goods be obtained? Available inventories could not satisfy this huge increase in purchasing power except to a minor extent. And it would have to compete with newly created purchasing power attending the production of goods and services if an attempt were made to spent it on goods newly produced. Paradoxically, such a fall in prices probably would be accompanied by a decrease rather than an increase in the volume of production. The fact is that we do not have available the goods and services required to validate the increase in purchasing power of liquid assets attending a price decline of the magnitude postulated.

I am not suggesting that holders of liquid assets will rush out to convert them into goods and services if prices decline sharply. I am fully aware of the fact that such assets will remain substantially undisturbed. I merely am noting that any attempt to spend on a large scale the apparent increase in purchasing power inevitably would renew the pressure for price increases and result in a rise in prices to a considerably higher level.

However, to assume that the present volume of liquid assets can be increased in real value by a major decline in prices is to confuse cause and effect. The present price level reflects in large measure the inflation in money and credit which also led to the large rise in liquid assets. Thus, the rise in liquid assets from $69.0 billion in 1939 to $227.5 billion in 1945 was due largely to the Federal budgetary deficits of almost $200 billion during the war years. The rise of $158 billion in liquid assets during the 1939-1945 period may be contrasted with a rise of only $33 billion in the following six years, 1945-to-1951. Since these liquid assets increased largely because of government budgetary deficits, they can only be reversed by budgetary surpluses of comparable magnitude—and the visibility is low in that direction.

The table below shows the actual level of liquid assets by years from 1939 to 1951 and the real purchasing power of those assets in terms of consumers prices and wholesale prices. From 1939 to 1951 total liquid assets rose by 277% in current dollars. When allowance is made for the price change, the increase in real dollars was about 100% in terms of retail prices and only 65% if wholesale prices are used to measure the inflation. In real terms, the total is currently lower than at the end of the war since retail prices and wholesale prices have risen much more than total liquid assets since 1945. This development in my judgment inevitably follows from the large inflation present in our economic system.

Liquid Assets—Actual and Real Dollars (billions) 1939 to 1951 Total in Constant Dollars

	Actual	Consumers Prices (1935-39 Dollars)	Wholesale Prices (1947-49 Dollars)
1939	69.0	69.4	137.7
1940	74.7	74.6	146.2
1941	85.4	81.2	150.4
1942	116.2	99.7	181.0
1943	156.4	126.4	233.4
1944	195.9	155.8	289.8
1945	227.5	176.9	330.7
1946	231.5	165.9	294.2
1947	237.2	148.6	246.1
1948	238.8	138.9	228.7
1949	243.0	142.8	245.0
1950	250.2	145.5	242.7
1951	260.5	140.4	226.9

If we find that this inflation is squeezed out of our economy in some mysterious manner while liquid assets remain unchanged then we will truly have found the economic fountain of youth. The desirable economic policy would then be very clear. To improve our economic well being we should have large budget deficits. These would result in a large increase in our liquid assets. Then prices would fall—again in some mysterious manner—and we would all be better off by having larger quantities of liquid assets and lower prices to give those liquid assets greater purchasing power than we had assumed. This is the inevitable conclusion to which one is drawn if one can visualize a sharp decline in our present price level.

While I can describe this pipe dream, I cannot buy it. Throughout the postwar period I have been convinced that a return to the 1945 price level was not probable. I am convinced that from the present price level we will not have a price decline of the magnitude of those which followed the wars preceding World War II.

Role of Momentum in Past Collapses in Prices

There is another fundamental reason why no major price decline was or is to be expected. In the absence of comprehensive anti-inflation programs in the past, prices rose sharply and to much higher levels than were warranted either by underlying conditions or the inflation in money and credit. Psychological factors have been important. The anticipation of more and more inflation inevitably had its impact on prices. They rose sharply. But with the end of the war, there was usually a significant shift in anticipations. Rehabilitation programs after World War I helped to delay the date of the shift in attitudes to 1920. In any event, an examination of the experience during and after the three earlier wars reveals the inverted V-like shape of the price index—with the apex of the inverted V reached at the end of the war or shortly thereafter. The peak price level did not prevail in the economy for any significant period of time. Prices marched up the curve and then marched promptly down. The economy did not become adjusted to the peak price level because that represented a monetary level which reflected the momentum that carried prices too high.

In our experience since June 1950, we have had an interesting illustration on a small scale of how this inverted V-shape price trend develops in an armament economy. Under the impact of the Korean War and its uncertain magnitude, sensitive prices rose sharply. By February 1951, the rise had equalled 50%. This was far beyond any rise warranted by any new inflation generated up to that date or since then. As it became clear that the Korean War would probably remain localized, at least over the short-term, these prices began to decline. Currently, the entire 50% rise from June 1950 to February 1951 has been reversed. Sensitive prices are once more at the June 1950 level. A similar picture developed for the comprehensive wholesale price index, which rose 17% by March, 1951 and has since lost about half of that rise.

Our experience since the end of World War II provides no parallel for the inverted V shaped movements of the past. Prices did rise after the end of the war—reflecting the deferred inflation created during the war. However, the type of momentum which develops in the absence of a comprehensive anti-inflation program during a war was not present in the early postwar years. Since prices did not move sharply beyond the level which would reflect the underlying inflation, the need for a substantial correction in price levels was not present. The 1948-49 decline of about 10% in wholesale prices and about 5% in consumers' prices was mild indeed by any past standards. The fact is that prices have remained close to the peak postwar levels for five years.

	Wholesale Prices 1947-49=100	Consumers Prices 1935-39=100
1939	50.1	99.4
1945	68.8	128.6
1948	104.4	171.9
1949	99.2	170.2
1950	103.1	171.9
1951	114.8	185.6
1952	111.6	189.7
Jan. 1953	109.5	

From 1948 to date the annual wholesale price index has been between 99.2 and 114.8 (1947-49=100) or about double the prewar level and 50% higher than the 1945 level.

The consumers' price index has ranged from 170 to 190 (1935-39=100) as compared with 99.4 in 1939 and 128.6 in 1945. Some delayed rise in this index was to be expected because of the long delays in raising rents and public utility prices.

There is no evidence from these data of the inverted V shaped movement of prices. I doubt if the experience of the postwar period indicates that prices will decline substantially since the momentum factor was not important in the rise.

It must also be kept in mind that the magnitude of the budgetary deficits and the accompanying inflation in money and credit were far in excess of the experience in World War I. From 1915 to 1920, the total amount of demand deposits and currency in circulation about doubled as compared with a total that more than tripled during World War II. On this basis alone there would be some expectation that the post World War II price level would settle on a plateau higher than the 40% rise reflected in the prices of the postwar '20s. Similarly, the rise this time was from the depressed level of the late '30s. This factor, too, is of considerable importance.

Efforts to determine mechanically an appropriate price level to reflect an enlarged money supply are fraught with many perils and are hindered by a lack of adequate data. Nevertheless, it is interesting to note that if the rise in demand deposits plus currency in circulation from 1939 to 1952 is adjusted for the approximate doubling of physical output during that period, then a rise of about 75% in the price level would be indicated. If, in addition, an allowance is made for the 10% increase in velocity, the indicated rise would become 94%. Any change in velocity could have a considerable impact on these figures. Let me repeat there are many factors which minimize the significance of such crude estimates based on inadequate data. Nevertheless, these are interesting and intriguing figures because the rise in retail prices has been about 90% and the rise in wholesale prices has been about 122%.

Summary and Conclusions

What does this survey suggest? The basic force of inflation which have moved the retail price level 90% and wholesale prices 122% above prewar are still present in our economy. The wartime inflation can only be reversed by large budgetary surpluses or by a substantial expansion in national output. The former probability is very remote while the latter development requires a very long period of time. There also seems little likelihood of any significant reduction in unit labor costs. Within the framework of the present armament program a small amount of tax relief may be possible over the next few years. But relief at the Federal level will be offset in part by a further rise in local taxes. In any event, I do not anticipate that any major corrective to the present price level would result because of these lower taxes. To the extent that business activity has continued at boom-boom levels because of the increase in private debt, I would anticipate some reversal of past trends. Private debt cannot be expected to continue to increase at the rate of $30-$35 billion annually. A business recession would probably accompany such a curtailment in new debt, particularly if it occurred at a time when business investment and government spending also were declining. However, I would expect such a recession and the accompanying price decline to be moderate.

Looking ahead to the next few years, I doubt if the consumers' price index will be as low as it was at the beginning of 1950 even though this would require a decrease of only 11%. A further rise in rents and in the cost of public utility services, would act as a partial offset to any larger declines in other retail prices. I also doubt that it can be expected that wholesale prices would fall significantly below the level prevailing at the beginning of 1950. To state it differently, the outside limit to any decline in wholesale prices is between 90 and 100 (1947-49=100) as compared with the current level of about 110 and a prewar level of 50. This is not intended as a forecast that prices will decline to those levels. Rather, it is my estimate of the lowest level to be expected, if a decline should take place.

How far can prices advance? Within the framework of the present defense program I anticipate no significant change in prices. The Eisenhower Administration has given every indication that it will not use the inflation needle to cure all ills that develop in our economy. To the extent that this pledge is kept, one of the fundamental causes of price inflation will be neutralized. But the pledge is still to be kept.

In this connection, too, is the emphasis given to full employment. The political view in recent years has been that unemployment must be avoided or minimized regardless of the cost. Unfortunately, the most palatable method has been more government spending. There are many careful students of our economy who are convinced that continued full employment will involve frequent shots from the inflation needle. In any event, a sharp decline in economic activity and in the price level probably will result in major action by government to reverse the trend. I am not implying that these actions will be successful; the experience of the 30s will be recalled in this connection. But such actions will create new additions to the inflation.

Some economists, notably Professor Sumner Slichter, have resigned themselves to what they consider to be an inevitable rise in the price level of 2% or 3% a year. The main reason for this anticipation is the expectation that labor will continue to demand and to receive wage increases in excess of gains in productivity with the inevitable pressure for price increases. This is a defeatist philosophy which must be emphatically rejected. Every effort must be made to hold further increases in labor costs within narrow limits. Real wages can rise if prices fall as well as when money wages increase. It is unthinkable that we should accept by default a policy which robs the substance of savers, retired workers, and others living on fixed incomes. I do not believe that the American public will long accept a policy which pays wage increases out of a steadily rising price level.

As I see the long-term outlook for commodity prices, therefore, we have established a new plateau which is at least 75 to 100% above the prewar level. Prices will fluctuate above that level. I do not expect that the inverted V will be completed this time as it was after the three earlier wars.

Howard Director

PHILADELPHIA, Pa. — The election of Vincent W. Howard, Vice-President of J. G. White and Company, Inc. of New York City, to the Board of Directors North American Acceptance Corporation (Bryn Mawr, Pa.) was announced by Randolph C. Fernon, executive Vice-President of North American.

Vincent W. Howard

Mr. Howard has been active in the investment banking field for many years. Following his return from government service during World War II he was associated with Hayden, Stone & Co. He also was President of Howard & Robbins, Inc.

North American Acceptance Corporation operates 12 small loan offices in five states.

Geo. F. Breen Offers Vt. Industries Stock

An offering of 60,000 shares of Vermont Industries, Inc., common stock (par $1) is being made "as a speculation" at $5 per share through George F. Breen of New York City.

Vermont Industries was organized in Vermont on July 7, 1952. Its business will be divided into three primary divisions: Logging, sawmill operation and wood products manufacturing.

The net proceeds from the sale of the 60,000 shares will be used to acquire all of the assets of Central Vermont Forestry Co., Inc.; Thurston Valley Manufacturing Co.; and the assets held under contract by Harry Ginsberg (President of Vermont Industries, Inc.).

With Wagenseller Durst

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — William B. Beggs has become affiliated with Wagenseller & Durst, Inc., 626 South Spring Street, members of the Los Angeles Stock Exchange.

With Waldron & Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—James W. Lynch has rejoined the staff of Waldron & Co. of San Francisco. He has recently been associated with Bisno of Beverly Hills.

Continued from page 3

Outlook for 1953

who was buying frantically has settled down and is buying normally—and, if anything, he is buying subnormally. The consumption expenditure today, in physical terms and on a per capita basis, is actually lower than it was before the Korean affair started. The per capita physical consumption of goods today in this country is just about the same as it was in 1949, which was a recession year, and it is below what it was about five years ago. There is no "boom" in consumption expenditures in the United States at this moment, and consumption expenditures account for about 60% of the total gross national product of the country. If there is no "boom" in consumption expenditures today, it seems to me to follow there is no reason to be greatly afraid of a serious recession in that part of the economy. As far as the consumer level is concerned, I make bold to say that the year 1953 will be a year of relative stability. The consumer side of the economy will provide a great balance wheel in the business picture. That stability on the consumer side will prevail regardless of what may happen in other parts of the economy.

Boom In Building

We had a great "boom" in residential building. In a single year, there were about 1,500,000 housing starts. Since then, we have dropped down to a little over one million, possibly a million to a million one, as the current rate of housing starts. I think of a million to a million one as a reasonably normal level of residential building activity under present circumstances. The residential building "boom" has come and gone. We do not have to worry about when it will end because it has already ended.

Likewise, there was a "boom" in the automobile business when, in a single year—the first year that the Korean affair started—there were built over eight million passenger cars and trucks. In recent months, we have been producing at the rate of something like six million a year. That is a sharp reduction from the peak. I think that over the next few months, the automobile companies will be pushing hard to make more cars and to sell more cars and I think it is reasonable to suppose that their output in 1953 will be somewhat higher than in 1952. But I suggest that as the year goes on they will encounter more and more sales resistance or saturation of their market and will take more intensive old-fashioned selling effort to move the product into the consumer's hands.

The same is true in the electrical appliance field. In 1950 and in part of 1951, there was a "boom" in electrical appliances. At one point there were roughly two million refrigerators in inventory. That was a great source of worry, but the excess has been cleaned up. The situation is in good balance now and I think this will be a good year in the electrical appliance field. However, as we get into the latter part of the year, again it is going to take much more intensive selling effort to move the merchandise.

Also, in the year after the start of the Korean crisis, there was a "boom" in raw material commodity prices. An index of 25 raw materials suddenly shot up 100%. Subsequently there occurred a sharp correction and deflation of most raw material prices. There are a few exceptions but in the aggregate they are not important.

To recapitulate, the word, "boom," does not apply today to all parts of the economy. In five specific parts of the economy, there has at one time or another been a "boom." These include the following:

Export trade.
Consumption expenditures.
Residential building.
Automobiles and electrical appliances.
Raw material markets.

Each of these has been corrected to such a substantial extent that no longer do they justify the word, "boom." The sum of these parts represents about 60% of the total economy. In this area, it does not make much sense to discuss when is the "boom" going to end, because it has already ended.

The 40% Boom-Part

The question makes sense only when you apply it to the remaining 40% of the total economy. What is in that 40%? Technically we say durable goods. More popularly we mean capital goods—the hard lines of merchandise that go into new capacity, modernization of old plant and equipment, all kinds of effort to improve production, cheapen production and reduce unit cost of production. There a "boom" truly does exist. This is a "boom" mainly in the physical sense of the term, a "boom" which reflects first of all defense expenditures and secondly, private capital expenditures.

A cross-section of this part of American business is provided by the steel industry. Since Pittsburgh is famous as a steel center, it is in order to comment on the outlook for the steel industry in 1953.

First a word about the defense program. Before and during the election campaign, the defense expenditures were based on what was known as the stretch-out system. This was a system of spreading defense production over a period of time and of avoiding going to any abrupt extreme peaks and then having a very sharp sudden decline. Under that stretch-out system, we were supposed to go up to $58-$60 billion a year in total defense expenditures, including foreign aid, and to stay there for an extended period, perhaps several years.

During the campaign, the speeches by General Eisenhower discussed this defense program, in some ways criticized it, promised to try to eliminate some waste and inefficiency in order to get more end product for each dollar spent, promised to apply economy as much as possible and raised hopes of some more moderate defense expenditures. We do not know just what figure was in General Eisenhower's mind during the campaign speeches, nor do we know what figure will be finally adopted. It would appear if you carefully go over the campaign speeches that the new administration will try to hold the defense expenditure to around $50 billion. It may temporarily go a little above that but that is the campaign pattern of defense spending. Actually, it is a little above that right now. It might go to $55 billion by June. If you accept the campaign promises, you look forward to a $50 billion defense program sometime in 1953 or 1954. That would mean some slight curtailment in the rate of defense spending in the last part of this year. But the curtailment would not be serious enough to greatly affect general business. However, it would mean that defense spending would no longer be acting as a great and powerful stimulant to a "boom" in the durable goods industries.

Private Capital Expenditure

The other part of the "boom" in the durable goods is private capital expenditures. At the moment and in the first quarter of this year, these are running at a very high annual rate, partly due to the fact that the steel strike last year caused a slowing down in a number of construction jobs. These are trying to make up for lost time and such effort tends to exaggerate the current months of construction activity.

As nearly as one can judge, the rate of capital expenditures will slow down toward the latter part of 1953 and in physical terms, the fourth quarter of 1953 might see the demand for building materials and for building equipment, and for machinery used in these capital programs, running 10 to 20% below the rate that exists at the present time. That would still be a very good rate. It would still be a rate that in any other period of our history would have been considered a very satisfactory level. But, after all, it would represent some decline from the peak now prevailing.

I think we might as well prepare ourselves for some change of pace in the field of capital expenditures. The steel industry is a cross-section of defense spending and capital spending. I comment on steel with some fear and trembling because there may be some local steel authorities here today who disagree with me. In the year just ended, the steel industry produced about 93 million tons of ingot steel. In 1953, I think the industry, barring strike, will produce more than the 93 million tons of last year. How much more is difficult to say, but I am inclined at the moment to say roughly 10 million tons more. Ten million tons more is not bad. It is a reassuring proposition. Nevertheless, when you distribute that over the year, you find that in the early months of the year, the production will be running at a much higher rate than the 10 million ton increase. It is hard for me to see how steel actually consumed, actually chewed up in American industry in 1953, can exceed 105 to 110 million tons. At the moment, a figure closer to the bottom of this range than to the top seems more reasonable. However, the industry will have reached a capacity of 118 to 120 million tons. I do not quite see how we can use that capacity fully in the latter part of 1953, so I would think there would be something less than 100% of capacity operation in the latter part of the year. How much less is a question that I hesitate very much to answer, but in all frankness, I find that the figure that always comes to my mind as I study this is that toward the latter part of next year we might have steel operating rate of between 85 and 90% of capacity. That would not be too disquieting but it would mean that the steel "boom" would not continue at an absolute peak rate without interruption.

I was talking to a friend of mine the other day. He said, "So you're going out to Pittsburgh." I said, "Yes." He said, "I feel sorry for you." I asked, "Why? That is a fine place to visit." He said, "Every year for the last few years you have gone out there and given those fellows a cheerful story. You have told them business was going to hold up. You have told them that business was going to be stable. You have told them business was going to be good. Now what do you do when you go out to Pittsburgh and you have to tell them something different?"

I said, "I shall just tell them what I honestly believe. They do not mind being told."

Now, I say that in the durable goods side of business this year you should have your guard up. You should approach the year with some caution. But do not carry it too far. Do not be unduly disturbed by those observers who tell you as soon as there is a ripple, as soon as there is a little decline in this or that, that is the beginning of a major depression. There is as yet no convincing evidence that a major business depression is in sight in 1953 or in 1954.

There are two great fallacies that stand before the imagination of American business today. One is the fallacy believed in by the man who has an overdose of confidence and who says the "boom" will last forever. The other fallacy is by the pessimist who says the "boom" is going into a "bust" and will become a major depression. Both viewpoints are wrong. Anybody who subscribes to those theories will find himself making wrong decisions.

I turn from the business question now to the financial question. For many years, we have been through the experience of fear about the dollar, fear of inflation. We have heard endless discussions of the national debt, of the budget, of taxes. Now we are on the threshold of a new Administration. The incoming officials have made commitments and promises, have set forth a policy and it seems to me, therefore, that any discussion of the economic outlook at this moment has to come to grips with the financial side. For this purpose, I should like to draw from the history book a guide, and the part of the history book that I draw from is the part that was written around the personality of a great citizen of Pittsburgh, Andrew W. Mellon. What did Mr. Mellon do on the financial side?

The Mellon Prototype

Starting roughly 30 years ago, he funded the debt and he combined tax reduction with a balanced budget. That is all we have to do today. The complete program for this Administration is all contained in the Mellon bible. We do not have to try to be extra cute, or extra smart—all we have to do is to read that bible. It is practically all there.

But lest there be some forgetfulness as to what that program was, may I presume to give you a little refresher course in your memory of that period. First, funding the debt. During that period, the debt was not all funded in long bonds. The funding was done to about the extent of one-tenth in long bonds; the rest of the funding was from very short debt to intermediate maturities. Most of the funding was into obligations having maturities up to seven years.

That funding program began at a time when the bond market was low in price. It was approximately the lowest it had been in 20 years. Again, today, the Government bond market is approximately at the low point of the last 20 years. The funding then was done on a rising bond market. At the time the funding program began, long Governments yielded better than 5%, and when the funding program was over, long Governments yielded about 3.3%. Mr. Mellon funded the debt on a rising bond market.

If you stop to think about it, probably there is no other way in which any Secretary of the Treasury can fund the national debt. It has to be done on a rising bond market and again, the bond market at the time a new Administration begins a funding program is at a relatively low point in price. The conditions are made to order to start off on a sound debt funding program. It can be sound in a firm to rising Government bond market.

The other basic policy in that period was on the side of the budget and taxes. I remind you that when Mr. Mellon put the fiscal house in order, he refused to tolerate an excess profits tax. It is doubtful that he could have carried out his job had there been an excess profits tax of the present type in force. Successful performance in this financial field is possible only when the iniquities of an excess profits tax have been eliminated.

Excess Profits Tax

Today I find some spokesmen in Washington saying, "I am not sure that we can afford to dispose of the excess profits tax. We ought to balance the budget first; wait and see if we can afford the luxury of disposing of the excess profits tax." That is a timid approach and it was not the Andrew W. Mellon approach. The approach at that time was not, "Let us see if we can balance the budget. Let us hope so. Let us try and then maybe we shall be able to do something about tax relief." No, The attitude was strong and definite and positive. Balance the budget and have tax relief and have it now and have it simultaneously and that is the only program that will work in the United States in the next four years of the new Administration. There should be no timidity on this question. Timidity will bring sad repercussions in the next four years.

Gentlemen, with regard to our financial policy—it is all written down in the copybook. It is clear. It is specific. It has been tried out. It has worked. We do not have to strain our brains to think up some new way of going about it. It is all there. All we have to do is follow the book and the rewards will then be added unto us.

People say to me, "What do you think the election meant?" I say, "I think the election mean less taxes and less controls." Specifically, it means the end of the great bulk of price controls and the so-called wage controls as of April 30. It should mean the end of the excess profits tax as of June 30. It means that or else this great wave of confidence will run into a period of disillusionment and disappointment that will be very sad to contemplate.

Less controls mean a return to free markets. If this new Administration does not believe in free markets it will fail. I have great confidence that it does believe in free markets and does believe in tax relief. I think that courage in this field will open up not just one term of office but the hopeful possibility of a prolonged experience of political leadership in the United States of this type. If we fail to take the guides which have been given in the past and if we go off on strange adventures, then I think there is grave danger this will be a one-term Administration. Since this occasion is in Pittsburgh, I think it befitting and proper to pay tribute to that financial statesman of the decade of the 20's, Mr. Andrew W. Mellon, who did a very kind thing for the leaders who are to assume responsibility a few weeks hence. He gave them a good blueprint of how to work out the pressing financial problems of the United States.

Firm Name Now McCoy & Willard

BOSTON, Mass.—The firm of Sheehan, McCoy & Willard, 30 Federal Street, has announced the withdrawal of Daniel M. Sheehan, Jr., and a change in the firm name to McCoy & Willard, with William D. McCoy and Alvin Willard as partners. The firm will continue to act as brokers, dealers and underwriters of unlisted securities. Wayland M. Minot will continue as an associate.

J. C. Moorhouse With Deacon Findley Coyne

TORONTO, Canada — J. C. Moorhouse is now associated with Deacon Findley Coyne Limited, 197 Bay Street, in the trading department. Mr. Moorhouse was formerly an officer of J. R. Meggeson & Co., Ltd.

William L. Purdy Now With A. C. Allyn & Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — William L. Purdy has become associated with A. C. Allyn & Co., Inc., 30 Federal Street. Mr. Purdy was formerly Vice-President of Trusteed Funds, Inc.

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The Security I Like Best

pansion of facilities in the past few years has placed the company in a well balanced position. By the end of 1951 the company became fully integrated in its kraft division, able to supply virtually all its sulphate pulp requirements. And acquisition of new woodlands necessary to support the expanded production was also largely completed in 1951.

Earnings were following a sharply rising trend, going from $0.91 per share in 1949 to $2.10 per share in 1950 and $3.11 in 1951 when demand slackened and price structure deteriorated. As a result, profits for 1952 declined to an estimated $2.25 per share. Both demand and prices have since firmed up, and with over 200,000 tons of new capacity installed within the past year, it is quite possible that earnings this year may reach a new high. This would be particularly impressive since the previous record of $3.11 in 1951 included $0.60 per share attributable to profits on sale of investments and property. Since the company's present plans for expansion are drawing close to completion, and finances are strong, dividends may be liberalized somewhat from the present indicated $1 annual rate. It seems to me that recent prices for the shares in the vicinity of $20 per share are a most reasonable appraisal of this company's future.

Further, for those who would care to speculate on the lure of oil, there is the company's ownership of nearly 300,000 acres of timberlands in Florida's panhandle. On about 250,000 of these acres the company owns an undivided half interest or more in the mineral rights. This acreage is quite close to Pollard, Ala., where Humble Oil & Refining brought in an important well early in 1952. As a matter of fact, Stanolind is already working on a portion of the company's property. Four wells have been drilled thus far with three successful completions and one dry hole. At the present time, another four wells are drilling. The company is, of course, watching developments closely and may be expected to make the most out of any future finds.

For those interested in statistical details, the following will be of interest:

Capitalization

Long Term Debt	$57,628,000
$4.40 pfd. ($100 par)	159,698 shs.
Common stock	5,170,714 shs.

Earnings Figures

Year	Sales (In Millions)	Net Income (In Millions)	Net per Share	Dividend
1952			$2.25 (Est.)	$1.00
1951	$195.9	$16.8	3.11	0.80
1950	154.7	11.6	2.10	0.70
1949	127.3	5.4	0.91	0.60
1948	162.6	14.8	2.71	0.80
1947	143.8	14.6	2.66	0.25
1946	82.7	5.5	0.99	--
1945	52.5	2.2	0.45	--
1944	48.3	1.8	0.37	--
1943	25.5	1.8	0.38	--

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Trend of Interest Rates in 1953

to the Reserve Banks reflects primarily the high reserve requirements which, with the exception of the central reserve districts, are at their maximum; the sharp increase in the volume of currency in circulation; and certain international financial developments. It cannot be said that private bank credit was used to any extent for speculative purposes or that the member banks abused the rediscounting privilege at the Federal Reserve Banks. The country certainly is not confronted by a balance of payments problem.

The trend of short-term rates during 1953 will depend on the following factors:

(1) *The Movement of Commercial Loans:* During the first half of the year seasonally, there should be a decline in this category of bank loans. If this should be the case, then the prime rate is not likely to increase and should remain unchanged for several months. A contra-seasonal increase in commercial loans would lead to a higher prime commercial rate.

Bank loans during the year will be influenced by the decisions of manufacturers and distributors to accumulate or to liquidate inventories and by the tax payments. Since competition is keen and will become even more so in the future, and since commodity prices have leveled off, it is rather doubtful, unless the international political situation should deteriorate materially, whether there will be another increase in the volume of inventories. On the contrary, a moderate reduction is more likely to take place. Whether or not a substantial increase in borrowing for tax purposes will take place is impossible to state at present. So far, there are no indications that borrowing for tax payments will be large on March 15. Most large corporations have made the necessary preparations to pay their March tax liabilities.

(2) *Debt Management:* Since the floating debt of the government is large, it is assumed that the Treasury will endeavor to reduce the amount of this type of debt. This can and should be done. The impact of such debt reduction on the short-term money market will depend on the type and magnitude of the refunding. If a considerable portion of the floating debt should be converted into medium or long-term obligations, then, since the demand for short-term obligations by banks and industry is bound to remain large, short-term rates will decrease irrespective of the trend of long-term rates. The refunding of the February certificates should indicate the extent to which holders of these obligations will be influenced by an additional one-quarter of one per cent. Other factors, too, such as the movement of currency and the attitude of foreign governments and central banks toward the future price of gold in terms of the dollar, will exercise an influence on the money market.

From the above, one may therefore conclude that the principal force operating in the short-term money market during 1953 will be the credit policies of the Reserve authorities and debt management by the Treasury. This, while it will depart from the policy followed by the Democratic Administration, is bound to be a gradual development, for otherwise it will affect adversely not only the money market but also business activity in general.

Conclusion

Economic and monetary trends during 1953 will to a large extent be influenced by international developments. What these will be is not known. It is, however, certain that a change either for the better or the worse is bound to take place. Either one will have a decided influence not only on business activity but on the psychology of business and of individual consumers.

This places a great responsibility on those who are in charge of the credit and debt management policies of the country. Because conditions are so highly uncertain, it is of the utmost importance that the problems confronting these authorities be handled not with preconceived notions and ideas which may be highly suitable to normal times—the policies must remain flexible; and no definite pattern of interest rates or debt refunding should be adopted until conditions, international, political and economic, are much clearer than is the case at present.

If a realistic debt management policy is adopted, the supply of funds seeking an outlet in bonds and in mortgages should be equal to or even surpass the demand from the civilian sector of the economy. Hence long-term rates should either remain unchanged or witness a moderate decline.

Short-term rates will be influenced by the demand for bank credit and by the policies of the Reserve authorities. If the latter are based on the realization that the increased volume of bank loans is the result of economic forces over which the banks had no control and that there was little if any abuse of either bank credit or of the rediscounting privileges, short-term rates, with normal fluctations, on the whole should remain stable.

New York Stock Exch. Weekly Firm Changes

New York Stock Exchange has announced the following firm changes:

Transfer of the membership of John J. Neff to Sidney M. Louis will be considered by the Exchange on Feb. 19.

Norman J. Myers retired from partnership in Silver, Barry & Van Raalte on Feb. 2.

Transfer of the Exchange membership of Raymond H. Sigesmund to John F. X. Frost will be considered by the Exchange on Feb. 26.

Joins Witherspoon Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — John A. Richards has become associated with Witherspoon & Company, Inc., 215 West Seventh Street. Mr. Richards was previously with Paine, Webber, Jackson & Curtis.

With Irving Lundborg

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif.—Thomas G. Moran has become connected with Irving Lundborg & Co., 926 J Building. He was previously with Walston, Hoffman & Goodwin.

Joins Slayton & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Louis S. Block has become affiliated with Slayton & Company, Inc., 408 Olive Street.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

FULTON, Mo.—Henry A. Pigue is with King Merritt & Company, Inc.

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To Market! On Credit

of one segment of the population is financed by the savings of other segments. Consider one example: Millions of dollars of premium income of insurance companies — dollars that decrease the purchasing power, increase the savings of policyholders — are loaned to finance companies; these dollars in turn are loaned to individuals and become instalment debt. Over-all purchasing power certainly hasn't been changed.

The rise and fall of consumer credit results more from income variations than anything else: Personal income is the chief cause of the money side of the jigsaw problem of inflation.

Credit Can Add Nothing To Income

Credit is not a magic word. Despite some attempts with credit tricks in recent years, in the sense we are now discussing it, credit can add nothing to income; it can only alter the time when income is spent.

Well—here is the trap, some contend: Use of credit to buy into the future is supposed to heighten periods of prosperity and in the process create conditions which deepen and prolong depressions.

And with this we have no argument: Consumer credit does have a stimulating and depressing effect on business fluctuations; however, for two very apparent reasons its effect is considerably limited.

The first reason is that consumer credit is essentially short-term credit: Of the total of all consumer debt now outstanding—charge accounts, instalment credit —the estimated amount that would not be liquidated within 30 days is no more than 7% of disposable income. This 7% is instalment debt and the "run-off," the payments, would liquidate even this small percentage within a relatively short period of time. Consider in this connection an actual operation with which I have some familiarity: $520 million of automobile paper outstanding Dec. 31, 1951, was 70.5% liquidated within six months.

The second reason is found in the character of consumer credit as it works in the economy: It is not a statistic in a vacuum; official figures of consumer debt outstanding merely reflect at some accounting date the net balance between groups of buyers buying, going into debt, and other groups paying and coming back into the market.

No date line ever marks where prosperity actually ends and depression begins. But from any point in time the maximum influence of consumer credit on alternating periods of prosperity and depression is the difference between those who buy, go into debt each month, and those who pay; this, and the relatively short period in which instalment debt liquidates.

Consumer Income Regulates Volume of Consumer Credit

But why consumer credit? Changes in the use of all production and distribution, credit have an influence on fluctuations in business. If consumer incomes become less, or less secure, people will use less consumer credit. For the same general reason a business will defer capital or other expenditures.

All of which may sound simple and elementary to an intelligent audience such as this: Our excuse is that simplicity is the last refuge for the complex, and complex economic theories too often hide the simple truths we have discussed.

Too often, like Othello contemplating Desdemona, critics of consumer credit fail to perceive its essential virtue. Surely the production and distribution of 5,325,400 passenger automobiles in 1951, sold largely through channels of instalment sales credit, was more ugently practical and nationally more important than a few in debt, or highly nebulous economic theories.

Which brings us to the topic itself—"To Market! On Credit."

William Allen White in his story of Calvin Coolidge tells of the invincible and dour devotion of those Northampton Bluenoses to cash as an instrument of trade, their suspicion of the man who bought on credit. They did without, lived a pretty skimpy existence. Asked how they managed to get along—"Oh," said Cal's father, "there's a couple of Iowa farm mortgages at 6%."

But on the new walls of our time, credit has been writing a new set of rules. Instead of skimpy living and doing without, middle and lower income groups in this country, and many of the "wealthy," buy durable goods when they need them and pay out of income. They have found that intelligent spending on time provides a new way to better living and thrift. Let me elaborate briefly.

Sometimes loosely and without testing we speak of high living standards in this country. A better definition is the high level of individual possession people enjoy: An automobile, a refrigerator, a television or radio, the sum of satisfactions gained from their use. And from 50 to 75% of these and other durable goods that give equal satisfaction are bought on some time-payment plan. And thrift: Something fairly well known, but not often found in print, is the form of savings involved in time-payment buying; automobiles and other durable goods, paid for in 18-24 months, are the physical embodiment of many more years of service and utility and the extent of this saving is indicated by estimates which show consumers of this country holding a depreciated investment in consumer durable goods in excess of $55 billion.

This, we suggest, is impressive negation of the "mortgaged future" concept of instalment credit buying.

Misunderstanding of Cost of Consumer Credit

If these are the benefits of instalment credit, what is its cost? There is widespread misunderstanding about "discount" and "rate" and so-called "carrying charges."

But how shall we weigh the finance charge, the value of credit in any particular situation? Six per cent discount by easy calculation becomes 11.7% annually, expressed as simple interest: But forgetting "per cent," a $2,000 automobile financed for 24 months at 6% discount, and after customary down payment, costs 22 cents a day for use as far as the finance charge is concerned; a family faced with the problem of buying an automobile on time or saving 24 months to buy should calculate saved costs in other directions—public transportation, recreation. A $300 refrigerator, financed for 18 months costs six cents a day for use; convenience, health, cost of ice should be calculated. A $300 television set costs six cents a day for use; consider saved costs in outside entertainment.

Value is conceded to be the large unsettled area of economic thought, and nowhere is this truer than when the value of credit is considered.

Percentage-wise consumer sales credit is higher than production

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To Market! On Credit

credit and distribution credit for the clear reason that costs of handling are higher—a higher number of transactions in relation to money employed, higher costs in investigations, record keeping, auditing, collecting. But whether consumer credit is relatively high has no point here; for it is a necessary cost of distribution, and in their present stage of development consumer credit costs are fair and reasonable.

Perhaps it is not out of bounds to say here that net profits shown in published reports of efficient and reputable finance companies hardly prove them to have the soul of a usurer. And speaking for one such company, we in finance are as interested as you are in helping to bring to market better products at a cost more people can afford. Therefore, as an extended arm of distribution, we are constantly working at the job of new methods, the elimination of waste, lost motion.

But to market—

Some fancy word worker paraphrased a familiar line to read, "Carrying anthracite to Scranton": We think of this when we remind a distribution conference that a market is three things—the product, the desire to own it, and the money to buy it.

And there are two ways to buy—Cash and credit. And the cash way is fine theory, but practically and psychologically the two ways don't work out the same where costlier durable goods are sold: Because the lesson all marketing history teaches is that few people have the save-to-buy discipline, the self-denial needed to exchange some present fleeting enjoyment for an imagined future in order to save. Yet with an automobile, a refrigerator, a television or radio, to have and to hold and to enjoy while they're being paid for, these same people seldom default on a time-payment contract.

Those who regard instalment credit as merely a substitute for paying cash completely miss its sales and profit significance. One of the certainties of distribution is that the cash way to market would result in a drop in all markets to some permanently lower level. In costlier durable goods industries and in a host of industries that supply and service them, the result would be a severe loss of profit for all, the dividends of many, failure for some.

Present Significance of Credit Sales Market

The credit sales market has special significance now, when optimum profit depends so much upon full activity: In any business, the credit market is the top sales market; thus it is the high profit market.

With this thought running in our minds, consider with me ways for developing credit sales.

As a broad observation the promotion of credit sales differs little from any successful sales promotion: In few ways does credit raise problems or permit procedures peculiar to credit. The key factors in credit promotion are:

(1) Proper management direction.

(2) A good credit plan.

(3) A trained and tested sales organization.

(4) Credit management thoroughly grounded in finance and merchandising.

We offer some specifications on these four factors in roughest outline, leaving to your intelligent imagination the job of filling in the spaces. And as we are all more or less creatures of our own experience, our specifications will apply to a retail dealer. However, what we shall try to say can be applied in principle to any credit operation.

On proper management direction:

Caesar said to Brutus, "That young man will go far. He intends strongly." As a first consideration, then, in successful sales credit production, management must intend strongly.

Cyrus Hall McCormick fathered credit in action for the farmer in 1849 to stimulate farm machinery sales. The first finance copy of John N. Willys, pioneer automobile manufacturer, was set to stimulate sales. Yet with such long history and the sales-creating accomplishments of consumer credit over the years, some in management still view it as an unavoidable evil forced upon them by customers and competitors.

Such a view, I need not remind you, can put a dealer and an industry at a competitive disadvantage: The aggressive promotion of credit sales by one, the failure to promote by another, can result in a loss of business, or a redirection of business; not the purchase of less goods but in the purchase of different goods—not many years ago several industries that were slower than the automobile industry in promoting sales credit, wept that their customers didn't have money to buy because they were riding around in automobiles on time.

But assuming that management "intends" to promote sales credit, here are some details:

Key Factor Is Good Credit Plan

We named the second key factor—A good "Credit Plan."

Naturally, details of the plan are determined by the character of the merchandise being sold; nevertheless, there are some principles we can consider.

One important thing to keep in mind is that a financing service is not an over-the-counter product; not something a prospect can feel and see. A finance service is entirely a thing of ideas, and the object is to find ideas that will get prospects to see the advantages of the credit plan as the dealer sees and interprets them.

Find selling words for your plan that tell the best story—because words are the shell of ideas, and if you don't have the words you haven't the ideas. What are the purchaser benefits of the Plan? The insurance and other features—their need and economy? Words that bring out—best—the kind of credit operation you have. Words that separate the ease and pleasure of ownership from the "pain" on the price tag. The economies of buying on time—such as we have discussed.

Have a complete Plan, clear, understandable; all the purchaser has to do is sign.

Point-of-sale display—distinctive signs, window cards, convenient price tags—help build the buying and use-of-credit impulse. As with any other stock-in-trade, whole window displays have been profitably devoted to credit plans and to the advantages of using the dealer's credit facilities.

The third key factor we named is a trained and tested sales organization.

Successful credit sales promotion needs men: Salesmen in demonstrating an automobile, or refrigerator, or television must be trained to sell both merchandise and credit-wise. Importantly, salesmen must at all times be time-sales conscious.

Credit sales material should be required study for salesmen. Where manuals are employed in a selling operation, either a credit manual should be prepared or sections on credit should be made part of the regular sales manual. And definitely credit should be an important part of all current and future sales activities given a place on the program of every sales meeting.

Important? Very. When there is a trained and tested sales organization, there is understanding of the volume and profit significance of credit sales promotion. There is good motivation for credit selling; though, in addition, this motivation is frequently supplemented by dealers with dollar incentives for pushing credit sales. When salesmen are trained to sell merchandise and credit-wise, there is less inclination to shift under pressure from selling merchandise to selling terms: Salesmen will better understand that terms are no more than they are intended to be, a measure of credit; that to use them otherwise is violation of a fundamental rule of sound instalment credit selling.

Generally, terms of any instalment credit contract should be tailored to the ability of the buyer to pay, rather than the ability of the seller, or his finance company, to collect—either through harsh legal measures or otherwise. The down payment should be as large and the period of the contract as short as the buyer's cash and income permit—for only in this does the buyer find "Easy Terms."

If my convictions have any validity—violation of this fundamental rule results in unwarranted waste of credit, in higher credit costs, past dues, repossessions, and loss of customer and public good will.

Our fourth and final key factor we named as credit management thoroughly grounded in finance and merchandising.

The maximum production of credit sales demands that credit management should be approached from a positively sales point of view: Undeniably, protection of receivables is important; but if credit is primarily thought of as risk, as a chance to lose money, the certain result is loss of business and a depreciation in the dealer's net profit.

From a social and sales level, the ideal situation would be credit for everybody who would benefit by its use; credit for everybody who wanted to buy: But as a practical merchandising and profit consideration, the credit policy needed is one that reaches out and down to the best terms and the lowest marginal risk consistent with sound credit, and rates for the various classes of transactions to be financed.

We should protect this by saying that we are not contradicting what we have said about terms fitting the buyer. Nor are we suggesting soft, unhealthy credit and substandard paper: What we are trying to say here is that terms and rates are measures of risk and that there is profitable business in several rate and risk classifications—4%, 5%, 6%, maybe 10%. A type of risk and rate structure producing higher gross losses may, nevertheless, be profitable. A credit transaction is "too risky" only when the rate of loss for any class of business exceeds the profit for the class.

If all this sounds complicated—it is: Proper balance between sales and rate and risk is a matter of competent management and credit judgment.

Some now doing financing who have not gone to school in the finance industry are promoting "low, low rates" as a competitive attraction: Rates, however, have never been and never will be the answer to any dealer's merchandising problem. Rate is secondary as long as it is reasonable.

Low rates inevitably mean a higher selectivity of credit risks and such a policy simply doesn't meet the full merchandising needs of any dealer. Its failure is particularly acute, for example, in the case of the automobile dealer: The sale of used cars, as you well know, is important in making it possible for automobile dealers to sell new cars; on the average two used cars must be sold for every new car sold and used car inventories are usually a general assortment of the newer, and old and older makes in almost every kind of condition. A recent survey of consumer finances shows that 71% of the used cars in this country that sell for $500, or more, are bought on time; and in this large percentage of used car time sales there is a high frequency of buyers among lower income and marginal risk groups.

Constructive risk taking is not only an imperative for the automobile dealer—it is a fertile field for increased sales in all lines.

A brief word in conclusion about collections—with a sales and profit motive:

There are a lot of jokes about "the finance company man" and his collection methods. A recent one observes that, "If they offer World Tours on the instalment plan it's going to be tough if you fall down on your payment in Ethiopia or Madagascar."

We in finance don't joke about the important function of collecting because it's a serious function for all concerned; because a full credit policy, one that can "reach out" for marginal business, the profit and loss in credit operations—these depend on getting back your money.

Nevertheless—

Getting back your money in any credit operation, as with our discussion of sales and rates and risk, must be a thing of balance; a balance we can express as a maximum reduction in future maturities with a minimum effect on volume.

In trained and experienced hands this can be accomplished by a firm and persistent system of collections. The trouble is with the untrained: A striving for some negligible percentage in the reduction of past dues and losses; too much "debtor," too little "customer" in the collection effort; too much pugilism in collection letters and collectors and adjustors with the social graces of a good bouncer—these can cause heavy customer mortality and a big loss in volume. Actually they impede rather than help collections by adding resentment to whatever other reasons there are for not paying.

It's difficult—the problem of maximum reduction in maturities versus customer good will—however, there is a balance which seasoned credit judgment can almost reach.

A Summary

Backing up for a summary—as requirements in successful credit sales development we have named strong management intentions, a good credit plan, a trained and tested sales organization, credit management trained both in finance and merchandising. And we think of other credit capacities and abilities needed to attract and hold business—courtesy and friendliness in all customer contacts, prompt credit approvals, efficiency in every transaction in order to keep down the little customer-killing annoyances that go with inefficiencies. You may think of still others.

But my time is used up.

Bliss Perry wrote that even a whittle should whittle to a point. If we have made any point at all, we hope it's that instead of being bad for the individual and troublesome for the economy, Consumer Credit is justifying itself magnificently in terms of wider distribution and happier and better lives for the people of this country.

Though it is only one answer to the manifold problem of distribution, we submit it is a valid and vital one.

Over-all, the future potential for sales credit development seems great and growing. Less hesitancy by all groups in acknowledging the purchase of goods on time, growth in population and family formation and changes in family income, will require a large increase in consumer credit outstanding within the next few years: One recent estimate projects a growth up to $32 billion from the present level of around $20 billion; another longer projection comes up with a figure of $50 billion and for a real flight into the future, consider Consumer Credit in connection with Dr. Harold G. Moulton's, Brookings Institution, estimate that within a century the population of the United States will double, living standards will be eight times higher.

From which point we should perhaps get back nearer to the ground.

Aldous Huxley suggests in "Listen to the Drums" that among other things democracy is noninterference, in leaving people alone so long as they are doing no positive harm; indeed, leave them alone if they don't appear to be doing any positive good.

As the years go by, consumers must be left alone to go into debt: Consumer Credit must be free to expand.

For unless this is so there will be less distribution.

Irving Sumergrade Now With Gottron, Russell

Irving Sumergrade

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Irving Sumergrade has become associated with Gottron, Russell & Co., Union Commerce Building, members of the Midwest Stock Exchange. Mr. Sumergrade was formerly Cleveland manager for Walston, Hoffman & Goodwin and prior thereto was with Bache & Co. and Francis I. du Pont & Co.

Francis & Thomas Nixon Join Fewel Co. Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Francis V. Nixon and Thomas A. Nixon have become associated with Fewel & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Francis Nixon, who has been in the investment business on the Pacific Coast and in New York City for many years, has recently been with Edgerton, Lofgren & Co. Mr. Thomas A. Nixon was formerly with Wagenseller & Durst.

Joins Edgerton, Lofgren

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—David D. Cushman has become affiliated with Edgerton, Lofgren & Co., 609 South Grand Avenue. He was previously with Edgerton, Wykoff & Co.

Joins Williston, Bruce

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Charles Barrington, Jr. has become associated with J. R. Williston, Bruce & Co., 530 West Sixth Street. Mr. Barrington was formerly with E. F. Hutton & Co.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Feb. 15	93.7	*97.7	99.3	100.1
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 15	2,226,000	*2,202,000	2,238,000	2,080,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Jan. 31	6,522,300	6,491,750	6,515,950	6,225,300
Crude runs to stills—daily average (bbls.)	Jan. 31	†6,933,000	7,031,000	7,221,000	6,552,000
Gasoline output (bbls.)	Jan. 31	23,329,000	23,154,000	24,306,000	21,566,000
Kerosene output (bbls.)	Jan. 31	2,952,000	2,759,000	2,975,000	2,662,000
Distillate fuel oil output (bbls.)	Jan. 31	10,535,000	11,121,000	10,955,000	9,866,000
Residual fuel oil output (bbls.)	Jan. 31	8,831,000	8,771,000	9,524,000	8,891,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 31	149,443,000	145,879,000	137,016,000	145,500,000
Kerosene (bbls.) at	Jan. 31	23,292,000	23,890,000	27,266,000	22,150,000
Distillate fuel oil (bbls.) at	Jan. 31	82,148,000	85,179,000	100,461,000	67,499,000
Residual fuel oil (bbls.) at	Jan. 31	46,356,000	46,918,000	49,459,000	39,242,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 31	697,616	697,641	563,085	731,218
Revenue freight received from connections (no. of cars)	Jan. 31	666,479	664,328	511,981	670,314
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 5	$288,505,000	$599,911,000	$323,666,000	$167,130,000
Private construction	Feb. 5	170,078,000	453,422,000	135,062,000	86,935,000
Public construction	Feb. 5	118,427,000	146,489,000	188,604,000	80,195,000
State and municipal	Feb. 5	97,476,000	102,509,000	117,758,000	52,464,000
Federal	Feb. 5	20,951,000	43,980,000	70,846,000	27,731,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 31	8,855,000	*9,210,000	7,695,000	10,400,000
Pennsylvania anthracite (tons)	Jan. 31	628,000	550,000	507,000	892,000
Beehive coke (tons)	Jan. 31	110,200	*118,000	92,000	136,600
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Jan. 31	86	*85	81	84
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 7	8,129,038	8,150,534	*8,210,012	7,455,500
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Feb. 5	159	162	163	134
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 3	4.376c	4.376c	4.376c	4.131c
Pig iron (per gross ton)	Feb. 3	$55.26	$55.26	$55.26	$52.72
Scrap steel (per gross ton)	Feb. 3	$42.00	$42.00	$42.00	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 4	24.200c	24.200c	24.200c	24.200c
Export refinery at	Feb. 4	34.925c	34.925c	34.425c	27.425c
Straits tin (New York) at	Feb. 4	121.500c	121.500c	121.500c	121.500c
Lead (New York) at	Feb. 4	13.500c	14.000c	14.750c	19.000c
Lead (St. Louis) at	Feb. 4	13.300c	13.800c	14.550c	18.800c
Zinc (East St. Louis) at	Feb. 4	11.500c	12.000c	13.000c	19.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 10	95.66	95.79	95.94	96.68
Average corporate	Feb. 10	108.34	108.52	109.42	109.97
Aaa	Feb. 10	112.00	112.19	113.31	114.85
Aa	Feb. 10	110.52	110.70	111.81	113.12
A	Feb. 10	107.62	107.98	108.88	108.70
Baa	Feb. 10	103.80	103.80	103.97	103.64
Railroad Group	Feb. 10	106.21	106.21	106.92	106.39
Public Utilities Group	Feb. 10	107.98	108.34	109.24	109.79
Industrials Group	Feb. 10	111.07	111.25	112.19	113.70
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 10	2.81	2.80	2.79	2.72
Average corporate	Feb. 10	3.26	3.25	3.20	3.17
Aaa	Feb. 10	3.06	3.05	2.99	2.91
Aa	Feb. 10	3.14	3.13	3.07	3.00
A	Feb. 10	3.30	3.28	3.23	3.24
Baa	Feb. 10	3.52	3.52	3.51	3.53
Railroad Group	Feb. 10	3.38	3.38	3.34	3.37
Public Utilities Group	Feb. 10	3.28	3.26	3.21	3.18
Industrials Group	Feb. 10	3.11	3.10	3.05	2.97
MOODY'S COMMODITY INDEX	Feb. 10	404.7	405.4	407.6	447.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 31	234,876	202,039	‡342,725	236,845
Production (tons)	Jan. 31	240,713	239,985	‡299,914	205,239
Percentage of activity	Jan. 31	94	94	‡66	85
Unfilled orders (tons) at end of period	Jan. 31	455,086	462,564	‡478,354	405,520
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Feb. 6	107.98	108.18	108.50	113.41
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. 24	29,455	32,199	21,368	38,975
Number of shares	Jan. 24	841,854	918,371	624,121	1,129,949
Dollar value	Jan. 24	$37,867,235	$39,017,000	$26,891,345	$53,153,912
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 24	25,829	29,446	23,409	32,777
Customers' short sales	Jan. 24	123	133	88	142
Customers' other sales	Jan. 24	25,706	29,313	23,321	32,635
Number of shares—Total sales	Jan. 24	710,123	806,943	681,537	939,882
Customers' short sales	Jan. 24	4,101	4,698	2,576	5,175
Customers' other sales	Jan. 24	706,022	802,245	678,961	934,707
Dollar value	Jan. 24	$28,710,584	$33,945,871	$27,115,753	$40,273,722
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 24	195,800	236,930	229,990	248,860
Short sales	Jan. 24				
Other sales	Jan. 24	195,800	236,930	229,990	248,860
Round-lot purchases by dealers—					
Number of shares	Jan. 24	334,050	339,090	182,520	443,300
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. 17	288,990	325,320	235,670	331,420
Other sales	Jan. 17	8,586,020	10,035,030	9,819,050	8,593,880
Total sales	Jan. 17	8,875,010	10,360,350	10,054,720	8,925,300
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Jan. 17	812,820	1,052,910	956,120	883,400
Short sales	Jan. 17	161,470	172,860	152,140	188,300
Other sales	Jan. 17	709,010	1,054,710	786,700	730,260
Total sales	Jan. 17	870,480	1,227,570	938,840	918,560
Other transactions initiated on the floor—					
Total purchases	Jan. 17	215,610	297,230	246,500	210,050
Short sales	Jan. 17	20,900	23,900	6,500	15,800
Other sales	Jan. 17	185,550	354,260	258,940	241,100
Total sales	Jan. 17	206,450	378,160	265,440	256,900
Other transactions initiated off the floor—					
Total purchases	Jan. 17	267,947	358,587	407,353	376,628
Short sales	Jan. 17	44,020	58,420	30,440	54,290
Other sales	Jan. 17	346,110	413,249	362,937	457,427
Total sales	Jan. 17	390,130	471,609	393,377	511,717
Total round-lot transactions for account of members—					
Total purchases	Jan. 17	1,296,377	1,708,727	1,609,973	1,470,078
Short sales	Jan. 17	226,390	255,180	189,080	258,390
Other sales	Jan. 17	1,240,670	1,822,219	1,408,577	1,428,787
Total sales	Jan. 17	1,467,060	2,077,399	1,597,657	1,687,177
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Feb. 3	109.3	*109.5	109.8	
Farm products	Feb. 3	98.2	*99.4	101.1	
Processed foods	Feb. 3	104.3	*104.6	104.0	
Meats	Feb. 3	93.6	*95.5	97.1	
All commodities other than farm and foods	Feb. 3	112.7	*112.8	112.9	

*Revised figure. †Includes 551,000 barrels of foreign crude runs. §Based on new annual capacity of 117,547,470 tons as of Jan. 1, 1953 as against the Jan. 1, 1952 basis of 108,587,670 tons. ‡Eleven days ended Dec. 31, 1952.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of October	77,312	76,882	72,647
Stocks of aluminum (short tons) end of Oct.	10,920	*12,495	11,660
AMERICAN PETROLEUM INSTITUTE—Month of November:			
Total domestic production (barrels of 42 gallons each)	214,007,000	221,649,000	206,340,000
Domestic crude oil output (barrels)	194,611,000	202,044,000	188,149,000
Natural gasoline output (barrels)	19,360,000	19,562,000	18,146,000
Benzol output (barrels)	36,000	43,000	45,000
Crude oil imports (barrels)	18,709,000	19,948,000	12,760,000
Refined products imports (barrels)	10,802,000	*12,212,000	11,297,000
Indicated consumption domestic and export (barrels)	239,877,000	*250,686,000	242,156,000
Increase all stock (barrels)	3,641,000	3,123,000	†11,759,000
AMERICAN ZINC INSTITUTE, INC.—Month of December:			
Slab zinc smelter output, all grades (tons of 2,000 pounds)	81,133	78,563	81,769
Shipments (tons of 2,000 pounds)	77,295	90,756	84,909
Stocks at end of period (tons)	86,987	83,149	21,901
Unfilled orders at end of period (tons)	45,264	32,255	50,509
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S.—U. S. DEPT. OF LABOR—Month of November (000's omitted):			
All building construction	$617,295	*$818,380	$541,428
New residential	342,152	*474,973	287,882
New nonresidential	196,781	*239,581	186,222
Additions, alterations, etc.	78,363	*103,826	67,324
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of January (in millions):			
Total new construction	$2,308	$2,513	$2,174
Private construction	1,623	1,789	1,517
Residential building (nonfarm)	826	953	719
New dwelling units	750	865	650
Additions and alterations	57	70	56
Nonhousekeeping	19	18	13
Non residential building (nonfarm)	411	421	415
Industrial	187	187	209
Commercial	105	107	83
Warehouses, office and loft buildings	49	49	39
Stores, restaurants, and garages	56	58	44
Other nonresidential buildings	119	127	123
Religious	35	37	31
Educational	32	33	28
Social and recreational	11	11	9
Hospital and institutional	25	27	32
Miscellaneous	16	19	23
Farm construction	103	103	110
Public utilities	275	304	267
Railroad	31	33	30
Telephone and telegraph	42	45	41
Other public utilities	202	226	196
All other private	8	8	6
Public construction	685	724	657
Residential building	45	47	63
Nonresidential building	308	314	286
Industrial	112	113	92
Educational	135	135	130
Hospital and institutional	34	37	37
Other nonresidential building	27	29	27
Military and naval facilities	105	107	91
Highways	100	120	90
Sewer and water	53	55	48
Miscellaneous public service enterprises	13	14	12
Conservation and development	56	62	62
All other public	5	5	5
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM—(1939-49 Average = 100) Month of January:			
Adjusted for seasonal variations	109	*115	108
Without seasonal adjustment	84	*194	83
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of November (000's omitted)	29,364,469	29,279,408	27,480,909
Revenue from ultimate customers—month of November	$527,279,900	$521,103,300	$488,494,500
Number of ultimate customers at November	48,349,466	48,239,396	46,708,035
HOUSEHOLD VACUUM CLEANERS — STANDARD SIZE (VACUUM CLEANER MANUFACTURERS' ASSN.)—Month of Dec.:			
Factory sales (number of units)	249,032	254,297	230,263
HOUSEHOLD WASHERS AND IRONERS — STANDARD SIZE — (AMERICAN HOME LAUNDRY MANUFACTURERS' ASSOCIATION)—Month of December:			
Factory sales of washers (units)	310,661	293,079	218,664
Factory sales of ironers (units)	16,798	19,724	16,900
Factory sales of dryers (units)	70,584	74,370	46,779
RAILROAD EARNINGS—CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of November:			
Total operating revenues	$908,003,585	$985,214,968	$903,344,012
Total operating expenses	661,229,045	707,482,556	669,730,462
Operating ratio	72.82	71.81	74.14
Taxes	$117,832,541	$139,823,853	$116,769,029
Net railway operating income before charges	110,687,002	120,668,578	99,287,053
Net income after charges (estimated)	84,000,000	92,000,000	72,000,000
U. S. GOVT. STATUTORY DEBT LIMITATION As of Jan. 31 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	267,402,058	267,391,155	259,775,389
Guaranteed obligations not owned by the Treasury	48,176	53,969	37,753
Total gross public debt and guaranteed obligations	$267,450,235	$267,445,125	$259,813,143
Deduct—other outstanding public debt obligations not subject to debt limitation	612,775	623,859	655,613
Grand total outstanding	$266,837,459	$266,821,266	$259,157,529
Balance face amount of obligations, issuable under above authority	8,162,540	8,178,733	15,842,470
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Jan. 31	$267,450,235	$267,445,125	$259,813,143
General fund balance	5,688,668	6,064,343	3,879,414
Net debt	$261,761,567	$261,380,782	$255,933,729
Computed annual rate	2.361%	2.353%	2.311%
ZINC OXIDE (BUREAU OF MINES)—Month of October:			
Production (short tons)	15,979	14,633	[illegible]
Shipments (short tons)	15,578	17,613	[illegible]
Stocks at end of month (short tons)	18,701	18,300	[illegible]

*Revised. †Decrease—all stocks.

Public Utility Securities

By OWEN ELY

California Electric Power Company

California Electric Power Co. serves electricity in parts of southeastern California, and has a few customers in southwestern Nevada which contribute about 3% of revenues. Electricity accounts for about 83% of system revenues, telephone business 11%, and ice operations 6%. Interstate Telegraph Company, a wholly-owned subsidiary, is engaged in a rapidly growing telephone and telegraph business principally in the northern part of the company's electric service area. The company's Ice Division manufactures and sells ice in certain farm areas of Imperial County and Riverside County, California. These sections produce winter vegetables, melons, and other products which require substantial quantities of ice for shipment to Eastern markets.

The map showing the company's service areas is long and narrow, mainly in the western part of California. San Bernardino County (near Los Angeles) contributes about 75% of electric revenues. Near the other end of the north and south transmission line (at one time the longest high-tension wire in the world), are the old mining towns of Tonopah and Goldfield—mining was the original inception of the business. The desert areas now include a number of important industrial operations with large power demands while the mountain sections and the southeastern desert regions include a number of resort areas. The principal cities include San Bernardino (served jointly with Southern California Edison Company), Palm Springs, etc.

The wide geographical variations of the territory served give rise to a considerable diversity in types of agricultural, industrial and other loads. Farm activities include the growing of oranges, lemons, dates, deciduous fruits, alfalfa and vegetables, together with related packing, canning, processing and by-product operations. Industrial activities include cement manufacture; chemical extraction, principally the production of soda ash, potash and borax; and mining, including gold, silver, tungsten and iron.

The area contains several important military establishments, including the Naval Ordnance Test Station at Inyokern, Norton Air Force Base at San Bernardino, March Air Force Base near Riverside, and Edwards Air Force Base at Muroc. Electric revenues from military establishments amounted to about $923,000 in 1951, and are at a higher level than at any time during World War II.

There has been very rapid growth in population and industry in the company's kilowatt-hour sales, which were 119% higher in 1951 than in 1944, and in its electric revenues, which increased 124% during the same period.

The company's earnings record, based on shares outstanding at the end of each year, has been as follows:

*1952	89¢	1949	92¢
1951	54	1948	74
1950	68	1947	77

*Preliminary

The poor earnings in 1951 were due to a severe drought. The recovery in 1952 was due to continued growth, particularly in the higher priced classes of service, a $700,000 rate increase, and a sharp reduction in power costs due to a plentiful supply of water for hydro operations, plus new steam generating facilities. Two new 30,000 KW steam units came into operation in the summer, generating about 30% of all requirements and reducing outside purchases to a minimum. (In the past, considerable power has been purchased from the Hoover Dam, from Southern California Edison, etc.) A third steam unit (40,000 KW) at Highgrove is scheduled for completion late in 1953.

Capitalization at the end of 1952 was approximately as follows:

	Millions	Percentage
Long Term Debt	$30	50%
Preferred Stock	10	17
Common Stock Equity	19	33
Total	$59	100%

Early last October the company sold 350,000 shares of common stock at 9¾, and the two convertible preference stocks were called for redemption November 17, which also increased the number of common shares. President Albert Cage has indicated that 136,249 shares of additional common stock and $8,000,000 bonds may be sold this spring. The new financing, together with an excellent line of bank credit, will carry the company through the middle of 1954, it is estimated.

1952 earnings on a pro forma basis after adjustment for the proposed new financing, would be 85¢ a share. The pro forma equity ratio would be 30%.

The company's common stock has been selling recently on the American Stock Exchange around 10⅛ to yield nearly 6%.

J. Barth Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—William W. Henderson is now with J. Barth & Co., 404 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Three With Cooley Co.

(Special to The Financial Chronicle)

HARTFORD, Conn.—Joseph W. Girandola, David C. Nelson and William J. Phelan have become associated with Cooley & Company, 100 Pearl Street, members of the New York Stock Exchange.

Estabrook Adds to Staff

(Special to The Financial Chronicle)

BOSTON, Mass.—Mary J. Barr, Harry C. Black, Atherton E. Crowell, Vincent R. Montgomery, John A. Nelson, Herman L. Schreiber, Louis G. Vero and Eve M. Werner are with Estabrook & Co., 15 State Street, members of the New York and Boston Stock Exchanges.

Two With Waddell Reed

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Robert O. Bauer and Roy A. Green have become affiliated with Waddell & Reed, Inc., 1012 Baltimore Avenue.

Continued from page 10

Problems of Trust Investments In 1953

particularly since the Election, by reason of a plank in the Republican platform advocating:

"A Federal Reserve System exercising its functions in the money and credit system without pressure for political purposes from the Treasury or the White House."

Clearly this would indicate the Federal Reserve Board has won the "Battle of the Agencies" and will, and apparently has, resumed its generally accepted role in our banking system with the Open Market Committee directing "purchases, sales, and exchanges of government securities with prime regard to the general business and credit situation" although recognizing the desirability of "maintaining orderly conditions in the government security market."

In his message to Congress last week the President stated "Past differences in policy between the Treasury and the Federal Reserve Board have helped to encourage inflation. Henceforth, I expect that their single purpose shall be to serve the whole nation by policies designed to stabilize the economy and encourage the free play of our people's genius for individual initiative."

The new Secretary of the Treasury is faced with the refunding of large amounts of government obligations maturing in 1953.

These maturities almost dictate the adoption in the early months of the new Administration of an orderly and far reaching refunding program. Such a program would not necessarily mean long-term bonds, but rather the extension of the short-term debt into bonds and notes having more manageable maturities. By way of historical comparison, over 30% of World War I debt matured in 1921 to 1923, three to five years after the end of that War. Only about 10% of the early maturities found their way into long-term bonds due in 25 to 30 years. Approximately 90% of that refunding went into intermediate maturities, none maturing beyond 1928, i.e. five to seven years. The greatly increased size of the present Federal debt and the requirements of the Defense Program undoubtedly will require a somewhat different approach in formulating a broadscale refunding program.

An early indication of the problem is presented in the maturity on Feb. 15 of $8,868,000,000 which will be met with a "package deal"—including a one-year 2¼% Certificate of Indebtedness and a five-year 10-month 2½% Treasury Bond. Analysis of the present ownership of the maturing certificates, approximately $3.7 billion held by Federal Reserve Banks, approximately $2.3 billion owned by Commercial Banks, and the remainder, approximately $2.9 billion, held by corporations and individuals, quickly eliminated the inclusion in the "package" of a 10 or even a 15-year Treasury Bond.

There seems to be little question that a moderate rise in interest rates will attend an orderly Treasury refunding program, financing of defense requirements, and a continuing need for capital by industry.

Industrial Requirements

Industrial construction, which ran at an annual rate of $28,000,000,000 in the fourth quarter of last year, gives every indication of continuing at a very high rate in 1953, some informed sources expecting only a small decline from last year's record figure. According to Johns-Manville Corporation the construction industry in 1952 established a new record of $42,000,000,000 and may exceed that figure by $1,000,000,000 in 1953.

These figures bear out the current demand for capital funds by the growth industries and the public utilities, and looking to the future, hardly anyone will question a continued demand for capital to supply telephone service, electric power, and electronic equipment so necessary for mass production of many commodities of everyday use.

Population Growth

Another element of our economy which must receive important consideration by the portfolio manager is the growth of population. Educational institutions and business corporations, now keenly aware of the reduced birth rate of the depression years, are giving much attention to the implications of the large increase in population in the last decade with its obvious need for food, shelter, clothing, and education.

It must also be remembered that the wage earner in the United States, after many years of high wages and steady employment, has naturally raised his standard of living and looks upon ownership of a home, an automobile, and a television set, not as luxuries, but as an integral part of normal American living. This objective view of the American worker, of which political leadership is not unmindful, has been greatly aided by our system of consumer credit which reached a record level of $23,975,000,000 recently. This large volume of credit has been viewed by some as implying some threat to our financial stability. However, a comparison with Disposable Income over an extended period of years reveals interesting and somewhat re-assuring ratios.

Business Outlook

Recent utterance by the captains of the electrical equipment, chemical, mail order, electric appliance, and automobile industries relative to business prospects have been in a confident vein. Indeed some of them have been positively optimistic. For illustration, an official of an outstanding chemical company asked of the chemical industry was not faced with over-production stated: "It won't be over-produced for 100 years. Maybe some particular chemical will be, but we always shift, we can always use the hydrocarbons which might go into ethyl alcohol or ethylene glycol somewhere else. The industry has great freedom of opportunity. I only wish I could live a 100 years to see what the industry will do," while the head of a large steel company recently contended steel capacity is not excessive—that a decline in production to 85% of capacity would not cut profits.

Summarizing briefly it would appear that with unspent Congressional appropriations of $100,000,000,000, substantial requirements for industrial construction and municipal improvements, and favorable business prospects, not to mention a moderate rise in interest rates and the probable maintenance of a high level of dividend payments, the manager of a trust portfolio while approaching his task with caution, can view 1953 with confidence.

Joins Gibbs & Co.

(Special to The Financial Chronicle)

WORCESTER, Mass. — Carl W. Morrow, Jr. is now connected with Gibbs & Co., 507 Main Street.

Continued from page 16

News About Banks And Bankers

tional Bank, of New Britain, Conn., became effective on Jan. 20, through a $100,000 stock dividend, whereby the capital was raised from $600,000 to $700,000.

* * *

The directors of the **Old National Bank in Evansville, Ind.**, announce the election of William A. Carson, Chairman; Walter A. Schlechte, President; Melburn G. Berges, Vice-President and Trust Officer; John D. Clarke, Jr., Vice-President and Trust Investment Officer; Miss Bunner Maier, Assistant Trust Officer, and Clarence Maasberg, Assistant Cashier.

* * *

Effective Jan. 26, the **Merchants National Bank in Chicago, Ill.**, increased its capital from $600,000 to $800,000 by a stock dividend of $200,000.

* * *

Under date of Jan. 28 the title of the **American National Bank of Kalamazoo, Mich.**, was changed to the **American National Bank & Trust Co. of Kalamazoo.**

* * *

Earl R. Muir, President of **The Louisville Trust Company, of Louisville, Ky.**, announces the elections of H. G. Whittenberg and David P. Reynolds as Directors. Mr. Whittenberg is the President of the Whittenberg Construction Company and President of several realty and development companies. He has been actively engaged in business for 28 years. He is a member of the Pendennis Club, Big Springs Golf Club and Director of the Rock Creek Riding Club. Mr. Whittenberg is also President of the Louisville Chapter of Associated General Contractors. Mr. Reynolds is a Vice-President in Charge of the General Sales Division and a Director of Reynolds Metals Company. He is also a Director of Reynolds Corporation, United States Foil Company, Richmond Radiator Co., Mutual Trading Corp., Reynolds Aluminum Co., Reynolds Jamaica Mines, Ltd., Caribbean Steamship Co., Reynolds Alloys Co. and Eskimo Pie Corp. He is also a Director of the Reynolds Mining Corporation, Reynolds Sales Co., and the Reynolds Reduction Co. Mr. Reynolds is a Director of the Louisville Chamber of Commerce, the Louisville Safety Council and the Louisville Chapter of the American Red Cross.

* * *

Seven promotions at the **Trust Company of Georgia at Atlanta** were announced by Marshall B. Hall, President, following a recent meeting of the bank's Board of Directors. Promoted were: Arthur F. Rees, III, and Robert M. Bray, to Assistant Secretary; Manon O. Kelly, George T. Lamb and John S. Evans to Assistant Treasurer, and Raymond A. Boyer and William E. Reynolds to Assistant Trust Officer.

* * *

Alfred B. Layton, Vice-President, Director and member of the Executive Committee of Crown Zellerbach Corp., was elected to the Board of Directors of **The Bank of California, N. A., of San Francisco**, at the annual meeting of the stockholders on Jan. 26. Mr. Layton, who has been associated with Crown Zellerbach Corporation since his graduation from Stanford University in 1924, was elected Vice-President of the firm in 1933. During World War II he served with the U. S. Navy and was released to inactive duty in 1946 with the rank of Commander.

With Renyx Field

(Special to The Financial Chronicle)

NEW ORLEANS, La. — Mrs. Essie C. Lopez has been added to the staff of Renyx, Field & Co., Inc.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Last week I dawdled through the averages trying to point out various landmarks that have become almost established in the past few years.

You may have heard or read the expression that "the market had successfully (or unsuccessfully) passed its test." The theory being that once the averages had negotiated a previous high point all was well with the world and one could now go out and safely buy stocks.

This is a comfortable thought and has many adherents. It makes for good, even exciting headlines — "Market Makes New Highs" — thereby bringing in more new buyers, who in turn create still more new highs, and so it goes.

New highs in averages, however, don't mean new highs in stocks — all stocks. And it is in the stocks that basic interests lie.

You might be interested to discover that the same "tests" that the averages are supposed to undergo also are followed by stocks. If you'll go back over your own stock list, for example, and check its daily price movements and then compare it with subsequent performance you'll see what I mean.

You'll see where a stock made a new high, properly commented upon by your customer's man, newspaper headlines (if it's an important stock) and your neighbors who are aware you're long of it.

Then, for no discernible reason, the stock backs away from its rarified atmosphere and either goes into a loggy reaction or just backs away and goes to sleep. Sometimes it does both.

The new buyers who came into the stock on its establishment of a new high are either disgusted with its performance and get out at a loss, or sit through until the next forward wave permits them to get out even or at a small profit

Such performances aren't new; they've become almost common in the past few years. How to guard against being caught in such tides is obviously important.

I have no infallible system. In fact I have no system at all. I use a rule of thumb gimmick that I'll pass on to you to do with as you see fit.

Hardly a day passes that there isn't at least 10 stocks that make a new high, or new low, depending on the general market trend. If at least six of these stocks fail to improve on their previous day's performance on subsequent days, I consider it at least a questionable market to be in; maybe a dangerous one. The most I can expect then is that the stocks I chose will keep hanging around the original purchase price, and that doesn't have any lure for me.

Naturally unexpected news also plays a par in market action. It is surprising, however, how little unexpected news the market has to contend with. Somewhere along the way market action forecasts the news long before it becomes public property. To evaluate it properly is something else.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

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Observations . . .

to prostitutes among Party members than among non-Communists of the same age background and marital status. Promiscuity and casual amours are *verboten* because of the dangers of divulging secrets. Oedipus-like jealousy and hatred of father or mother, substitution of Father Stalin, and fantasies of one's own unattraction constitute prime motivation for joining the Party.

"While it is true that there is not a Communist under every bed," the authors conclude, "the Freudians would have a good deal of justification for the claim that there is a bed under the basic emotional motivation of every Communist."

Population Coverage

Other phases of the findings of a more factual nature show that about 700,000 Americans have joined and left the Communist Party and that this is a youth movement, since the peak age for joining is 18 to 23. The membership comes from middle and upper middle class income homes and consists of boys and girls who have been well educated. There are surprisingly few manual workers and the movement does not invite the physically coordinated; as shown by the fact that there are very few members who play baseball or football in college.

The Crucial Exit Factors

A complete turn-over of the Party occurs in about three years; and, the authors claim, the average member spends about a fourth of his time in the Party trying to get out.

Messrs Ernst and Loth contend that there are two main factors which deter him from leaving this evil, stealthy organization. In the first place, he is afraid of the filthy blackmail of the Party which threatens to write anonymous letters to the bosses so as to prevent further economic security. When this is overcome, it is contended, they then face the dire threat of so-called McCarthyism, by which the authors imply that if a person confesses and admits his error, he is nevertheless ruined forever.

Here is the crucial controversial theme of the book and the authors' philosophy. They insist that 90% of the Commies under 30 years of age can be sucked out of the movement for jobs in non-sensitive areas; but only if the community adopts the position that there is no such thing in life as sinning without the chance for repentance and possible salvation. To ease the problem of the disillusioned rank-and-file member who wants to rejoin respectable society, and thereby purportedly put the American Communist Party out of business in a year's time, the authors would, like the Catholic Church with sinners, forgive and help and rehabilitate the rank-and-filers, rescuing them from being lost sheep, unwanted in any fold.

They further propose a publicity-less national commission, consistent with British attitude, to estimate the menace; and initiation of a "Communists Anonymous" to soothe the addicts in this ideological field as does "Alcoholics Anonymous" with the errant among the dipsos.

A Soft Luxurious Approach?

In their philosophy of considering neurotic therapy and appeasement as the desirable guide to the public's attitude, our authors are in sharp opposition to our Congressional investigating committees. Thus the subcommittee of the Senate's Committee on Internal Security maintains that this soft attitude, playing down police action, does not realistically combat the danger of a ruthless enemy in this climactic crisis in our civilization. Robert Morris, special counsel to the former "McCarran Committee," eloquently and quite reasonably complains of softness toward conspirators who are selling us out, as by giving the enemy our atomic secrets.

Similarly, merely recognizing and catering to the foibles of the emotional deviationists who have infiltrated our labor unions, or teachers who hide behind the Constitution's Fifth Amendment to refuse to inform legally constituted authorities whether they are Communists or not, seems quite far-fetched.

But whatever the shortcomings of the Ernst-Loth-Freud confessional approach, and whether or not it over-emphasizes the neurosis phases as a single-cause explanation of a complex and varied process; the authors in any event deserve kudos, not only for the trail-blazing enlightenment in the psychological areas, but for their un-hysterical treatment of the domestic Communist-menace.

The epochal crisis obstructing our very survival in any case lifts this work to pragmatic importance above the current mass of parlor-psychoanalyses luxuriating in all fields from art to music to politics (as PSYCHOANALYSIS AND POLITICS by R. E. Money-Kyrle).

Dealing with the Communist in our midst with all reasonable measures is particularly important now when, with the Kremlin's military apparently at last being "contained," that is, stopped by the West from further territorial conquest, Stalin is compelled to fall back to reiterating the basic Marxist creed that the capitalistic countries are growing the seeds of their own destruction—and must rely more and more on having his agents and sympathizers push dissention amongst us, within as well as between, the borders of the Western democratic nations.

Whatever his merits or demerits elsewhere, Freud can no doubt be of some help here!

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Goals of Banking in 1953

considerable merit and was an effort in the right direction, but several basic deficiencies have been disclosed through its use.

The present regulation for establishing loss reserves is inadequate. It is the firm belief of the American Bankers Association that a more realistic, workable, and equitable formula should be substituted. Forty-five per cent of all insured commercial banks have established reserves under the present formula. It is believed that many banks have not adopted the formula because they believed it unworkable and impractical. The present regulation should be broadened and simplified. Some informed sources are of the opinion that this can be done under the existing statutory law.

In order to contribute to the stability of the banking system, certain basic guides should be considered in the design of an adequate regulation.

(1) The reserve must be large enough to do a complete job—covering losses that tend to be concentrated in poor years.

(2) The reserve should be based upon loss possibilities of the future with due consideration to losses of the past.

(3) The reserve must be built up gradually over a period of years.

(4) The same formula should apply to all banks since they operate under the same economic conditions.

(5) The formula should be simple in order to encourage its adoption by all banks.

Here is a suggestion which we believe embraces all the criteria just mentioned—to permit each bank to make the same percentage addition to its reserve for bad debts with an overall ceiling on the amount of the reserve. The reserve ceiling should be high enough to enable banks to meet conditions at a peak of financial need. A chain is only as strong as its weakest link.

The American Bankers Association is studying formulas and working with the Treasury Department toward an adequate, workable solution.

The first justification for tax-deductible additions to a reserve is whether or not it is in the public interest. From the standpoint of the public generally, the economic stability of the nation is an objective of high priority. The existence of adequate reserves during periods of active business serve to protect the prosperity of a nation. Reserves could also lessen the shock and help raise the valleys in periods of recession.

When I started out in the banking business, I was taught that much of the ultimate usefulness of a bank was dependent on how it could withstand depressions. The merits of a banker were decided not alone on what he did in good times but on how he prepared for rough periods that might be ahead. A bank's great strength lies in its ability to go through tough times, look after the legitimate needs of dependable customers, and emerge with greater standing than ever. Just as an engineer must design a bridge which can weather any stress and strain, bankers must be engineers in designing a banking structure that can withstand any period of stringency. Things that we prepare for often do not happen.

With the present low capital-deposit ratio of banks, if a depression should strike, the banking authorities, whose job it is to protect the depositor, would be critical of loans that could not clean up promptly. Many bankers would feel obliged to press some deserving customers for early liquidation. In this way, fuel would be heaped onto the fire of depressions. You can't blame the examiners too much as their job is to protect depositors. The way to meet the situation is to encourage banks to build reserves so they have greater ability to write off frozen assets until orderly markets are restablished. The captain in a strong boat at sea isn't panicky in a storm.

The creation of reserves of this type does not give banks any tax advantage in the long term. The tax payment is merely deferred because losses are charged to the reserve. This makes for more regularity in tax payment. Just as any businessman depreciates his fixed assets over a period of years, so all bankers should provide "depreciation reserves" for their loan portfolios over a period of years.

Permitting banks to deduct an adequate amount for reserves before income taxes does not give them an unfair advantage over other corporations. Other corporations under the existing statutes are permitted to create bad debt reserves and to deduct reasonable amounts for income tax purposes.

Banks Should Depend More on Themselves

It is in the public interest that banks depend more upon themselves and less upon government. For example, the Federal Deposit Insurance Corporation has built a huge reserve fund to give support to banking. Assessments have been reduced, but many bankers are requesting further reduction. If banks are sufficiently encouraged to build adequate reserve funds for themselves, future assessments could be reduced or even eliminated. Thus, in one more way, banks could be depending less upon government.

We again stress that adequate reserves are a "must" for sound banking. They are the most logical form of insurance for a sustained banking structure. That banking stands as a bulwark in all periods is definitely in the public interest.

My purpose in talking to you so frankly today is so that you may know about some of the current objectives of the American Bankers Association; also, that, through your many contacts, you can help with these plans.

We believe that taxes must be reduced and the fiscal affairs of our government placed on a more sound basis.

We favor single taxation for all corporations, including banks.

We urge the elimination of the excess profits tax.

We will press for the establishment of an adequate reserve for losses.

All of these are definitely in the public interest. Your courageous support of these efforts will further enhance the stature of banking in this country.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ Airmen's Enterprises, Inc., Kansas City, Mo.
Feb. 6 (letter of notification) 25,000 shares of class A common stock. **Price**—At par ($10 per share). **Proceeds**—To acquire office and equipment. **Office**—1415 Commerce Bldg., Kansas City, Mo. **Underwriter**—None.

★ American Acceptance Corp., St. Petersburg, Fla.
Jan. 29 (letter of notification) 1,990 shares of 6% cumulative preferred stock; $25,000 of 7% collateral notes; and 78,400 shares of class A common stock. **Price**—For prefererd, $20 per share; for notes, at par; and for common, $3 per share. **Proceeds**—To expand business. **Office**—300 Third Ave., North, St. Petersburg, Fla. **Underwriter**—None.

American Alloys Corp., Kansas City, Mo.
Dec. 15 (letter of notification) 1,000 shares of preferred stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Underwriter**—McDonald-Evans & Co., Kansas City, Mo.

★ American Business Shares, Inc., N. Y.
Feb. 6 filed 2,000,000 shares of capital stock. **Price** — At market. **Proceeds**—For investment. **Underwriter**—Lord, Abbett & Co., New York.

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.

Atlanta Gas Light Co. (3/4-5)
Feb. 11 filed 80,255 shares of common stock (par $10) to be offered to present common stockholders at rate of one new share for each 10 shares held. **Price** — To be supplied by amendment. **Proceeds**—To repay bank loans issued in connection with company's construction program. **Underwriters**—The First Boston Corp., New York; and Courts & Co. and The Robinson-Humphrey Co., Inc., both of Atlanta, Ga.

● 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 first for subscription by class A and comomn stockholders at rate of one new share for each five old shares held (with an oversubscription privilege); rights to expire on Feb. 26. **Price**—At par ($10 per share). **Proceeds**—To increase working capital. **Underwriter**—Bioren & Co., and H. G. Kuch & Co., both of Philadelphia, Pa.

● Baker Properties, Inc. (2/20)
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.

● Bi-Metals Corp., Cleveland, Ohio
Jan. 27 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For equipment and working capital. **Office** — 1302 Ontario St., Cleveland 13, Ohio. **Underwriter**—James H. Price & Co., New York.

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.

★ Big Horn-Powder River Corp., Denver, Colo.
Jan. 30 (letter of notification) 565,220 shares of common stock (par 10 cents) to be offered first for subscription by stockholders at rate of one new share for each nine shares held. **Price**—25 cents per share. **Proceeds**—For drilling expenses. **Office**—702 Ernest and Cranmer Bldg., 930 Seventeenth St., Denver, Colo. **Underwriter**—None.

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.

Brunner Manufacturing Co.
Jan. 26 (letter of notification) 15,000 shares of common stock (par $1). **Price**—At market (about $5.37½ per share). **Proceeds**—To improve plant and for new machinery. **Office**—1821 Broad St., Utica, N. Y. **Underwriter**—None.

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.

Carborundum Co., Niagara Falls, N. Y. (2/26)
Feb. 4 filed 271,940 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To certain selling stockholders. **Underwriter**—The First Boston Corp., New York.

★ Central Maine Power Co. (3/10)
Feb. 9 filed $10,000,000 of first and general mortgage bonds, series U, due March 1, 1983. **Proceeds**—To refund outstanding short-term notes and for new construction. **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. **Bids**—Tentatively expected to be received on March 10.

Central States Paper & Bag Co., St. Louis, Mo.
Jan. 22 (letter of notification) 13,000 shares of common stock. **Price**—$18 per share. **Proceeds**—For improvements. **Office**—5221 Natural Bridge Blvd., St. Louis, Mo. **Underwriter**—None.

★ Charter Oil Co., Ltd., Calgary, Alta. (3/3-5)
Feb. 10 filed 900,000 shares of capital stock (par $1-Canadian). **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriters**—Lehman Brothers and Bear, Stearns & Co., both of New York.

★ Cherry Creek Tungsten Mining Corp.
Jan. 21 (letter of notification) 130,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—To acquire properties and machinery. **Office**—Suite 601, Eastman Bldg., Boise, Idaho. **Underwriter**—None.

★ Cheyenne Oil Ventures, Inc., Denver, Colo.
Feb. 5 (letter of notification) 600,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For drilling expenses. **Office**—Suite 702-704 Ernest & Cranmer Bldg., Denver, 2, Colo. **Underwriter**—None.

★ Cincinnati Fund, Inc., Cincinnati, Ohio
Feb. 9 filed 10,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

● Cinerama, Inc., New York
Feb. 4 filed $2,000,000 of 4% convertible debentures due 1958. **Price**—At 100% of principal amount. **Proceeds**—For working capital. **Underwriter**—Gearhart & Otis, Inc. New York; and White & Co., St. Louis, Mo.

NEW ISSUE CALENDAR

February 13, 1953
Food Fair Stores, Inc. — Debentures
(Eastman, Dillon & Co.)

February 16, 1953
English Oil Co. — Common
(J. A. Hogle & Co)
Frito Co. — Preferred
(Dittmar & Co.)
Niagara Mohawk Power Corp. — Common
(Bids noon EST)

February 17, 1953
Con. Edison Co. of New York, Inc. — Bonds
(Bids 11 a.m. EST)
Iowa Southern Utilities Co. — Bonds
(Bids noon EST)

February 18, 1953
Lehman Corp. — Common
(Lehman Brothers)
Niagara Mohawk Power Corp. — Bonds
(Bids 11 a.m. EST)
South Carolina Electric & Gas Co. — Common
(Offering to stockholders—underwritten by Kidder, Peabody & Co.)

February 19, 1953
Illinois Central RR. — Equip. Trust Ctfs.
(Bids noon CST)

February 20, 1953
Baker Properties, Inc — Common
(No underwriting)
Resort Airlines, Inc. — Common
(Offering to stockholders—no underwriting)

February 25, 1953
Maine Central RR. — Bonds
(Bids noon EST)

February 26, 1953
Carborundum Co. — Common
(The First Boston Corp.)
Maryland Casualty Co. — Common
(Offering to stockholders—underwriters may include Merrill Lynch, Pierce, Fenner & Beane; First Boston Corp.; Lehman Brothers; and Paine, Webber, Jackson & Curtis)
McKesson & Robbins, Inc. — Debentures
(Goldman, Sachs & Co.)

March 2, 1953
Central RR. of New Jersey — Equip. Trust Ctfs.
(Bids to be invited)
Texas Oil Exploration Co. — Common
(Peter W. Spiess Co.)

March 3, 1953
Charter Oil Co., Ltd. — Common
(Lehman Brothers and Bear, Stearns & Co.)
Indianapolis Power & Light Co. — Bonds
(Bids to be invited)
New England Power Co. — Preferred
(Bids noon EST)

March 4, 1953
Atlanta Gas Light Co. — Common
(The First Boston Corp.; Courts & Co.; and The Robinson-Humphrey Co., Inc.)
New York Central RR. — Equip Trust Ctfs.
(Bids to be invited)

March 7, 1953
Lake Superior District Power Co. — Common
(Robert W. Baird & Co., Inc.)

March 9, 1953
Arizona Public Service Co — Common
(The First Boston Corp. and Blyth & Co., Inc.)
Fall River Electric Light Co. — Bonds
(Bids 11 a.m. EST)

March 10, 1953
Central Maine Power Co. — Bonds
(Bids to be invited)
Narragansett Electric Co. — Bonds
(Bids to be invited)

March 17, 1953
Lake Superior District Power Co. — Bonds
(Bids to be invited)
Mississippi Power & Light Co. — Bonds
(Bids to be invited)

March 24, 1953
Dallas Power & Light Co. — Bonds
(Bids to be invited)
Georgia Power Co. — Bonds & Preferred
(Bids 11 a.m. EST)

March 25, 1953
Southern Indiana Gas & Electric Co. — Common
(May be Smith, Barney & Co.)

March 27, 1953
Merritt-Chapman & Scott Corp. — Common
(Offering to stockholders—no underwriter)

March 31, 1953
California Electric Power Co. — Common
(Bids to be invited)

April 7, 1953
California Electric Power Co. — Bonds
(Bids to be invited)
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)

April 15, 1953
Southern Co. — Common
(Bids 11 a.m. EST)

May 12, 1953
Alabama Power Co. — Bonds
(Bids 11 a.m. EST)

June 9, 1953
Gulf Power Co. — Bonds
(Bids 11 a.m. EST)

Code Products Corp., Philadelphia, Pa.
Dec. 1 filed 500,000 shares of 6% cumulative preferred stock (par $1) and 255,000 shares of common stock (no par—stated value $1) to be sold in units of two shares of preferred and one share of common stock. **Price**—$3 per unit. **Proceeds** — For working capital. **Business** — Manufactures electrical equipment. **Underwriter**—None. Company intends to offer securities to broker-dealers for public offering.

Commonwealth Oil Co., Miami, Fla.
Jan. 26 (letter of notification) 5,000 shares of common stock (par one cent). **Price**—$3.87½ per share. **Proceeds** —To C. Dale Armour, the selling stockholder. **Underwriter**—Gordon Graves & Co., New York.

Community Credit Co., Omaha, Neb.
Jan. 26 (letter of notification) 1,500 shares of 5½% cumulative sinking fund preferred stock, series A. **Price** —At par ($100 per share). **Proceeds**—For working capital. **Underwriter**—Wachob-Bender Corp., Omaha, Neb.

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**—To be received up to 11 a.m. (EST) on Feb. 17.

Coronado Copper Mines Corp.
Jan. 23 (letter of notification) 299,970 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**— To acquire leases, for exploration expenses, to repay loans and for working capital. **Office**—100 West 10th St., Wilmington, Del. **Underwriter**—Charles J. Maggio, Inc., New York.

Dantz Run Development Co., Inc. (Pa.)
Feb. 3 (letter of notification) 950 non-assessable common shares. **Price**—At par ($100 per share). **Proceeds**—For drilling for oil and gas and for acquisition and sale of oil and gas leases. **Offices**—9 Main St., Galeton, Pa. **Underwriter**—None.

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.

★ **Doug Allan TV & Film Productions, Inc.**
Feb. 4 (letter of notification) 150,000 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**— For cost of films and working capital. **Underwriter**— Stuyvesant F. Morris, Jr., & Co., New York.

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 (2/16)**
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.

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.

★ **Exchange Royalty Co. of Texas**
Feb. 3 (letter of notification) 14,610 shares of common stock. **Price**—$1 per share. **Proceeds**—To be invested in "royalty pool." **Office**—c/o Homer Lee (President), Midlothian, Texas. **Underwriter**—None.

● **Fall River Electric Light Co. (3/9)**
Jan. 29 filed $6,800,000 of first mortgage and collateral trust bonds due Jan. 1, 1983. **Proceeds**—To redeem $2,-000,000 of 3⅛% bonds and to repay $4,800,000 of bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers, Bear, Stearns & Co. and Salomon Bros. & Hutzler (jointly); Glore, Forgan & Co.; The First Boston Corp. **Bids**—Expected to be received about March 9 at 11 a.m. (EST) at 49 Federal St., Boston, Mass.

★ **Finance Investment Management Corp.**
Jan. 29 (letter of notification) 74,116 shares of class A common stock. **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Office** — 129 West Fourth St., Charlotte, N. C. **Underwriter**—None.

★ **First Springfield Corp., Springfield, Mass.**
Feb. 9 filed 20,000 shares of capital stock (par $10). **Price**—At market. **Proceeds** — For investment. **Underwriter**—None.

● **Food Fair Stores, Inc. (2/13)**
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." Statement effective Feb. 3.

★ **Franklin Life Insurance Co.**
Feb. 4 (letter of notification) 1,400 shares of capital stock (par $4). **Price** — At market (approximately $70 per share). **Proceeds**—To Allen & Co., New York. **Office**— Franklin Life Bldg., Springfield, Ill. **Underwriter**—None.

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.

Fuller Brush Co., Hartford, Conn.
Jan. 29 (letter of notification) 3,000 shares of preferred stock. **Price**—At par ($100 per share). **Proceeds** — For working capital. **Office**—3580 Main St., Hartford, Conn. **Underwriter**—None.

★ **Gem Monazite Mines, Inc., Boise, Ida.**
Jan. 29 (letter of notification) 1,000,000 shares of common stock. **Price** — 25 cents per share. **Proceeds**—For drilling expenses. **Office** — 215 McCarty Bldg., Boise, Ida. **Underwriter**—None.

Grand Bahama Co., Ltd., Nassau
Feb. 3 filed $1,350,000 20-year 6% first mortgage convertible debentures due March, 1973, and 1,565,000 shares of class A stock (par 10 cents). **Price**—Par for debentures and $1 per share for stock. **Proceeds** — For new construction. **Business** — Hotel and land development. **Underwriter**—Gearhart & Otis, Inc., New York.

Gulf Insurance Co., Dallas, Tex.
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.

★ **Hall Building Co., Minneapolis, Minn.**
Feb. 6 (letter of notification) $300,000 of 4½% general obligation bonds due March 1, 1973. **Price**—At par (in denominations of $100 and $500 each). **Proceeds** — For improvement of real estate. **Office**—618 North Third St., Minneapolis 1, Minn. **Underwriter**—None.

Hemisphere Western Oil Co.
Dec. 3 (letter of notification) 1,196,000 shares of common stock (par one cent). **Price**—25 cents per share. **Proceeds**—To acquire working interest in oil wells. **Office** —Cravens Bldg., Oklahoma City, Okla. **Underwriter**— Winner & Meyers, Lock Haven, Pa.

Holiday Plastics, Inc., Kansas City, Mo.
Dec. 10 (letter of notification) 3,799 shares of common stock (no par). **Price**—$13 per share. **Proceeds**—For working capital. **Office**—410 East 27th Street Terrace, Kansas City, Mo. **Underwriter** — Prugh, Combest, & Land, Inc., Kansas City, Mo.

● **Home Improvement Financing Corp.**
Jan. 30 (letter of notification) 200,000 shares of class A common stock (par 50 cents). **Price**—$1.50 per share **Proceeds**—For construction of home improvements and time financing in connection therewith. **Office**—240 West Front St., Plainfield, N. J. **Underwriter** — George A. Searight, New York. **Offering**—Temporarily postponed.

Hooker Electrochemical Co.
Jan. 15 filed 97,147 shares of $4.20 cumulative convertible second preferred stock, series B (no par) being offered for subscription by common stockholders of record Feb. 3 on the basis of one new preferred shares for each 10 shares of common stock held; rights to expire Feb. 18. **Price**—$100 per share. **Proceeds**—For expansion program and working capital. **Underwriter** — Smith, Barney Co., New York.

★ **Indianapolis Power & Light Co. (3/3)**
Feb. 9 filed $10,000,000 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. **Bids**—Expected March 3.

Insurance Exchange Corp., Walla Walla, Wash.
Nov 25 filed 30,000 shares of common stock (par $10) and 14,000 shares of preferred stock (par $50) of which 28,000 common shares and all of the preferred stock are to be offered in units of one share of preferred and two shares of common stock. Of remaining 2,000 common shares, 500 have been sold to directors and 1,500 are to be reserved for directors and sales representatives. **Price** —$70 per unit. **Proceeds**—For working capital. **Underwriter**—None.

★ **Interprovincial Pipe Line Co. (Canada)**
Feb. 6 filed 1,500,000 shares of capital stock (par $5) to be offered for subscription by stockholders. **Price**—To be supplied by amendment. **Proceeds**—For new construction. **Offices**—Toronto, Ont., and Edmonton, Alta. **Underwriters**—To be supplied by amendment.

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 received up to noon (EST) on Feb. 17 in New York.

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.

★ **Justheim Petroleum Co., Salt Lake City, Utah**
Feb. 2 (letter of notification) 1,500,000 shares of common stock (par five cents). **Price**—13 cents per share. **Proceeds**—To acquire new properties and for drilling expenses. **Office**—212 Phillips Petroleum Bldg., Salt Lake City 1, Utah. **Underwriter**—None.

★ **KTAG TV, Inc., Baton Rouge, La.**
Jan. 30 (letter of notification) 1,000 shares of common stock (par $100) and $80,000 of debenture bonds (in denominations of $100 and $1,000 and multiples thereof). **Price**—At par or principal amount. **Proceeds**—To purchase equipment. **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.

★ **Kirk Uranium Corp., Denver, Colo.**
Feb. 6 (letter of notification) about 900,000 shares of capital stock (par one cent). **Price**—30 cents per share. **Proceeds**—For mining expenses. **Office**—405 Interstate Trust Bldg., Denver 2, Colo. **Underwriter**—Gardner & Co., New York.

★ **Knickerbocker Fund, New York**
Feb. 9 filed 1,000,000 shares of beneficial interest in this Fund. **Underwriter** — Knickerbocker Shares, Inc., New York.

● **Lehman Corp., New York (2/18-20)**
Jan. 30 filed 37,800 shares of capital stock (par $1). **Price** —To be supplied by amendment. **Proceeds**—To Estate of Allan S. Lehman, deceased. **Underwriter**—Lehman Brothers, New York.

Lorain Telephone Co., Lorain, Ohio
Dec. 9 (letter of notification) 5,000 shares of common stock (no par) to be offered for subscription by common stockholders at rate of one new share for each 15.41 shares held. **Price** — $20 per share. **Proceeds** — For property additions. **Office**—203 W. Ninth Street, Lorain, Ohio. **Underwriter**—None.

Louisville Gas & Electric Co. (Ky.)
Jan. 8 filed 200,000 shares of common stock (no par) being 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.

★ **Maryland Casualty Co., Baltimore, Md. (2/26)**
Feb. 5 filed 475,000 shares of common stock (par $1) to be offered for subscription by common stockholders of record Feb. 21; rights to expire about March 12. **Price**— To be supplied by amendment. **Proceeds** — To increase capital and surplus. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

McCarthy (Glenn), Inc.
June 12 filed 10,000,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds** — For drilling of exploratory wells, acquisition of leases and for general corporate purposes. **Underwriter**—B. V. Christie & Co., Houston, Tex. **Dealer Relations Representative**—George A. Searight, 50 Broadway, New York, N. Y. Telephone WHitehall 3-2181. **Offering**—Date indefinite.

McGraw (F. H.) Co., Hartford, Conn.
Sept. 10 (letter of notification) 5,000 shares of common stock (par $2) and warrants to purchase 20,000 shares of common stock at $6 per share to be offered in units of one share and warrants to purchase four additional shares. **Price**—$19.87½ per share. **Proceeds**—To Clifford S. Strike, the selling stockholder. **Underwriter**—Granbery, Marache & Co., New York.

★ **McKesson & Robbins, Inc., N. Y. (2/26)**
Feb. 6 filed $15,000,000 of sinking fund debentures due March 1, 1973. **Price** — To be supplied by amendment.

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Proceeds—To finance increased inventories and receivables. Underwriter—Goldman, Sachs & Co., New York.

★ Metropolitan Finance Co., Cleveland, Ohio
Feb. 4 (letter of notification) $197,000 of 5% capital notes (in denominations of $100 each) and 1,970 shares of class B common stock (par $1) to be offered in units of one $100 note and one share of stock. Price—$101 per unit. Proceeds—To increase capital. 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.

★ Mississippi Power & Light Co. (3/17)
Feb. 11 filed $12,000,000 of first mortgage bonds due 1983. Proceeds—For construction program. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; 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.

★ Mitchell (John E.) Co., Inc., Dallas, Tex.
Jan. 29 (letter of notification) 250 shares of common stock. Price—$200 per share. Proceeds — For working capital. Office—3800 Commerce St., Dallas 1, Tex. Underwriter—None.

★ Mohawk Business Machines Corp.
Feb. 6 (letter of notification) 144,000 shares of convertible preferred stock (par $1). Price—$2 per share. Proceeds—For working capital, etc. Office—47 West St., New York 6, N. Y. Underwriter—None.

★ Morgan Milk Co., Fort Morgan, Colo.
Jan. 29 (letter of notification) 3,000 shares of common stock and 3,000 shares of preferred stock. Price—At par ($10 per share). Proceeds—For working capital. Underwriter—None.

★ Morrison-Knudsen Co., Inc., Boise, Ida.
Jan. 24 (letter of notification) 30,000 shares of capital stock (par $10) to be offered for subscription by employees. Price—At 95% of the market price. Proceeds—None. Office—319 Broadway, Boise, Ida.

★ Murphy (A. A.) & Co., Inc., St. Paul, Minn.
Feb. 3 (letter of notification) 2,000 shares of 6% prior preferred stock, 1947 series. Price — At par ($50 per share). Proceeds—For working capital. Underwriter—Piper, Jaffray & Hopwood, Minneapolis, Minn.

★ Narragansett Electric Co. (3/10)
Feb. 10 filed $10,000,000 of first mortgage bonds, series D, due March 1, 1983. 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). Bids—Tentatively expected to be received on March 10.

★ Nesco, Inc., Milwaukee, Wis.
Feb. 3 (letter of notification) 250 shares of common stock (par $5) to be issued to employees upon exercise of stock options. Price—$8.10 per share. Proceeds—For working capital. Office—947 West St. Paul Ave., Milwaukee, Wis. Underwriter—None.

★ Neuberg Bros. & Sloan, Inc., Basin, Mont.
Jan. 26 (letter of notification) 250,400 shares of common stock. Price — 25 cents per share. Proceeds—For mine exploration. Address — Box 124, Basin, Mont. Underwriter—None.

New England Power Co. (3/3)
Feb. 4 filed 80,140 shares of new cumulative preferred stock (par $100) to be offered for subscription by present holders of 6% preferred stock on a share for share basis; rights to expire March 23. Price — To be supplied by amendment. Proceeds — For repayment of bank loans. Underwriters—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Blyth & Co., Inc.; Harriman Ripley & Co. Inc.; Lehman Brothers. Bids—Tentatively scheduled to be received up to noon (EST) on March 3 at 441 Stuart St., Boston 16, Mass.

Newton-Phoenix Oil Corp., Houston and New York
Feb. 3 filed 2,500,000 shares of common stock (par one cent). Price—30 cents per share. Proceeds—To purchase land and for drilling expenses. Underwriter — Morris Cohon & Co., New York.

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—To be received up to noon (EST) 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—To be received up to 11 a.m. (EST) 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.

★ North Pacific Exploration, Ltd., Toronto, Canada
Feb. 4 filed 1,375,000 shares of capital stock (par 25 cents-Canadian). Price—$1 per share (U. S. funds). Proceeds—For exploration costs. Underwriters—Aetna Securities Corp. and L. D. Friedman & Co., Inc., both of New York.

Northland Oils Ltd., Canada
Nov. 21 filed 1,000,000 shares of capital stock (par 20 cents—Canadian) and subscription warrants for 600,000 shares, of which the stock and subscription warrants for 400,000 shares are to be offered in units of 100 shares of stock and subscription warrants for 40 shares. Price—$52 per unit. Proceeds—For drilling of additional wells and to purchase producing wells. Underwriter—M. S. Gerber, Inc., New York. Financing may be revised.

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.

Overland Oil, Inc., Denver, Colo.
Dec. 23 filed 300,000 shares of common stock (par 10 cents). Price—20 cents per share. Proceeds—To make geological survey of land. Business—Oil and gas exploration. Underwriter—None.

★ Owners Discount Corp., Elkhart, Ind.
Feb. 2 (letter of notification) 5,500 shares of class A common stock (no par). Price—$20 per share. Proceeds—For financing and loans. Office—416½ South Main St., Elkhart, Ind. Underwriter—None.

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.
Dec. 24 filed 499,325 shares of capital stock (par 70 cents) being offered for subscription by stockholders at rate of one new share for each 2½ shares held as of Feb. 4; rights to expire Feb. 18. 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.

★ Ravenna Metal Products Corp., Seattle, Wash.
Jan. 30 (letter of notification) 20,000 shares of class A common stock (par $10). Price—$15 per share. Proceeds—For research and advertising program. Office—6518 Ravenna Ave., Seattle 5, Wash. Underwriter—None.

Regent Manufacturing Co., Inc., Downey, Calif.
Dec. 31 (letter of notification) $150,000 of first mortgage bonds, of which 130 units will be issued at $1,020 each and 40 units at $510 each. Proceeds—For building and equipment. Office—11905 Regentview Avenue, Downey, Calif. Underwriter — Hopkins, Harbach & Co., Los Angeles, Calif.

Sapphire Petroleums Ltd., Toronto, Canada
Oct. 28 filed 50,000 shares of common stock (par $1—Canadian). Price—To be supplied by amendment. Proceeds—To Ken Kelman, the selling stockholder, who will offer the shares from time to time either on the New York Curb Exchange or in the over-the-counter market. Underwriter—None.

Seaboard Finance Co., Los Angeles, Calif.
Nov. 14 (letter of notification) 14,000 shares of common stock (par $1). Price—$20.75 per share. Proceeds—For working capital. Office — 945 South Flower St., Los Angeles 15, Calif. Underwriter—None.

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.

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 of record 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; rights to expire on March 4. Price—To be filed by amendment. Proceeds — For construction program. Underwriter — Kidder, Peabody & Co., New York.

Southwestern Public Service Co.
Jan. 13 filed 293,462 shares of common stock (par $1) being 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 — $21.50 per share. Proceeds — For construction program. Underwriter—Dillon, Read & Co. Inc., New York.

★ Star Air Freight Lines, Inc., N. Y.
Feb. 4 (letter of notification) 149,000 shares of common stock (par $1) in units of 20 shares. Price—$20 per unit. Proceeds—To purchase Quaker City Airways, Inc. (Pa.), to purchase operating certificates and for working capital. Office—2 East 33rd St., New York. Underwriter—None.

Sun Fire Insurance Co., Phoenix, Ariz.
Dec. 22 filed 1,000,000 shares of capital stock (par $1). Price—$1.50 per share. Proceeds—To qualify to do business in Arizona. Underwriter—None. Offering to be made initially to persent and future policyholders of company and to certain specified officers and directors.

Texas General Production Co.
June 4 filed 2,500,000 shares of common stock (par 50 cents). Price—To be supplied by amendment. Proceeds—To buy property for oil prospecting. Office—Houston, Tex. Underwriter—To be named by amendment. Offering—Tentatively postponed. Statement may be withdrawn.

Texas Oil Exploration Co., Ft. Worth, Tex. (3/2)
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-Oklahoma Oil & Gas, Inc., Dallas, Tex.
Jan. 27 (letter of notification) 2,000,000 shares of common stock (par 10 cents), of which 750,000 shares will be issued in exchange for certain proven oil and gas properties and 1,250,000 shares will be offered for oil property. Underwriter—None.

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 a week or two.

★ Tops All Foods, Inc., Portland, Ore.
Jan. 26 (letter of notification) 101 shares of common stock and 404 shares of preferred stock to be offered in units of one common share and four preferred shares. Price—$500 per unit. Proceeds—To enlarge operations. Underwriter—None.

★ Trans Caribbean Airways, Inc., N. Y.
Feb. 3 (letter of notification) 20,000 shares of Class A common stock (par 10 cents). Price—At market (about $2.75 per share). Proceeds—To O. Roy Chalk, President, the selling stockholder. Underwriter—Gearhart & Otis, Inc., New York.

★ United Funds, Inc., Kansas City, Mo.
Feb. 10 filed 500,000 United Accumulative Fund shares and $12,000,000 of periodic investment plans to acquire UAF shares (plus an estimated 1,000,000 of underlying shares). Price—At market. Proceeds—For investment. Underwriter—Waddell & Reed, Inc., Kansas City, Mo.

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.

★ U. S. Airlines, Inc., N. Y.
Feb. 6 (letter of notification) 31,678 shares of common stock (par five cents) to be offered in payment of $18,690 attorney's fees. Office—500 Fifth Ave., New York. Underwriter—None.

★ United States Spring & Bumper Co.
Jan. 20 (letter of notification) 10,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—To John B. Rauen, the selling stockholder. **Office** — 4951 Alcoa Ave., Los Angeles 1, Calif. **Underwriter** — William R. Staats & Co., Los Angeles, Calif.

★ Universal Business Forms, Inc., Portland, Ore.
Jan. 26 (letter of notification) 100,000 shares of common stock, of which 27,367 shares are to be exchanged for a like number of shares of a Washington corporation of the same name in connection with the merger of the two companies; the remaining 72,633 shares will be offered publicly. **Price**—At par ($1 per share). **Proceeds**—For business expansion. **Office**—206 Board of Trade Bldg., Portland 4, Ore. **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.

Western Electric Co., Inc.
Jan. 28 (letter of notification) 2,007.8 shares of common stock (no par), being offered for subscription by minority common stockholders of record Feb. 4 at rate of one new share for each 10 shares held; rights to expire on Feb. 27. American Telephone & Telegraph Co., the parent, will subscribe for an additional 1,047,992.2 shares. **Price**—$40 per share. **Proceeds**—For expansion and general corporate purposes. **Office**—195 Broadway, New York 7, N. Y. **Underwriter**—None.

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.

★ Western Empire Petroleum Co., Ogden, Utah
Feb. 5 (letter of notification) 3,000,000 shares of common stock (par five cents). **Price**—Ten cents per share. **Proceeds**—To reduce debt and for working capital. **Office**—312 Eccles Bldg., Denver 2, 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**—349 Plant Ave., Tampa, Fla. **Underwriter**—Louis C. McClure & Co., Tampa, Fla.

Wyoming National Oil Co., Inc., Denver, Colo.
Nov. 17 (letter of notification) 500,000 shares of common stock (par five cents). **Price**—25 cents per share. **Proceeds** — For oil and gas leases. **Underwriter** — R. L. Hughes & Co., Denver, Colo.

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

Alabama Power Co. (5/12)
Jan. 28 it was reported company plans issuance and sale of $18,000,000 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., and Kidder, Peabody & Co. (jointly); Morgan Stanley & Co.; Kuhn, Loeb & Co.; Union Securities Corp., Equitable Securities Corp. and Drexel & Co. (jointly); Lehman Brothers; The First Boston Corp.; Harriman Ripley & Co., Inc. **Registration**—Planned for April 10. **Bids**—Tentatively expected at 11 a.m. (EST) on May 12.

Allied Chemical & Dye Corp.
Feb. 4 company announced that company plans to sell publicly not in excess of $200,000,000 principal amount of long-term sinking fund debentures through an underwriting group. **Proceeds**—To be used for expansion, working capital and other corporate purposes. **Underwriter**—Morgan Stanley & Co., New York.

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. (3/9-13)
Jan. 27 it was reported the company in February plans to sell privately $14,500,000 of first mortgage bonds and in the first half of 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).

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.

Bank of the Manhattan Company
Feb. 2 company offered stockholders 250,000 additional shares of capital stock (par $10) at rate of one new share for each 10 shares held Jan. 30; rights to expire on Feb. 17. **Price**—$31 per share. **Proceeds**—To increase capital and surplus. **Underwriter** — The First Boston Corp., New York.

California Electric Power Co. (3/31)
Jan. 29 it was announced company plans to issue and sell 136,249 additional shares of common stock (par $1). **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and Dean Witter & Co. (jointly); Union Securities Corp. and J. A. Hogle & Co. (jointly); Lehman Brothers. **Bids**—Tentatively scheduled to be received on March 31.

California Electric Power Co. (4/7)
Jan. 29 it was announced company proposes the sale of $8,000,000 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.; Salomon Bros. & Hutzler; Merrill Lynch, Pierce, Fenner & Beane and Dean Witter & Co. (jointly); Kidder, Peabody & Co.; Blyth & Co., Inc.; Lehman Brothers. **Bids**—Tentatively scheduled to be received on April 7.

Central Maine Power Co.
Jan. 2 it was reported company plans sale later this year of $10,000,000 common stock (in addition to $10,000,000 of first and general mortgage bonds, see above) after distribution by New England Public Service Co. of its holdings of Central Maine Power Co. common stock. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; A. C. Allyn & Co., Inc. and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc.

Central RR. of New Jersey (3/2)
Bids are expected to be received by this company on March 2 for the purchase from it of $2,460,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

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.

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.

Fitchburg Gas & Electric Co.
Jan. 23 it was announced company plans to issue and sell 23,698 additional shares of capital stock (par $25) 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.

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.

• Georgia Power Co. (3/24)
Feb. 9, company applied to SEC for authority to issue and sell $16,000,000 first mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kuhn, Loeb & Co.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); The First Boston Corp.; Union Securities Corp. and Equitable Securities Corp. (jointly); Shields & Co. and Salomon Bros. & Hutzler (jointly); Morgan Stanley & Co.; Harriman Ripley & Co. Inc. **Registration**—Planned for Feb. 20. **Bids**—Tentatively expected to be received at 11 a.m. (EST) on March 24.

• Georgia Power Co. (3/24)
Feb. 9, company applied to SEC for authority to issue and sell 100,000 shares of preferred stock (no par). **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Lehman Brothers; Morgan Stanley & Co.; The First Boston Corp.; Union Securities Corp. and Equitable Securities Corp. (jointly). **Bids**—Tentatively expected to be received at 11 a.m. (EST) on March 24. **Registration**—Scheduled for Feb. 20.

Gulf Power Co. (6/9)
Jan. 28 it was reported company plans issuance and sale of $7,000,000 of first mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Salomon Bros. & Hutzler and Drexel & Co. (jointly); Union Securities Corp.; Equitable Securities Corp.; Lehman Brothers. **Registration**—Planned for May 8. **Bids**—Tentatively expected at 11 a.m. (EST) on June 9.

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.; Carl M. Loeb, Rhoades & Co.

Illinois Central RR. (2/19)
Bids will be received up to noon (CST) on Feb. 19 at the company's office, 135 East 11th Place, Chicago 5, Ill., for the purchase from it of $4,500,000 equipment trust certificates, series 37 to be dated March 1, 1953, and to mature in 30 semi-annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

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.

★ Lake Superior District Power Co. (3/7)
Feb. 9 it was announced company plans to issue and sell to common stockholders 29,761 additional shares of common stock (par $20) on the basis of one new share for each nine shares held; rights to expire on March 23. Subscription warrants are expected to be mailed on or before March 7. **Price**—To be named later. **Proceeds**—For construction program. **Underwriter**—Robert W. Baird & Co., Inc., Milwaukee, Wis.

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★ Lake Superior District Power Co. (3/17)
Feb. 9, Goerge Z. Donald, President, announced that company will issue and sell $3,000,000 first mortgage 30-year bonds. **Proceeds**—For construction program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Robert W. Baird & Co., Inc. **Bids**—Bids are expected to be opened on March 17.

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. (2/25)
Feb. 10 it was announced company will issue and sell $17,000,000 of first mortgage and collateral bonds due Feb. 1, 1983. **Proceeds**—For refunding. **Underwriters**—To be determined by competitive bidding. Probable bidders, Halsey, Stuart & Co. Inc.; Kidder Peabody & Co.; W. C. Langley & Co.; Coffin & Burr, Inc.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc.; Glore, Forgan & Co. **Bids**—To be received up to noon (EST) Feb. 25 at 222 St. John St., Portland, Me.

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.

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).

Middle South Utilities, Inc.
Feb. 3 it was reported company may later this year issue and sell about $15,000,000 of additional common stock. **Proceeds**—To repay bank loans, etc. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; The First Boston Corp.; Union Securities Corp. and Equitable Securities Corp. (jointly).

Monongahela Power Co.
Dec. 11 it was announced company plans issuance and sale near the middle of 1953 of $10,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co. and the First Boston Corp. (jointly); Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Glore, Forgan & Co.; Lehman Brothers; Equitable Securities Corp.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co., Inc.

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 Central RR. (3/4)
Feb. 3 it was reported company plans to issue and sell at competitive bidding on March 4 an issue of $9,375,000 equipment trust certificates due in instalments over a period of 15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

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).

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.

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.

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).

★ Resort Airlines, Inc. (2/20)
Feb. 6 it was announced company plans to offer for subscription by minority stockholders of record Feb. 20, 1,449,374 additional shares of capital stock (par 10 cents) at rate of one new share for each share held; rights to expire about March 16. **Price**—20 cents per share. **Proceeds**—For working capital, etc. **Underwriter**—None, but Fiduciary Management, Inc., owner of 8,956,240 shares, will buy all unsubscribed shares.

★ Seaboard Finance Co., Los Angeles, Calif.
Feb. 9, Paul A. Appleby, President, announced plans for offering an issue of non-convertible preferred stock (no par). **Proceeds** — For working capital and expansion. **Underwriter**—The First Boston Corp.

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 Co. (4/15)
Jan. 28 it was reported company plans offering of about 1,000,000 additional shares of common stock (par $5) to stockholders of record about April 15 on a basis of one new share for each 17 shares held; rights to expire on May 7. **Price**—Expected to be named by company on April 13. **Proceeds**—To increase investments in subsidiaries. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Equitable Securities Corp.; First Boston Corp.; Halsey, Stuart & Co. Inc.; Harriman, Ripley & Co. Inc.; Kidder, Peabody & Co.; Kuhn, Loeb & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Morgan Stanley & Co., and Union Securities Corp. **Bids**—Tentatively expected to be received at 11 a.m. (EST) on April 15. **Registration**—Planned for March 13.

Southern Indiana Gas & Electric Co. (3/25)
Jan. 30 it was announced company has applied to Indiana P. S. Commission for authority to issue 114,167 additional shares of its common stock (no par), to be offered first to common stockholders of record March 25 on the basis of one new share for each six shares held; rights to expire on April 10. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter** — Smith, Barney & Co. handled the last common stock offering in January, 1949.

Southern Natural Gas Co.
Nov. 3 FPC authorized company to construct pipeline facilities estimated to cost $32,518,500. On Sept. 15 it had been announced that the company expects to sell additional bonds during the first six months of 1953 in the amount then permissible under its mortgage indenture, and to provide for other permanent financing by the sale of additional first mortgage bonds or other securities in such amounts as may be appropriate at the time. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Blyth & Co. Inc. and Kidder, Peabody & Co. (jointly). Any stock financing may be via stockholders.

Southern 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.

State Bank of Albany, N. Y.
Feb. 2 the bank offered to its stockholders 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** — $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.; Harriman Ripley & Co. Inc.; The First Boston Corp. (2) For bonds, 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. **Registartion**—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.

Washington Water Power Co.
Dec. 3 it was reported company may issue and sell in June, 1953, $10,000,000 of first mortgage bonds and between $14,000,000 and $18,000,000 of debentures. If competitive, bidders may include: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Lehman Brothers (jointly); Blyth & Co., Inc., Smith, Barney & Co. and White, Weld & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly).

Wisconsin Public Service Corp.
Nov. 26 it was announced that company plans permanent financing prior to June 1, 1953, which may include the issuance and sale of between $7,000,000 and $8,000,000 of bonds and from $2,000,000 to $3,000,000 of preferred stock. An indeterminate number of shares of common stock may be offered late in 1953 or early in 1954. Stock financing, if negotiated, may be handled by The First Boston Corp. and Robert W. Baird & Co. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Union Securities Corp.; Kidder, Peabody & Co.; Shields & Co.; Merrill Lynch, Pierce, Fenner & Beane; Harris, Hall & Co. (Inc.); Carl M. Loeb, Rhoades & Co.; Salomon Bros. & Hutzler.

Our Reporter's Report

Notwithstanding the fact that major institutional buyers continue to hold aloof from the market, new issues coming to hand have been moving out of syndicates with little or no trouble recently.

Absence of the big companies, according to observers, was really conspicuous during the last fortnight when a number of new emissions were successfully handled.

It appears that an aggregation of smaller investing organizations have been taking up the slack on the buying side. These include trust funds, pension buyers, church funds, and a host of small insurance firms interested in current yields.

Dealers note that some of the recent offerings, providing yields from 3¼% to 4%, have proven decidedly attractive to such buyers and, in consequence, were picked up quickly.

Feeling in some quarters is that the larger outlets are disposed to stand aside in the hope of getting more attractive yields on some of the new prospects due to reach market in the near-term future.

They cite the impending Allied Chemical & Dye Co.'s projected $200,000,000 issue of long-term securities as a case in point. They figure the bigger investors may be hoping for something really attractive from a yield standpoint here, but then they note that the company and its bankers are equally as conversant with the market as the investors.

Two Fast Operations

Sweetened by maturities that very likely fitted well into a number of portfolios, two issues brought to market this week, one for Tennessee Gas Transmission Corp. and the other for May Department Stores, met with splendid reception.

Tennessee Gas Corp.'s $30,000,000 of 20-year first mortgage bonds, carrying a coupon of 4⅛ and priced to yield 4.03%, found the market highly receptive in contrast with the situation attending some earlier offerings. Books closed quickly.

May Department Stores $25,000,000 of 25-year 3¼% debentures, priced at par, did equally as well. The performance of both issues attested to the dearth of corporate material around at the minute.

Long Weekend Is Out

The prospects of a long weekend entertained by some people in the underwriting business, went out the window when those in command took a look at the formidable list of new issues shaping up for the week ahead.

A good many people had been looking wishfully ahead, but for those in the buying end of the business especially such ideas faded as they gauged the amount of preliminary work involved.

Tuesday will bring $40,000,000 of Consolidated Edison Co. bonds, and $7,000,000 of Iowa Southern Utilities Co. first mortgage bonds via competitive bidding.

These issues are sandwiched in between two big operations by Niagara Mohawk Power which on Monday, receives bids for 1,000,000 shares of common stock and, on Wednesday, is slated to sell $25,000,000 of bonds to the highest bidders.

Damper on Market

By and large, underwriters naturally are interested in business and the more of it the better. But this view is subject to occasional modification because of the effect which such operations has on the general market during the waiting period.

Allied Chemical & Dye Corp.'s projected offering is cited as a case in point. This huge undertaking is tentatively scheduled to reach market early in April.

But the complaint is that it acts as a "damper" on the overall situation in the interval. Naturally all classes of investors will be interested in this one and the larger institutions especially. It generates a certain degree of reticence. Bankers point out, however, that even the biggest institutions "can't make a living just holding on to their cash."

Halsey, Stuart Group Sells Pipe Line Bonds

A group of underwriters headed by Halsey, Stuart & Co. Inc. on Feb. 10 offered $30,000,000 Tennessee Gas Transmission Co. first mortgage pipe line bonds, 4⅛% series due 1973, at 101.295%, and accrued interest, to yield 4.03%. This offering was quickly oversubscribed and the books closed. The group won award of the issue at competitive sale on Monday on its bid of 100.27999%.

Net proceeds from the sale of the bonds will be applied by the company to payment of a portion of its outstanding short-term notes which are held by The Chase National Bank of the City of New York and four other banks and which were incurred in connection with the company's expansion program.

Grindal Named Director

Herbert W. Grindal, a general partner of Reynolds & Co., members of the New York Stock Exchange, has been elected to the board of directors of Bailey Selburn Oil and Gas Ltd., of Calgary, Alberta, it was announced yesterday. Mr. Grindal also is a director of Blue Ridge Mutual Fund, Inc. and Emery Air Freight Corporation, and is a trustee of the Southwest Research Institute of San Antonio, Texas.

Herbert W. Grindal

Walston & Co. Adds

LOS ANGELES, Calif.—Herman L. Renger has been added to the staff of Walston & Co., 550 South Spring Street.

With Marshall Co.

MILWAUKEE, Wis. — Winifred S. Hollister has become associated with The Marshall Company, 30 North La Salle Street.

Richard Walbert With Blyth & Co., Inc.

CHICAGO, Ill. — Blyth & Co., Inc., 135 South La Salle Street, announces that Richard B. Walbert has become associated with them as Syndicate Manager in the Middle West. Mr. Walbert was formerly manager of the Syndicate Department of the Chicago office of Lehman Brothers.

With Walston Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Philip S. Carlton, Jr. is now with Walston & Co., 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Washington ... And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—There is said to be something more than worry over the falling price goblins that will get farm state politicos when present price supports expire after 1954, in the present uneasiness on this question in Congress.

The present problem of what to do about a renewed International Wheat Agreement is getting the boys down, who are afraid this thing will creep up on them and force some decisions before 1954.

At the present time the representatives of the 42 importing nations and the four wheat exporting nations are doing some fancy and fervid dickering over what terms the wheat agreement expiring July 31 shall be renewed, if it is renewed.

The last maximum price for wheat sold under the agreement was $1.80 per bushel. Under this scheme the U. S. taxpayer is reported to have shelled out something around $600 million to pay the difference between this price and the market price for wheat.

Now the United States wants a higher maximum, probably around $2.50 per bushel. The importing nations say nothing doing. Canada has a huge crop and Australia is coming back in wheat. The importing nations figure they could get 700 million of the 800 million bushels of wheat going into international trade from Australia, Canada, and Argentina. Therefore why should they pay more for wheat from the U. S.

The U. S. might "cave" in to the importers, the negotiations might drag on for weeks, or the whole plan to renew the wheat agreement might blow up in everybody's face — what will happen is not now guessed by the informed.

If the United States gives in, then the high cost of continuing the wheat subsidy will be unpalatable. On the other hand, agreement or no agreement, with MSA gifts of wheat to European relief clients definitely on the downgrade, a great deal of wheat is likely to accumulate on the hands of the U. S. Government in the next couple of years. The 90% supports will work for big crops, other things being equal. Some authorities think the U. S. may not export on all accounts, more than 300 million bushels this year, versus about 475 million bushels last year.

If there is no new agreement, exports might be even less.

Then, too, there is the matter of butter, currently supported at 90% of parity, a price patently higher than millions of consumers are willing to pay in view of the availability of margarine.

The Administration will have discretion by April to cut the support level to 75% of parity. If they do, how will the Eisenhower Administration take the resulting yelp from the dairy belt?

Delano Quits

Preston Delano, who has been Comptroller of the Currency since Oct. 1938, submitted his resignation effective Feb. 15. Although Mr. Delano is a Democrat, his personal views on economic matters are definitely conservative. He has staunchly supported the career, free-from-politics service of this National Bank supervisory agency, and he has resisted the efforts of some to kill off bank holding companies for the fun of their political shooting.

Mr. Delano's resignation was voluntary, and was given no direct or indirect promoting from the new Administration, it is reported reliably.

Will Fall Short on Avgas Capacity

Despite the best efforts of the Petroleum Administration for Defense, the petroleum industry declines to build up that last 6,000 to 10,000 barrels per day of aviation gas refining capacity which PAD wants, it is reported.

The industry will not be lured into this last increment of expansion by all the traditional defense baits, and will put it up only if Uncle Sam hands out 100% of the cost.

The miltary will not run short of Avgas, however, it is said. Diversions, etc., will provide the airplane fuel the military needs provided the government pays a higher price.

The Avgas problem is part of the excess supply problem that is beginning to have the attention of the petroleum industry. In view of the mild winter along the East Coast, the industry is likely to go into the summer with something huge in the way of stocks. While petroleum demand in December was up 5% over a year ago, supply was up 9%.

And if the Iranian problem were settled, leading to the reopening of the Abadan refinery, this would create something of a headache. Oil from Venezuela now going to European markets would be replaced by Iranian oil, and would seek a market in the U. S. This would intensify a brewing conflict with the coal miners and the independent oil producers in the U. S.

Expect Reuther Will Raise Cain

Those around this town who consort with the CIO gang predict that Walter Reuther will raise plenty of cain pretty soon.

Even though President Eisenhower seemed to checkmate the CIO and auto workers' chieftain by ordering the use of the old BLS "cost of living" index through June 30, Reuther is expected to find one pretext or another to reopen the "escalator" wage contract with General Motors. And GM, of course, will be the guinea pig for the whole auto industry. The best that Eisenhower's move can do is to postpone until June 30 Reuther's attempt to reopen the wage contract, but even this is doubted.

Reuther is said to harbor two objectives. The more parochial is to junk the concept of a wage rate tied to any cost of living index, new or old. He is reported to believe he could have hijacked much more out of GM if he hadn't been stuck with the escalator clause contract.

The other objective is to make it tough for the Eisenhower Administration. Reuther is the aggressive head of the CIO. He is reported to be well aware of the Administration's strategy of seeking to split the labor movement by weaning the AFL to the Administration's side.

The expectation is that when Reuther gets around to presenting new contract demands to GM, he will make these demands so overreaching and will be so uncompromising, that a strike will be made inevitable. GM is, as is well known, the foremost defense contractor. Reuther then will have an opportunity to see whether the President will stay neutral between the disputants to the labor strike.

Roads Want Faster ICC Action

Chief legislative project of the railroad industry before the current Congress is reported to be legislation which would compel the Interstate Commerce Commission to act much more quickly in passing on rate increase petitions asked by the carriers to offset rising costs.

Rules Against Standby Controls

"Judge Eisenhower" heard both sides of the argument about enactment of standby wage and price controls. His decision, as reflected in his first message to Congress, appeared to be flatly against the standby controls.

The argument for standby controls is the old familiar one that Congress cannot meet quickly enough to undo the "damage" a zooming price level would occasion in the form of sudden inflation, should a grave emergency break out.

This argument was spiced by a particular Republican appeal. It was that with the GOP committed against artificial controls, it would be better politics to show the voter that the party in control of government is at least thinking of them and hasn't abandoned consumer protection altogether.

The argument against the controls was that if there is a genuine emergency, Congress can meet quickly and pass a price and wage control at least no worse than "the best" in OPA and OPS, in an afternoon.

Standby control poses the perennial problem of who is to be trusted with deciding whether the emergency is serious enough to justify the attempted repeal of the free price system, and how can circumstances be defined effectively in advance.

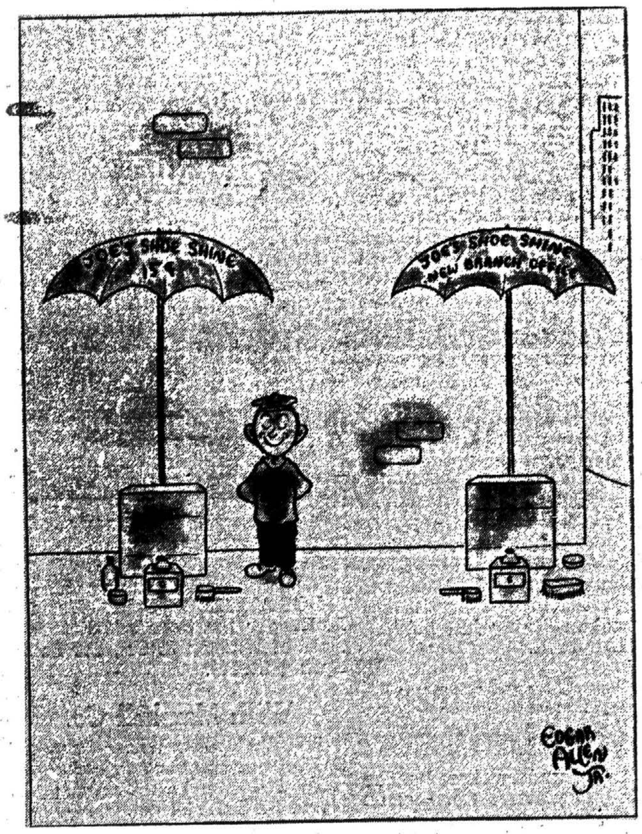
The main argument of the anti-standby faction, which the President appears to have supported, is that the very existence of such a contingent power on the statute books would act as a damper to business planning and investment. Every businessman would have to reckon with the uneasy prospect that any unhappy turn in the war situation might upset his entire way of doing business.

On the other hand, if some American city were bombed and all-out war were indubitably here, few people would question the dire necessity for controls.

Senator Homer E. Capehart (R., Ind.), Chairman of the Senate Banking Committee, is reflecting primarily his own views in holding out for standby controls. The GOP leadership of Congress is against him on this point.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ



Business Man's Bookshelf

Blake Market Yearbook: 1953—Franz Pick—Pick's World Currency Report, 75 West Street, New York 6, N. Y.—$25.

Europe — The Way Ahead Towards Economic Expansion and Dollar Balance—Organization for European Economic Cooperation—Columbia University Press, 2960 Broadway, New York 27, N. Y.—paper—$3.50.

Government Accounting and Budget Execution — United Nations Department of Economic Affairs—Columbia University Press, 2960 Broadway, New York 27, N. Y.—paper—75 cents.

Instability in Export Markets of Under Developed Countries: 1952 II A-1—United Nations—Columbia University Press, 2960 Broadway, New York 27, N. Y.—Paper—$1.

Internal Financial Situation in Member and Associated Countries—Organization for European Economic Cooperation—Columbia University Press, 2960 Broadway, New York 27, N. Y.—paper—75 cents.

Mobilization of Domestic Capital in Certain Countries of Asia and the Far East—United Nations Economic Commission for Asia and the Far East—Columbia University Press, 2960 Broadway, New York 27, N. Y.—paper—$1.50.

Sugar: Facts and Figures, 1952 — United States Cuban Sugar Council, 910 17th Street, N. W., Washington 6, D. C.—Cloth.