ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 177 Number 5198 | New York 7, N. Y., Thursday, February 26, 1953 | Price 40 Cents a Copy

EDITORIAL

As We See It

It has apparently remained for Senator Douglas to get down to brass tacks in this endless talk about the role of the opposition party during the next four years or so. This distinguished Senator is not wholly free from the twaddle that all too often characterizes these discussions, but before he was through with an extended analysis of these questions in the New York "Times" last Sunday he got to the heart of certain aspects of current politics which ordinarily are left unsung when party leaders take the rostrum.

The Senator, to the amusement of some observers doubtless, seems at one point to be a little fearful of a sort of "me-too-ism" in reverse when he says that the party must resist "the drive of some to make the Democratic party a kind of conservative carbon copy of the GOP." "This," he adds, "would not only lose us the loyalty and following of millions who even in defeat honor the great progressive traditions of the party, but it would also narrow the range of political choice for all voters and stimulate the formation of new splinter parties. If the voters have only a choice between two conservative political parties, they will choose the Republicans every time."

But the Senator redeems himself in the frank analysis of certain current aspects of party government in this country which follows. "We must, however, face the fact," he says, "that the Democratic party is as divided on domestic policy as are the Republicans on foreign affairs. North of the Mason and Dixon line, we are progressives. In the South, with the exception of Alabama, the party is largely dominated by the wealthy manufacturers, bankers and planters whose economic

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What's Wrong With Our Foreign Trade Policies?

By EUGENE S. GREGG*
Vice-President, Westrex Corporation
Chairman, United States Council, International Chamber of Commerce

Asserting "a time of change is here," and nation should shift back to more orthodox and tried theories in field of foreign trade and currency, Mr. Gregg sees something wrong in our policy which uses the $30 billion postwar export surplus as gifts abroad paid for by American taxpayers. Says we should do everything possible to restore convertibility of world currencies, and proposes U. S. set up a large fund of at least $10 billion and reduce tariffs to achieve free international exchange.

It has been said the only thing we learn from history is that we do not learn from history.

One hundred years from now, historians will probably wonder why we, in the second quarter of the 20th century, followed so many ideas which were so unsound and unworkable.


Eugene S. Gregg

Some of the fallacies they will mention will probably include the widely held idea of nationalism, or that a nation can be self-sufficient and by self-sufficiency can improve its economic well being, as well as its international trade position. This false doctrine unfortunately is still believed by certain groups within this country.

Another fallacy which has been widely accepted is the Keynesian doctrine that a country's currency can be cut loose from gold and be managed by a small group of bright men to the good of the country concerned and to the improvement of such a country's external balance of payments. Whenever this theory has been tried, the almost inevitable result has been that the

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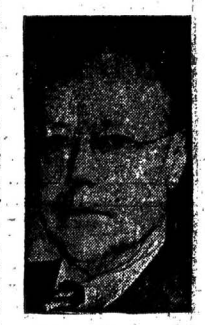
*An address by Mr. Gregg before the Rochester Institute of International Affairs, Rochester, N. Y., Feb. 18, 1953.

Our Problem—Preservation Of Liberty and Free Economy

By HON. ROBERT A. TAFT*
U. S. Senator from Ohio

Republican Senate Leader, in stressing maintenance of personal liberty as a guiding principle, warns against concentration of power in government and a condition of perpetual war which threatens nation's independence. Says we could destroy our liberty and the free economic system by excessive military and foreign expenditure. Decries *laissez faire* and holds, in many cases, affirmative government action is necessary to preserve justice. Defends labor laws, but deplores price and wage regulations and "government in business." Sees no reason why the government should continue to employ people with communist sympathies.

We have had an interesting time in Washington since New Year's Day, but we have not yet even completed the organization period. It is too soon to talk in detail of the issues that have arisen, because the program of the Administration, both executive and legislative, is still in process of formation. Few realize the extraordinary difficulty of the job to be done in taking over a government with more than two and a half million employees, many of whom have come to think in a manner contrary to what I happen to believe, or small businessmen believe. The government is 10 times the size of 1933, the last time there was a fundamental change of control. But the Eisenhower Administration has taken hold of the problem and it is approaching with courage and determination the tremendous job of cutting down the size and power of this sprawling Federal Government.


Robert A. Taft

Today, therefore, I do not intend to talk about any

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*An address by Sen. Taft before the National Canner's Association, Chicago, Ill., Feb. 21, 1953.

PICTURES IN THIS ISSUE — Candid shots taken at the Annual Mid-Winter Dinner of the INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA appear in the Pictorial Section starting on page 23.

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

Phillips Petroleum Co.—J. Walter Leason, Manager of Research Dept., Shields & Co., New York City. (Page 2).

American Machine & Foundry Co.—Henry J. Low, Manager of Research Dept., Bruns, Nordeman & Co., N. Y. C. (Page 2).

J. WALTER LEASON
Manager, Research Department, Shields & Company, New York City
Members New York Stock Exchange

Phillips Petroleum Company

Although price is important in deciding whether a given stock is cheap or dear in relation to earnings, dividends, and changing economic and technological conditions, there are some companies which combine the aggressiveness, experience, diversification, and growth that makes it difficult to determine a precise buying level. Phillips Petroleum is one such company that seems to be steadily making the kind of progress that justifies gradually higher prices for its stock.


J. Walter Leason

New Products and Diversification

When Phillips Petroleum management thinks of new products they have in mind a combination of requirements that the end product deal with petroleum raw materials or relate to the energy business; that the project involve difficult technology in which competition might be discouraged; that the products cater to mass consumption to derive benefits from large scale processing; and that the demand indicated shall show promise of substantial future growth.

The activities into which Phillips has gone recently meet these requirements and include such industrial ventures as nitrogen fertilizers for agriculture; synthetic rubber and Philblack for automotive travel; cyclohexane, vinylpyradine and other chemicals for the more promising types of synthetic fibers; jet and conventional fuels for commercial and military aviation; sulphur for fertilizers and chemical processing; and even atomic energy. These activities require tremendous capital expenditures and it is significant that the estimated $185,000,000 spent in 1952 rivals the amounts spent by oil companies several times Phillips' size.

Recent Discoveries of Natural Gas

Phillips is known for its large sales and reserves of natural gas. The year 1952 has been the outstanding year in all of Phillips Petroleum history for the discovery of gas reserves. The most important reserves recently discovered have been those in the Louisiana Gulf Tidelands area, the on shore Louisiana Gulf Coast, two new fields in the Chocolate Bayou Field of Texas, the Glenna discovery in the southern end of the Delaware Basin, Pecos County west Texas and in the San Juan Basin of the four state area of Arizona, New Mexico, Colorado and Utah.

The discovery in the Chocolate Bayou Field is tremendous. It is a series of sedimentary deposits in which thus far 14 different fields in various strata have been found. During the second quarter of 1952, the company announced a new find at 12,800 feet in the Andrau Sands with enormous pressures running as high as 8,600 pounds per square inch. The reserves from this level were estimated at better than 2 trillion cubic feet. Recently a discovery was made in the lower Frio Sand at 13,900 feet with pressures over 10,000 pounds per square inch. These are among the highest pressures ever encountered and this Frio discovery looks even bigger than the previous discovery of the Andrau Sand, huge as it was. At the end of 1949 the company estimated that it owned a net of 11¼ trillion cubic feet and controlled a total of 15¼ trillion cubic feet.

Of this total 77% was dedicated to various pipeline, carbon black and other contracts. Since that time the company has discovered approximately 10 trillion cubic feet of gas so that it now owns an estimated net of 21 trillion cubic feet and controls 25 or 26 trillion cubic feet.

In 1952 alone 7 to 8 trillion cubic feet have been added to reserves. Although Phillips Petroleum is a large company and has a great number of shares outstanding, the importance of these discoveries can be readily observed. With new contracts for natural gas at 15c to 20c per thousand cubic feet, the present worth value of natural gas in the ground may be calculated as from six cents to eight cents per mcf. On this basis, every trillion cubic feet of additional reserves discovered would be worth $60 to $80 million. The 10 trillion cubic feet discovered since 1949 on this basis would have a value of $600 to $800 million. The approximately 8 trillion cubic feet discovered this year, at a minimum present worth value of six cents would therefore add approximately $480,000,000 of value which would be equivalent to approximately $33 a share of presently outstanding stock. The discoveries of just the last six months are estimated to have added 5 to 6 trillion cubic feet of gas reserves which is equal to $20 to $25 a share of additional value underground.

Whereas approximately 77% of natural gas reserves were dedicated at the end of 1949, it is estimated that only 50% of the natural gas reserves of Phillips Petroleum are now dedicated to contracts since none of the new gas reserve discoveries have yet been made the basis of substantial contract arrangements.

Conclusion

Although Phillips Petroleum stock at 61 can be viewed as fully priced in the current market at 11.8 times 1952 earnings of $5.17 and 6.1 times estimated cash flow income of $10 per share, these are nothing but mathematical relationships not indicating the future potential of the company. The 4.3% current return on the $2.60 dividend (recently increased) also precludes purchase by those to whom current income is an important consideration. However, the current price does not appear to take into account the enormously valuable discoveries of natural gas recently made and it is inevitable that these discoveries should be sufficient in the future to increase the earning power of Phillips Petroleum substantially.

Purely for illustrative purposes, let us assume that the uncommitted 10 trillion cubic feet of gas were to be sold at 15c per mcf. over a 30-year period. This would involve the sale of 333 billion cubic feet annually which at 15c amounts to additional revenues of $50,000,000. Lifting costs would be very small and the tax rate also not too burdensome because of the 27½% depletion allowance. Accordingly the company might have a net income of $30,000,000 from this business which amounts to about $2 a share of additional earning power. In practice, this might be somewhat higher since contracts are being negotiated at above 15c per mcf. and, in addition, escalator clauses would increase the income over the life of the contract. This additional earning power inherent in presently owned and proven gas reserves in itself amounts to close to 40% of estimated 1952 earnings and does not reflect the earning power beyond this which will be derived from Phillips various other activities. Everything considered, it is not difficult to envision an earning power equivalent to $9.00 to $10.00 a share within the next five years.

HENRY J. LOW
Manager, Research Department, Bruns, Nordeman & Co., N. Y. City
Members New York Stock Exchange

American Machine & Foundry Co.

American Machine & Foundry Company, a leading manufacturer of a widely diversified line of specialized automatic and electronic industrial machinery, is my choice for the "Security I Like Best." The company has expanded the scope of its business in recent years from an organization which formerly supplied only the tobacco and bakery industries, to one that includes the manufacturing of a wide range of essential metal products suitable for mass production and volume sales. This change was accomplished in the last four years through acquisition of nine smaller concerns. As a result of this expansion the company's activities are divided into the following four divisions:


Henry J. Low

(1) Machinery, which handles the old established tobacco, bakery and sewing equipment.

(2) General products, which takes charge of newly acquired items.

(3) Electronics.

(4) Contract engineering and manufacturing, which largely accounts for government defense work. Military contracts were about 50% of 1952 total sales. The outlook for further increase in government business is very encouraging. Backlog of defense contracts is in the neighborhood of $100,000,000.

Among the products added to the company's broadening line of operations during the past few years are: Electronic training devices and ultrasonic equipment for the Air Force; midget electric relays for use in radar, gun fire control apparatus and similar electronic instruments; power and tool accessories, such as radial arm saws for high speed cutting of wood, metal and plastics, and wood working and metal cutting machines; specialized bakery equipment; bicycles, velocipedes, garden and tubular metal furniture, truck and tractor rims, rings for jet engines and other circular

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Getting Back to Sound Economic Fundamentals

By G. A. RENARD*
Executive Secretary-Treasurer
National Association of Purchasing Agents

Mr. Renard, in pointing out business in years ahead will be profitable only for well-managed concerns, says New and Fair Deal Administrations have stacked cards against Eisenhower Administration and to correct situation will not be easy. Warns we must pay the price of government's new international and domestic responsibilities, and there will be rough spots in business, because profits can no longer come from increase in inventory values. Scores tax and spend theory as prosperity booster.

The National Association of Manufacturers, which we all respect as a top management policy maker, has a code of ethics for industry.


G. A. Renard

It pledges our efforts to treat every customer fairly and equitably on a basis profitable to both the seller and buyer. It also pledges us to treat every supplier, fairly, extending the same consideration to him that we would wish to receive from our own customers.

That has our complete approval and support, and surely that of the National Sales Executives, so our teamwork should come out of the realm of theories and become a profitable dividend paying fact.

Call it Purchasing, Procurement, or Materials Management, it has been put on the first team for one and only one very good reason: Purchases are a major element of production costs, with a comparable influence on profits; for a dollar saved in spending, in securing better value which is not necessarily in lower prices, rings the same bell on the profit register as one from other good management policy or procedure.

Some claim that we in purchasing have an occupational bias. That we are so interested in lower prices that we favor depressions. Nothing could be farther from the truth for, as part of management, we would hardly be that foolish. After all, our salaries come out of profits, too.

We do believe in a factual and realistic appraisal of fundamental conditions. We don't go much for economic plans, gobble-de-gook, or sales forecasting that catches us with a loaded stock of high priced goods. It takes management teamwork to protect paper profits, and there is no record of any boom that has lasted forever.

The Supreme Court gets into this teamwork act, too, by declaring it is a complete defense to a charge of price discrimination for the seller to show that his price differential was made in good faith, to meet a lawful and equally low price of a competitor. Again proving it takes two to make a bargain, but in such cases it is doubtful if our interests are necessarily joined by affection.

You fellows in sales have had little trouble justifying low prices in recent years, and that has created problems which need all of our teamwork.

Business Will Be Profitable Only for Well Managed Companies

In my estimation, business will be profitable now only for well-managed companies, those that are prepared to meet competition without aid or favors from inflationary conditions. Production is catching up with demand, and shortages are disappearing around the world, with the possible exception of the Communist countries.

Our most serious problem is financial. The future has caught up with us on those billions borrowed on 10-year loans in 1943-4-5, and the billions squandered since 1945.

We cannot pay off debts with borrowed money, and we cannot borrow money unless we can and will pay our debts. That is as true of Uncle Sam as it is of Joe Doaks.

So, where our boom has been fueled by shortages and inflationary financing, we now face a period having both surpluses and mildly deflationary financing.

The Administration of General Eisenhower has the economic cards stacked against it by the New and Fair Deals. We have heard a lot about the mess we are in, and that prize understatement of the century said, "To meet and correct this situation will not be easy."

But, there is certainly hope for the future if we face the facts of life with the realization some of them may be unpleasant.

A successful management executive makes more forecasts, and more difficult ones every day, than an economic planning expert makes in ten years. Every decision you make is a prediction. A prediction that this course, or that policy or decision will have the best results. Those decisions rather than plans and forecasts of bureaucrats will determine the success and profits of business over the next few years.

Must Meet Costs of New Economic Responsibilities

Our international responsibilities, Social Security, collective bargaining, and high living stand-

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*An address by Mr. Renard at Purchase-Sales Dinner of Purchasing Agents Association of New York, New York City, Feb. 17, 1953.

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Regular Features

Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
Thursday, February 26, 1953
Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).
Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone STate 2-0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

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

The World Economic Outlook

By A. W. ZELOMEK*
President and Economist
International Statistical Bureau

Discussing world commodity price trends, Mr. Zelomek attributes recent declines to: (1) sharply rising world production; (2) halt in the wild American stockpiling program; (3) a lowering of level of world civilian consumption, due to high prices, and (4) currency difficulties of leading consuming nations. Sees international commercial and financial policies determined by (1) threat of war, and (2) threat of depression, and contends important factor in world economy as well as in U. S. is probable trend of dollar. Foresees greater competition in international trade and states, with more normal status in world economy, U. S. share in world trade will decline.

The outbreak of the Korean War caught most Americans off guard, but the informed, and unfortunately there are too few of them were not surprised. The Communist sphere of influence had to gain in the Far East, if it was going to offer this nation any sort of challenge. We may not like to hear it, but the Soviet has not been too concerned with Europe. Up to this point it has felt that it wouldn't be too much of a problem to over-run Europe in a short period of time.


A. W. Zelomek

In this connection, I would like to call your attention to the statement I made at your Annual Get-Together in 1950, "We will see that the Truman Doctrine which had the frank aim of containing Russia had to be abandoned in the Far East just at the time when we were congratulating ourselves on the success in Europe. In fact, we must begin now to question whether or not it has been as successful in Europe as we believe." The Communists took our withdrawal from Korea on its face value and decided to strike. The pros and cons of this action have been well aired in the 1952 Presidential campaign. Therefore, it needs very little elaboration on my part.

Post-Korean Inflation

The world economy, and here I am discussing the free world mostly, went through a period of inflation, after the outbreak of the Korean War. Sharply rising commodity prices dominated the trend between July, 1950 and early 1951. The advances were reminiscent of other exaggerated inflationary periods. However, since early 1951, world prices, especially those of important basic commodities, have lost most of their post-Korean gains despite the continuation of the war in Korea and little evidence of an early termination. Time would hardly permit a detailed discussion of the declining trend in international commodities, the bloodstream of the world economy, while the war continues. Briefly, this liquidation of most of the advances can be attributed to:

(1) Sharply rising world production.

(2) A halt in the American stockpiling program at "any cost."

(3) A lower level of world civilian consumption due to high prices.

(4) Currency problems on the part of leading consuming nations which restrict normal operations.

Events after the outbreak of the Korean War have also been reflected in industrial trends both in this country and abroad. There was a letdown in world industrial activity in 1952, from the 1951 high. The world index of mining and manufacturing exclusive of Russia declined from a high of 129 (1948=100) in the third quarter of 1951 to 124 in the third quarter of 1952. This decline was confined mostly to consumers' goods. Its impact was simultaneous in leading industrial nations. The failure of the decline in consumers' goods, particularly textiles, to be reflected in the composite indexes of production in this country is to be found in the continued high rate of output for defense.

The influence of the American economy on the world economy has gained materially during the past decade. The sharp decline from the 1951 high recorded by some of our industries immediately had its impact on other nations. This development was not isolated. It was similar to what had occurred in 1949.

The recession of 1949, however slight when compared with the depressions of 1929-1935 and of 1937, had a considerable impact. It resulted in a significant rise in unemployment here in the United States, and gravely disturbed the economic position of the Western world. It precipitated currency devaluations which took place in September, 1949. If it had continued, it could undone most of the good accomplished by the Marshall Plan.

As a practical economist, and you will note that I emphasize practical, I do not wish to harp on past developments nor even on those of today. I am primarily concerned with tomorrow and the day after. I would be derelict if I didn't indicate to you some of my thinking on what the world economic outlook holds forth, particularly the outlook for international trade with which must of you are concerned.

In this connection may I take the liberty of quoting from a British Journal which was placed on my desk the other day.

"Every industry and every firm particularly if concerned with export trade . . . today faces problems calling for a knowledge of economics rather than of manufacturing technique."

I don't believe I have to sell you as Export Managers the logic of this statement. The fact that you have invited me here and the fact that most of your programs deal with the economic indications, with some time devoted to politics, is a confirmation of your realization.

Basic Factors in International Commercial and Financial Policies

We live in a world where international, commercial and financial policies are determined by two basic factors: Namely, will there be war or peace and what kind of war or peace? Will there be a depression, a recession or a new era of prosperity in the United States?

Of course, no one can answer these important questions with any assurance. However, we can arrive at some basic conclusions from the current trends and from an evaluation of the various forces now prevailing. Without going into too much detail about the reasons for my opinion let us consider the following.

The first question confronting businessmen all over the world is the outlook for the international political situation during the remainder of the year. It is unlikely that a real world war develop in which the United States and Russia would be fighting each other. Nor, will we have real peace, one in which we would see an end of the cold war and of the "police action" in Korea.

There will be attempts to organize a new international conference, or perhaps a "Big Four" meeting where proposals for a peaceful solution of international conflicts would be submitted. Such proposals will in all probability, emanate from behind-the-Iron-Curtain countries and will get much backing from other countries. However, a real agreement is not possible unless the Eastern totalitarian powers are appeased, in which case the outcome would be humiliating to the United States. Such an agreement would also be fatal to the future strength of the Western powers. Therefore, such discussions would be fruitless, although they may temporarily raise hopes for an international disarmament program

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*An address by Mr. Zelomek before the Export Managers Club of New York, Inc., New York City, Feb. 24, 1953.

Philadelphian Quits N.A.S.D.; Refuses to Stoop to Snooping

By J. A. LIVINGSTON
Financial Editor, Philadelphia "Evening Bulletin"

[Reprinted with permission from the Philadelphia "Evening Bulletin" of December 24, 1952.]

On the surface, it was just a routine announcement. Martin J. Bayly, Philadelphia district secretary of the National Association of Securities Dealers, had resigned. His associates wished him the "best of luck in whatever he undertakes," after 10 years of "faithful service." Strange. Why should a man, happy in his work, quit without plans? You'd think he'd get himself set first and break in his successor.


J. A. Livingston

The announcement went on to say it "will be difficult to find another secretary as helpful to the membership and as loyal to the aims of the association as Martin has been." It was signed by Robert V. H. Harned, President of Warren W. York & Co., Inc., of Allentown, chairman of the district committee, and Frank H. Hunter, partner of McKelvy & Co., Pittsburgh, co-chairman.

Puzzled, I asked Bayly:

"Martin, what's back of your resignation?"

"I've been planning to go out on my own for some time, Joe, and I finally did it."

"But why now, when your plans are not jelled?"

"Can I talk to you off the record, Joe—just between you and me, and not for publication?"

"No, Martin, I might want to print it."

Then I phoned Wallace Fulton, executive director of the NASD in Washington, and asked him why Bayly resigned.

"Why are you interested?" he asked.

"It's my business, I'm a newspaperman."

"It's purely a personal, internal matter."

"Is that all you have to say about it?"

"That's all I have to say and all I'm going to say."

And that was that. But it sure made me want to know why Bayly resigned. I think I've found out.

Policy on Literature

The NASD has a policy requiring members to file samples of advertising and sales literature used in marketing mutual fund shares. The NASD wants to make sure that the selling conforms to good investment practice and SEC rules — no overselling, no false claims, no extra high pressure, no misleading information. In this role, the NASD is the agent of the SEC. The brokers and dealers do their own policing.

To carry out this policy, Fulton, on Nov. 21, instructed Bayly by letter as follows:

"It would be helpful if you would arrange to clip from current magazines and from the financial pages of your newspaper on Sunday, Nov. 30, any coupon advertisements which appear in behalf of mutual funds, whether by dealers or underwriters. I would appreciate your filling out the coupons with the name and home address of some person other than yourself, preferably an individual in your office, and mailing them to the firm named in the advertisement.

"Will you forward promptly to Ray Moulden all sales literature received in response to these inquiries." Moulden is secretary of the NASD Investment Companies Committee.

Dealers Stirred Up

Bayly balked at the anonymous third-party procedure. Most of the investment dealers in the district were persons he knew. He could go directly to them and get their literature and correspondence. NASD rules require them to provide such information. But now he was being asked to get information indirectly. He felt it was snooping.

He made known to Fulton over the telephone how he felt. Fulton said it was a directive. Bayly could carry it out or resign. So Bayly resigned. That's the story. Many securities dealers in Philadelphia are stirred up. They're not sure the NASD should use third-party investigation methods.

Not many securities dealers are willing to be quoted. But Lawrence M. Stevens, partner in Hemphill, Noyes & Co., said he felt Bayly should be commended for his stand—"if those are the facts. The NASD was set up and is maintained by the dealers. It has the right to examine all books, records of transactions, literature, openly. It doesn't have to snoop, pry, or spy."

A representative of the NASD later said that the investigation was undertaken because of suspicion of noncompliance; that the letter was sent to all 14 districts; that only Bayly balked; that a direct check was not feasible, administratively — it would have overtaxed the resources of the district secretaries; that, finally, the check revealed a high degree of noncompliance—not necessarily deliberate but through inadvertence or neglect; that, therefore, the results were felt to justify the procedure.

The "CHRONICLE'S" reaction to the foregoing incident can be summarized as follows: Projecting this type of Mr. Fulton's thinking in the policing activities of the NASD, the next thing would be for him to issue a directive to all secretaries and members of business conduct committees of the Association all over the country instructing them to find ways and means of getting the employees of dealer firms to report to them everything they see or hear that is derogatory to their employers. Finally household domestics of the principals and salesmen of investment firms would be encouraged to eavesdrop and make similar reports. In other words police state methods would be the order of the day with an espionage system along Gestapo and OGPU lines. All this naturally in support of the much misused and maligned phrase, "In the public interest."

The State of Trade and Industry

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

Little variation was evident in total industrial production for the country at large in the period ended on Wednesday of last week as dips in some industries had the tendency of offsetting rises in others.

As during the past five months total output of the nation's factories and mines topped that of a year earlier. However, it held close to the post-war peak and about 6% less than the all-time high reached in the last quarter of 1943.

Claims for unemployment insurance benefits fell 4% and were down 14% from a year before.

Non-farm employment in January, according to the United States Department of Labor totalled 47,200,000. This was 1,300,000 higher than a year earlier. It ascribed this increase mostly to recovery in consumer goods manufacturing from the "depressed levels" of late 1951 and early 1952. The January figure was off 1,600,000 from December, due to post-Christmas layoffs of temporary sales clerks and postal workers.

Income of farmers in the United States in February will total about $2,000,000,000, the Department of Agriculture estimates. This would be about the same as February, 1952 but down sharply from the $2,700,000,000 received in January. Receipts from livestock are put at $1,200,000,000 this month, off 14% from January and 11% below a year ago. Income from crops is estimated at $800,000,000, one-third less than in January but about 25% above February, 1952. Declines from January are "of a seasonal nature," partly because of fewer marketing days, the department added.

This week the steel market is in a state of confusion for lack of official word from Washington that steel control commitments actually are going to end July 1, states "The Iron Age," national metalworking weekly, in its current summary of the steel trade.

Adding to the confusion is the negative force of bureaucratic holdovers dragging their feet in administering decontrol. In effect, their grudging acquiescence is sabotaging clear cut decontrol intentions of the Administration, states this trade journal.

Steel control authority under the Defense Production Act is scheduled to die June 30, and President Eisenhower has indicated he does not want standby authority. But there has been no clearcut statement from administrators that Controlled Materials Plan commitments will end then, it adds.

Meanwhile, a bill to provide standby control authority has been introduced, and public hearings on the subject were scheduled to begin before the Senate Banking Committee this week.

Conspicuously missing from the Office of Defense Mobilization order of Feb. 13, ordering immediate open-ending of CMP and end of production ceilings on manufacturers Mar. 31, was definite word that controls commitments would end with the law June 30.

Last week, for the third time, the steel industry submitted to National Production Authority a report of recommendations on decontrol embracing the following points:

(1) Immediate permission to book unrated orders after honoring CMP tickets. (2) Immediate revocation (for period after June 30) of all CMP allotment authority other than for defense and atomic energy. (3) Immediate announcement (effective July 1) that production directives will be limited to defense and atomic energy needs. (4) Immediate announcement (effective July 1) revoking all other controls on production, distribution, use, and inventory of steel mill products. (5) Establish a steel industry task force to provide for emergency needs directly connected with defense or atomic energy but not qualifying for directives.

Recommendations were presented as a package, no portion of which would be acceptable to the industry by itself, declares "The Iron Age."

Supporting the industry recommendations were these facts: Today, total steel requirements for defense and atomic energy are being filled with enough left over for civilian consumption considerably higher than before Korea, this trade authority points out.

This greater availability is not related to steel ingots alone, but to finished steel as well. On a product-by-product basis for the second quarter there is no single item where defense and atomic energy needs absorb the increased availability, measured against the pre-Korean period, it continues.

The fuzzy termination of controls has raised serious doubts among consumers as well as producers. Can steel users in fact now safely depend on doing business with their suppliers? Or must they continue to look to holdover administrators in Washington for help, concludes "The Iron Age."

An 8% rise in automotive production last week has prompted "Ward's Automotive Reports" to predict a record first half production of about 3,200,000 cars.

The past week, said "Ward's," car makers turned out 124,101 units, compared with 114,935 in the prior week and 55% more than the 80,076 of the year-ago week.

Now that Federal production controls are lifted, "Ward's" believes that first six months of this year will see more cars made than the 3,107,000 in first half of 1950—the record full year—and the 3,109,000 in the like 1951 period.

"Only a steel shortage could hold back car producers," said

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Soviet Exploitation of Capitalist Devices Proving Futile

By A. WILFRED MAY*

Mr. May cites numerous democratic capitalist devices for encouraging the human incentive motive, which the Russian rulers found it necessary to exploit to bolster apathy and slowdown; but which they have merely stultified into an ineffective socialist-capitalist hybrid. Holds that in various channels running the gamut from patent protection for inventors to workers' bonuses, in actual practice Soviet follows the form—but not the functioning—of successful capitalistic devices. Maintains such bastardization of democratic capitalism by bureaucratic socialistic interference largely accounts for the Soviet economy's shortcomings, her continued trailing behind the United States in production of both military and consumer goods, and in debilitation of her agricultural and industrial workers.

You gentlemen being interested in patent law, at least during your working hours; and since patent practice and patent philosophy, fortunately typify much of the goings-on throughout the economic and political spheres in Russia today, I will use them as a springboard for matters of a broad scope. This will encompass the Soviets' current attitude toward capitalism and capitalistic techniques; and how they are faring thereunder.

A. Wilfred May

As this audience knows, patent protection has existed in Great Britain for three centuries since the English Statute of Monopolies, and here since 1790, shortly after the adoption of our Federal Constitution. Since then it has been established in practically every capitalist country, for the overall purpose of promoting the public interest through its encouragement of new inventions. Of course, we know that without a patent system there is no way of protecting new inventions other than through secrecy and withholding inventions from public knowledge and benefit.

Thus over two million patents, catering to the basic human incentive motive by rewarding the disclosure of invention by conferring a limited monopoly, have served as a primary instrument of our capitalistic progress.

Lip Service From the Russians

This principle the Russians also have recognized and followed—at least in **form**. But in **practice** the differences between the East and West are vital and typical. For in the Soviet Union the government may, and does, take over the use of the patent at any time—paying the inventor what it, the bureaucracy, unilaterally deems proper—without any real challenge. In other words, socialism here also steps in by making the government the only customer; stripping the individual of all control of his invention.

Hence, the net result is that like so many other facets of actual practice in the Soviet system today, they follow the mere **form**—but not the **fact**—of capitalistic devices.

For the observer in Russia today must be impressed by that socialistic regime's leaning on, but bastardizing of, capitalist instruments toward **incentive** in many fields.

The Good Old "Do-Re-Mi"

As a clear and striking example:—to encourage the individual worker's output, the Kremlin has found that some motive is now needed other than mere duty to the State or idealistic love of the proletariat. I noticed in factories and on construction projects there, tablets listing the names of workers honored for having rendered exceptional performance. When I inquired whether such honor-rolling was effective, I was invariably told that whereas in past times the honorable-mention technique had been sufficient, now it is found necessary to throw in "the good old do-re-mi" along with the decorations.

And also it has been found necessary by these "socialists" to introduce many wage incentives, including bonuses tied to output. Most industry is on piece work, helping the so-called unions to function as mere speed-up instruments. The workman is assigned a production norm by the government bureaucrats, which establishes the amount of his base pay. If his output exceeds this norm his pay is raised; if it falls short, he either starves, is suspended or else punished for sabotage. By speeding himself up he might triple his paycheck. But his happiness would be only temporary — for he would very soon find that his sped-up pay rise was completely booby-trapped. In short order new higher production norms would be assigned to him. So he frustratedly finds that he must work ever harder simply to keep from losing ground paycheck-wise; with his energy paying a penalty for his previous ambition. To mix the metaphor—he is on a treadmill. And without metaphor-mixing:—it is just another instance of socialistically-bastardized capitalism.

This "all equal" state permits great differences between earnings, from individual to individual, and from occupation to occupation — all as decreed by the bureaucrats, of course.

The Communists' Super-Capitalistic Taxation

Also in the field of taxation, quite surprisingly, is the incentive motive catered to in Russia. Tax on personal incomes begins at a far lower minimum than in the United States; and even *progresses* more slowly than in our haven of capitalism; the Russians' top surtax being only 13% contrasted with our 91%.

Russia's personal income tax, unlike ours, is re-gressive instead of pro-gressive; there being a complete cut-off of progression in the case of monthly incomes above 10,000 rubles (about $400 in purchasing power).

But here again in taxation is there socialistic exploitation and distortion of capitalistic incentive forms. For the income tax on business is levied discretionarily, arbitrarily and inconsistently by the State. Business can estimate its tax bill only "by ear."

In the selling of government savings bonds, as in many capitalistic countries—not including the United States—the lottery lure is used. Again following the capitalistic - socialist mixture, there is no compulsory savings *officially* (in fact, the existence of such authoritarianism is vigorously disclaimed to visitors); but actually tremendous pressure-with-stigma is exerted on the individual to buy his quota of bonds.

Similarly in agriculture:—although it is, of course, socialized via the collective farms, the government has nevertheless found it expedient, if not absolutely necessary, to give the individual members of the *Kolhoz* (collective farm) an extra hectare of property for their private gain—the produce being sold on the free market. But here as elsewhere the incentive motive is dissipated because there is so little the peasant can spend his money on, in view of the scarcity of consumer goods.

Discretionary Sanctity of Contract

Of particular interest to this audience:—although business nominally operates under the law of contract, with ostensible full legal protection, the all-powerful State steps in whenever it suits its purposes, to alter or break any such arrangement, and whenever such action is unilaterally deemed to be in the "common interest."

The foreign observer in the Soviet Union is constantly struck with instances of capitalistic class distinction and privilege—in

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*Partial text of address by Mr. May before the Annual Dinner of the New York Patent Law Association in honor of the Federal Judges, Hotel Waldorf Astoria Grand Ballroom, New York City, Feb. 24, 1953.

There's No Shortage of Dollars or Commodities in a Free Economy

By FELIX EDGAR WORMSER*

Vice-President, St. Joseph Lead Company

Prominent metal producing executive, in condemning pressures to eliminate our tariffs, contends inflation since adoption of the Reciprocal Trade Agreements Act in 1934 has all but wiped out tariff protection on metals. Decries cry of "dollar shortage" and urges a sliding scale equalization or stabilization tax on imports of non-ferrous metals to protect U. S. producers. Says such "stabilization tax" would cost taxpapyers less than any subsidy plan during a period of price decline.

There are fashions in economic thinking, as well as in clothes. Think back on the popular slogans that have filled the air for the past 20 years. We Americans love slogans. Do you remember "technocracy", which was going to lift us out of the throes of the depression, or the "share the work" movement stressed during NRA days; or the "mature economy" doctrine of the Temporary National Economic Committee, seriously advocated by many professors busily dissecting the ills of our country? Recently it has been the "dollar shortage." Other slogans will come to mind. Last year I spoke to you about "entitlement of consumption," an expression coined by the International Materials Conference. Most of these colorful slogans were advanced as simple descriptions, or speedy cures for economic difficulties. Many voices were raised in caution during the extraordinary periods that gave them birth, but to no avail. The record has shown conclusively how misleading or untrustworthy they proved to be.

Felix E. Wormser

At any rate, you would think experience with these economic nostrums would make us hesitate before unquestioned swallowing of others. But no! Again we observe a new popular slogan, picked up in the press, now being widely circulated: "Trade — not aid," is the cry. These are exceedingly appealing catchwords. Fundamentally the thought is sensible and timely, but the flaw is the implication that the chief barrier to trade is the American tariff and that, if we would only eliminate our tariff, all would be well in commerce—nationally and internationally. The technical term employed is "unilateral elimination of the tariff," meaning that we must erase our tariff, whether or not any other nation reciprocates. Let me state right at the outset, that our lead and zinc tariffs are now so low and the protection provided so slight that it already borders on free trade. I will give you particulars shortly.

Apparently the theory behind the slogan "Trade — not aid" is that it would help England out of its current predicament (also Europe), consisting of a chronic unbalance of imports over exports (dubbed the "dollar gap"), which threatens the stability of the pound Sterling. Some doubt about the effectiveness of a complete elimination of our tariff in assisting England and Europe is voiced by the distinguished English periodical, the London "Economist," which stated as recently as November, 1952:

"It is doubtful whether the complete abolition of the American tariff would enable Western Europe to earn sufficient extra dollars to balance its dollar accounts."

I am glad to find my own skepticism shared in high places. The clever slogan "dollar shortage" implies that we are responsible for this condition. This leads me to the general observation that, whenever you hear the term "shortage" emphasized, you can be suspicious that some place in the picture is the threatened or actual intrusion of governmental control in a market, whether commodities or foreign exchange. You may recall the lead shortage a year or so ago, which was due solely to the fact that the government established a price ceiling for lead well below the world market. There is no shortage in a free economy. The current well advertised copper shortage would disappear overnight in a free market. All that happens there is that the price reflects the availability or unavailability of supply. The free market price helps to correct any imbalance. And so it is with currencies. The dollar shortage would also disappear promptly if we had free foreign exchange, but a free exchange would have a devastating effect on the currencies of countries which refuse to make the painful, or politically unpopular, adjustment of living within their means.

It was heartening to read recently a statement of an Oxford University professor, who called the "dollar famine" one of the most absurd phrases ever coined. A colleague of his in Cambridge is alleged to have made the observation that any nation which gives its mind to it can create a balance of payments deficit quickly, with the aid of the printing press and a strong trade union movement! It is not surprising to find persons abroad who are also aware of the fundamental reasons for foreign trade difficulties, and who know that managed currencies, plus the pressure of many welfare payments, can readily make a country non-competitive in the international field.

Wiping Out the Tariff

The current drive to wipe out our tariff has unfortunately been blended with other philosophies of debatable value. For example, the President's Materials Policy Commission's report pictures an alarming future shortage of metals and minerals, growing progressively worse as time goes

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*An address by Mr. Wormser before the Colorado Mining Association, Denver, Colo., Feb. 12, 1953.

From Washington Ahead of the News

By CARLISLE BARGERON

President Eisenhower's so-called censorship on his Cabinet meetings seems to have aroused a lot of adverse and unnecessary comment. I can't recall when Cabinet officials came out of their meetings with the President and submitted themselves to newspaper interviews as to what went on. The only thing new in this matter is that apparently President Eisenhower saw fit to warn his associates that the newspapermen would be after them. You might think they should not have needed the warning, but after all they are green on the job and most of them inexperienced in the great game of Washington politics.

Carlisle Bargeron

And it might very well have been that the President was seeking to deal with an entirely different situation, one that developed in the Roosevelt Administration. It had to do, not with Cabinet members discussing the Cabinet meetings with the newspapermen stationed at the White House, but with their later calling in friendly columnists and planting stories against fellow Cabinet members. This was quite a knife cutting practice under Roosevelt. One Cabinet member losing his fight in a Cabinet meeting, instead of accepting the decision, would carry on an underhanded fight through the gossip columnists. Roosevelt knew about it and seemed to enjoy it in his love for competition among his subordinates, for the matching of wits that constantly went on around him. To this writer, it smacked very much of disloyalty.

The practice was not so pronounced under Truman. But Eisenhower and his closest associates have given evidence that they know of the poison pen variety of journalism that has developed in Washington in recent years and of their fears of its turmoil-provoking qualities. Undoubtedly he has sought to impress upon his official family that he expects them to be a team, to have their disagreements but to iron them out among themselves and not be running to the columnists. He has a pretty high class of men around him and, insofar as the top level is concerned, I am quite sure he will have no trouble on this score.

However, it will take years before the lower levels can be straightened out. There are still, and long will be, thousands of lower level workers of the leftist persuasion, who came into government under the New Deal and who now have been in so long they figure they have guaranteed careers and will continue to ply the gossip columnists with stuff against their bosses.

The Eisenhower Administration is, indeed, already getting its first taste of this smelly Washington journalism in the matter of a new member of the Federal Power Commission to succeed Chairman Buchanan, whose nomination by Truman to succeed himself failed of confirmation. Senator Frank Carlson of Kansas, who is about as honorable as they come and other influences submitted the name of Jeff A. Robertson, Chairman of the Kansas State Corporation Commission, and his appointment had been practically agreed upon.

But the "liberals" within and around the Federal Power Commission Staff promptly loosened a barrage against him through their cooperating "liberal" columnists. According to their propaganda, the Commission, as regards the five members, is now divided three "liberals" to two "conservatives." Buchanan throws the balance of power to the "liberals," so it is essential that a "liberal" take his place. Robertson is not a "liberal" but a "tool of the interests," natural gas and private power companies.

The answer to this propaganda barrage would seem to be that it was a "conservative" administration, not a "liberal" one that was elected in November. But, as the propaganda has built it up, the whole country is watching this appointment of Eisenhower's to see whether he intends to "turn our natural resources over to the private enterprise plunderers" or to handle them "in the interest of the whole people." There is little doubt that this propaganda has got the Administration faltering.

A similar propaganda, emanating from the same general sources, has so far prevented Eisenhower from giving jobs to three defeated Republican Senators, namely Kem of Missouri; Cain of Washington and Brewster of Maine. By all the rules of the game these men are entitled to jobs and leading Republican Senators were gravely assured jobs would be given to these men.

But the leftist propagandists have pursued them relentlessly, particularly Brewster. It is not for the people generally to be concerned in the personal fortunes of these men. Their experience, however, along with that of Robertson is interesting to the extent it reveals the influence which the "liberals" are still able to wield.

Nomura Securities To Open N. Y. Branch

Nomura Securities Co., Ltd., of Tokyo will open a branch office in New York City at 61 Broadway, under the direction of Shoshi Kawashima, the latter part of March. The firm formerly maintained offices in New York City from 1927 until 1936. The new office for the present will act as a listening post to keep the Tokyo office informed of new developments in the New York markets.

E. S. Martin Joins George A. Searight

Edward S. Martin has become associated with George A. Searight, 50 Broadway, New York City, member of the New York Security Dealers Association, where he will work on the retail and wholesale distribution of corporate securities. Mr. Martin recently resigned from the sales department of Coburn & Middlebrook and prior thereto was associated with Georgeson & Co., Shields & Company and Halsey, Stuart & Co., Inc.

Electronics—From Pocket Radio To Captain Video

By IRA U. COBLEIGH

Author of "Expanding Your Income"

A short study of the expansion of electronics into almost every field of endeavor; touching upon certain companies which appear to be on the beam marketwise.

Whenever the subject of electronics is bandied about, almost every one thinks first of radio—the pioneer phase of this multiple scientific and business penetration of beam, ray and tube. But that's wrong. Radio loused up phonograph records. Then TV encroached on radio; next records staged a come-back. Then radio reasserted itself a little—a housewife can't watch TV while she washes, bakes, darns or makes the bed. Then came the great TV release, 126 stations instead of 109, and 2,000 total in the offing; plus color television perhaps a short two years away; and a spate of commercial and educational TV's meanwhile. That would have seemed par for the course for this dramatic industry, but no. Communication and entertainment are but the introduction.

Ira U. Cobleigh

Power of Electronics

Think of the word control, and you have, in this day and age, to think of electronics. Do you want a blind-flying airplane that can adjust its course for wind drift, humidity and a looming mountain range? Electronics has the answer. Do you want a guided missile that could not only hit the Kremlin but make a three point landing on Stalin's moustache (so accurate is it)? Electronic controls are the answer. Thirty-five percent of the total cost of our big military bombers represents the value of the radar equipment, directors, firing and navigational controls built in. Submarine detection and torpedo projection depend alike on elaborate electronics.

Tanks can keep a deadly level fire on an enemy 2,000 yards away thanks to an electronic gadget that insulates the road or field bumps and the bounce out of the gun sighting mechanims. That is the military phase—or rather a part of it.

Switching to the ordinary chores of industry, you have no idea how many are now being done by electro-gadgets. Did you ever snarl at an elevator operator because he landed two inches short of your floor? An electric device will level the car, automatically. Want to sort bearings, screws or tubes? Electronics can do this five times as well as the keenest eyed human operative.

You're, of course, familiar with the electric eye that opens doors, garage doors, and provides a system of burglar protection. Well the same thing can control road traffic, and provide all sorts of blocks, safety devices, and switch and track control for railroads—lessening the need for block signals you can see, that create wrecks if the vision of the engineer fails or is befogged.

Medicine and Industrial Fields

Slipping over to the field of medicine, if your heart is to be tested, they use an electro-cardiograph. X-ray is old hat, but electronics can now provide rapid chemical laboratory analysis, making earlier and more accurate diagnosis of disease possible.

If you have an oil burner in your house it runs on a thermostat; your toast pops up before scraping is necessary thanks to a watt powered gimmick; the oven turns off, the radio turns on, the blanket heats you, the heating pad adjust itself to your burning bursitis—all electrically.

You've seen these revolving cement mix-trucks bringing five or six yards of concrete to a house foundation or a paving job; but did you ever stop to think how they got their cement supply? It's in bulk you know, and if it comes on a barge or box car, it is unloaded with a special sort of vacuum cleaner—an electric cement pump. This is usually operated by remote control. A man stands many feet away from a pile of cement with a little round control box in his hand. If he tips it one way, the pump moves into a pile, sucks the cement out and pumps it, through a five inch pipe, or hose, into a bin perhaps 150 feet away. If the pump is feeding too fast, a tip of the control box (electronic) by the operator makes the pump back up, or turn, as may be required. To accomplish all this, there's a control panel with dozens of wires, fuses, switches, releases, and inductors—all obeying like slaves, the slightest nod of the control mechanism.

Labor Saving Devices

Finally into the office realm of the bookkeeper, the file clerk, and the mailing room, electronics have opened up brand new vistas of labor saving devices. For instance, every payroll requires deductions for social security and income tax. Electric computers can now make these deductions; and sorting and classifying machines can handle thousands of name cards, checks or vouchers, with incredible speed and amazing accuracy. You are, of course, familiar with those fabulous electro-mathematicians up at Massachusetts Institute of Technology, which can perform in moments, complicated calculations formerly requiring hours or even days with slide rule, calculus and calculating machine.

There it is, a brisk run down of the uses of electronics in almost every phase of our life. Certainly such a dynamic field of endeavor should present worthy and fascinating media for investment. Well, it does.

The TV Industry

Let's start with the TV. There are 21 million sets in existence, and expanded channels plus Canadian stations mean big production here. The logical shares to consider are Radio at 25 paying $1, Philco at 32 paying $1.60; Admiral at 28½ paying $1, Motorola at 39 paying $1.50 and Zenith at 77 paying $2. Of these, Radio is, of course, the biggest and carries with it ownership of NBC; Philco and Motorola provide representation in a wide variety of electronics; Admiral has been a quite spectacular merchant of sets; while Zenith offers, in addition to complete radio and TV lines, an excellent hearing aid; and its common has been repeatedly rumored to be a candidate for a split (it has the smallest number of outstanding shares of any of these—only 492,000). All of these outfits have weathered the competitive storms, are soundly financed and should get their share of the 5,900,000 TV sets scheduled for 1953 production.

Military Electronics

Switching to military electronics, Hazeltine Corporation has had a distinctive record of research and production. Its common on the American Exchange sells around 29. Raytheon is among the producers of the new Transistor, successor to the electron tube; and it also has, I believe, a patented mechanism which is supposed to keep guided missiles from being misguided. Raytheon sells at around 12 on the NYSE.

In the field of business electronics, the big names would be International Business Machines, National Cash Register and Burroughs Adding Machine. The list would grow longer if you included makers of electric typewriters like Underwood, or sound recording machines like Dictaphone or Webster. Burroughs at 17 (paid 90 cents in 1952) seems to be a dependable value and has paid a dividend since 1895 without a miss.

Most famous maker, perhaps, of industrial type control mechanisms is Minneapolis Honeywell Regulator whose common sells at 55 and paid $2.25 in 1952. This is about tops in heating thermostats.

Then, of course, there are a number of smaller companies working in quite specialized electronic vineyards, such as Servomechanisms, and Beckman Instruments, whose common shares are traded on the American Exchange.

No treatment of electronics would be complete without listing the most distinguished electrical companies in the world, General Electric and Westinghouse, whose broad penetration into every ohm and watt-bearing field prevents their identification with any single category. Sylvania and International Telephone also deserve citation.

And finally, for those who would like across-the-board coverage, there is a specialized mutual fund (described, of course, solely through prospectus), Television-Electronics Fund, Inc., which, this month, is paying its 17th consecutive dividend.

With a stock market that has waxed hesitant at many points recently, and with selectivity more than ever at a premium, it does appear that the electronics industry, buttressed fourfold by military, business, industrial and entertainment demand, should not be one to suffer a slackening of demand in 1953. It may even prove one of the most productive segments of the market for prudent entry by perseptive and fact gathering investors.

With Gill Associates

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, Ohio — Lawrence R. Marryott has joined the staff of Gill Associates, Inc., Gardner Building.

Hemphill Director

Clifford Hemphill, a partner of Hemphill, Noyes & Co., investment bankers of 15 Broad Street, New York, since formation of the firm in 1915, was elected a director of of the McGraw-Hill Publishing Company at a meeting of the Board of Directors.

Clifford Hemphill

Mr. Hemphill is a trustee, vice-chairman and chairman of the Finance Committee of New York Medical College-Flower and Fifth Avenue hospitals, and director of a number of companies including Carrier Corporation, Raybestos-Manhattan, Inc., Dragon Cement Co., Inc., Phoenix Silk Corporation, Mountain Lake Corporation, Casino Company of Spring Lake, N. J., Hastings Square Hotel Company and a trustee of the Spring Lake Memorial Community House.

He is an alumnus of Williams College, and is a former chairman of the Board of the Guaranty Trust Company.

Dealer-Broker Investment Recommendations & Literature

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

Bank Stocks—Comparison and analysis of 14 leading bank stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, New York.

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 Issues — Analysis — Granger & Company, 111 Broadway, New York 6, N. Y.

Copper — Analysis of the domestic copper industry — Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Insurance Stocks—Bulletin—White & Company, Mississippi Valley Building, St. Louis 1, Mo.

Light Metals—A Major Canadian Industry—Bulletin—Ross, Knowles & Co., 330 Bay Street, Toronto 1, Ont., Canada. Also available is a review of **Aluminium Limited.**

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

Oil and Gas in the Rockies—Brochure—J. A. Hogle & Co., 50 Broadway, New York 4, 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 Earnings—Tabulation of 45 leading railroad shares—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Rails in 1953—Analysis (bulletin No. 117) —Simth, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **Warner Hudnut Inc.**

* * *

American Machine & Foundry Co. — Memorandum — Bruns, Nordeman & Co., 60 Beaver Street, New York 4, N. Y.

Anderson Clayton—Memorandum—Rotan, Mosle & Moreland, 705 Travis Street, Houston 2, Tex.

Arkansas Louisiana Gas Company—Analysis—Gerstley, Sunstein & Co., 121 South Broad Street, Philadelphia 7, Pa.

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

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

Campbell Taggart Associated Bakeries, Inc. — Analysis — Sanders & Newsom, Republic Bank Building, Dallas 1, Tex.

Central Illinois Electric & Gas Company—Special report—Loewi & Co. 225 East Mason Street, Milwaukee 2, Wis. Also available is a special report on **Mountain Fuel Supply Company,** and in the current issue of "Business and Financial Digest" are reviews of **Nunn-Bush Shoe Company, Mid States Shoe Co.** and **National Aluminate Corporation.**

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

Chesapeake Industries, Inc. — Analysis — Gottron, Russell & Company, Union Commerce Building, Cleveland 14, Ohio.

Continental Can Company—Analysis—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Copeland Refrigeration Corporation—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Doman Helicopters—Study—J. F. Reilly & Co., Inc., 61 Broadway, New York 6, N. Y. Also available are circulars on **Gyrodyne Co. of America, Hiller Helicopters, Kaman Aircraft Corp.,** and **Piasecki Helicopter Corp.**

Durez Plastics & Chemicals, Inc. — Memorandum — Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

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

Interstate Power Co.—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Kuhlman Electric Co.—Memorandum—White, Noble & Co., Buhl Building, Detroit 26, Mich.

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

Miles Laboratories Co.—Memorandum—David A. Noyes & Co., 208 South La Salle Street, Chicago 4, Ill.

Missouri Pacific Bonds—Circular—Hardy & Co., 30 Broad Street, New York 4, N. Y.

National City Lines, Inc.—Analysis—Dempsey & Company, 135 South La Salle Street, Chicago 3, Ill.

National Homes Corporation — Circular — Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

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

Robertshaw-Fulton Controls—Memorandum—Walston & Co., 265 Montgomery Street, San Francisco 4, Calif.

Slick Airways Inc.—Bulletin—Daniel F. Rice & Co., 141 West Jackson Boulevard, Chicago 4, Ill.

Snyder Tool & Engineering Co.—Memorandum—Baker, Simonds & Co., Buhl Building, Detroit 26, Mich.

Tri-Tor Oils Ltd.—Memorandum—Philips & Co., 40 Exchange Place, New York 5, N. Y.

Union Carbide & Carbon Corp.—Complete 1952 annual report and illustrated booklet describing the corporation's products —Secretary, Union Carbide & Carbon Corporation, 30 East 42nd Street, New York 17, N. Y.

Union Electric Co. of Missouri—Memorandum—American Securities Corp., 25 Broad Street, New York 4, N. Y.

Wheeling Steel—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Wisconsin Central Railway—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is a memorandum on **Maine Public Service Co.**

NSTA Notes

BOND CLUB OF SYRACUSE

At the annual dinner meeting of the Bond Club of Syracuse, held at the Hotel Syracuse on Jan. 19, the following officers were elected for the coming year:

Francis Q. Coulter

Charles T. Heaton

President: Edward J. Smith, Smith, Bishop & Co.
Vice-President: Karl B. Rollins, K. B. Rollins & Co.
Treasurer: Francis Q. Coulter, Syracuse Trust Company.
Secretary: Charles T. Heaton, William N. Pope, Inc.

The Board of Governors for the current year is composed of the following members:

Clarence A. Goodelle; William G. Lapham; Drew G. Eastman, Eastman & Co.; Alvin J. Grabau, Grabau-Buchman, and Robert T. McGurk, Stone & Webster Securities Corp.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Arrangements Committee of the Security Traders Association of New York announces that reservations for the 17th Annual STANY Dinner at the Waldorf Astoria, Friday, May 8, should be sent in by letter and check ($15 per person) to Charles M. Zingraff, Laurence M. Marks & Co.

Tables will be allocated as checks are received. No later than April 17, the names of the persons at each table should be supplied for listing in the STANY Journal. (Also specify how many want **Meat** and how many want **Fish.** This is most important to insure quick and efficient service at the dinner.)

For room reservations phone or write to Daniel D. McCarthy, Union Securities Corp.

M. C. Cross Named By International Bank

Milton C. Cross, Executive Vice-President and a Director of Harriman Ripley & Co., Inc., has been named Director of Technical Operations of the International Bank for Reconstruction and Development. To accept appointment in the bank, Mr. Cross has arranged to take leave of absence from Harriman Ripley. He will assume his duties at the bank's headquarters in Washington about April 1.

Milton C. Cross

Mr. Cross brings to the bank more than 35 years of experience in the securities business, especially in the investigation, design and purchase of security issues. After graduating from the editorial department of the "Commercial and Financial Chronicle" in his early years, Mr. Cross entered the investment banking business in 1916 in the New York firm of N. W. Halsey & Co.; this office was acquired later in that year by The National City Company, the investment banking affiliate of The National City Bank of New York. Mr. Cross continued with The National City Company until he joined Harriman Ripley in 1934, at the time it was formed by a group of officers of The National City Company and partners of Brown Brothers Harriman & Co. in Harriman Ripley, Mr. Cross was elected an Assistant Vice-President in 1937, a Vice-President in 1939, a director in 1941 and Executive Vice-President in 1948.

COMING EVENTS

In Investment Field

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 11-13, 1953 (St. Louis, Mo.)
Association of Stock Exchange Firms Board of Governors Meeting.

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

June 25-26, 1953 (Cincinnati, Ohio)
Municipal Bond Dealers Group of Cincinnati annual party at the Kenwood Country Club.

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

Multi-Employer Bargaining

By SYLVESTER GARRETT*
Chairman, Board of Arbitration
United States Steel Corporation and United Steel Workers of America, CIO

Asserting multi-employer bargaining in some cases presents definite advantages for management, despite opposition to it, prominent labor-manager arbitrator lists as most notable advantages: (1) it permits pooling of economic strength of various employers so as to secure relative equality in bargaining; (2) it makes available better facilities for intelligent bargaining; and (3) it furnishes a clearance channel for information affecting labor relations. Reveals also there are disadvantages, among which is disregard for inequalities in individual concerns and in regional economic conditions.

Fortunately, the title to my talk today is limited to a consideration of practical phases of multi-employer bargaining, and lays to one side the more controversial political and social aspects of the broad subject. By way of further qualification, my assigned topic requires discussion from the standpoint of management, and nothing which I might say in this regard can be deemed a reflection of my viewpoint as an arbitrator in my present position, or as derived from any experience I might have had in connection with the steel industry. Most of my knowledge and views on the subject derive from the years 1946 through 1949 when it was my privilege to participate in group bargaining, and also to have prepared a study of the subject for the Wharton School in collaboration with Dr. L. Reed Tripp, now at the University of Wisconsin.


Sylvester Garrett

Of course, it would be impossible to provide answers out of hand to all present who may be considering multi-employer bargaining as to whether such a technique of group action is appropriate to the needs of one's particular business. Nonetheless, the practice of group bargaining by management in most cases does present certain basic advantages and disadvantages from the management viewpoint—real or potential—which can be isolated for discussion. It may be that consideration today of some of them will facilitate a decision as to whether the technique is suitable in a given concrete case.

Complaints Against Industry-Wide Bargaining

Before getting to the heart of the matter, however, let us get one thing clearly in mind. There have been many criticisms and complaints voiced in recent years against industry-wide or multi-employer bargaining. Many of these upon objective consideration, appear to be complaints not against this particular technique of bargaining, but rather complaints against the practice of collective bargaining itself.

In evaluating multi-employer bargaining, therefore, one must always bear in mind the necessity for distinguishing between those aspects of such bargaining which are inherent in the particular process itself rather than inherent in collective bargaining as a means of establishing the basic terms and conditions of employment for a business enterprise.

At the outset, it can be stated without reservation that group bargaining in some cases presents definite advantages for management. This bare statement will surprise many here today, and perhaps excite some, yet it is demonstrably true on the basis of practical experience of many employer groups.

Many management spokesmen look upon "industry-wide" bargaining, which they conceive as covering all forms of multi-employer bargaining, as a social evil or "a public menace." At the time of consideration of the Labor-Management Relations Act in 1947, it is perhaps true that most articulate management representatives would have stated this view vehemently. A large number still hold this view, which is reflected currently in a bill presented by Representative Lucas in the Congress only a few weeks ago. It is not my purpose today to debate this broad question. Many others have done so and it may be predicted that the debate will continue for many years. To engage in a partisan discussion of this issue not only would take us outside my assigned topic, but also might be thought inconsistent with my present position as arbitrator.

Advantages and Disadvantages of Multi-Employer Bargaining

The possible advantages of group bargaining from the management viewpoint are numerous, but we need not attempt here to cover all of them. It is enough to mention three.

First, this bargaining technique permits a pooling of the economic strength of the various employers so as to achieve a relative equality of bargaining power with the union representing the employees affected. The participating companies thus are able to avoid whip-sawing, or picking off more vulnerable employers in the first instance, with later pressure on the rest to follow the leader.

Second, group bargaining permits development of better facilities for intelligent bargaining. The management group can pool all of their knowledge and draw upon skills of negotiators and other specialists that otherwise would not be available as a practical matter.

Third, it permits continuous contact and clearance of information as to grievances among the participating employers as to developments affecting labor relations. Notably, it permits group consideration of major grievance settlements which may affect basic contract issues in subsequent bargaining conferences. In some instances, as the needle trades or hotel and restaurant field, a single representative may be retained by the companies to handle all serious grievances on their behalf.

These advantages of group bargaining in some situations may be invaluable to management. Without them some employers, because of their size or situation in the area or industry, do not really enjoy collective bargaining at all on major issues. In the New York Metropolitan area, for example, there are said to be about 4,000 truckers employing members of the Teamsters Union. Most are quite small. If they did not bargain through an association, they could not meet the union on any terms of equality and would have little choice but to accept settlements reached by a handful of major truckers. Similar instances can be called to mind easily.

So much for the affirmative. On the other side of the ledger it must be set forth that certain inevitable characteristics of group bargaining may be most harmful, or difficult, for participating managements to live with.

The long and the short of it is that the individual management loses a certain amount of freedom of action, or initiative, by participating in group bargaining.

Management succeeds or fails in large part on the basis of its initiative and ingenuity in dealing with problems affecting cost. Labor relations is one such problem. Good industrial relations should pay off in better unit cost over the long run. Ofttimes this is true without regard to the particular level of rates of pay in the plant, as compared with other companies, even though the rates of pay are an important aspect of cost.

As soon as a group of employers get together to lay the groundwork for group bargaining, or when an individual employer considers joining an existing bargaining group, the problem of loss of individual management initiative comes to the fore.

How many of us suppose, for example, that the famous General Motors settlement in 1948 involving an annual improvement factor based on productivity increases would have been possible if all of the automobile manufacturers had been bargaining as a group, and therefore there had to be group acceptance of such a fundamental change in bargaining policy. Thus, before joining in any group bargaining venture, the participating companies must decide not only who their principal spokesmen will be, but also how much authority they will surrender to the group to make vital decisions.

The conflict between the needs of individual managements in the group and the group policy frequently gives rise to a sense of frustration on the part of some members of the group, which will tend to tear the group apart.

This was nicely illustrated not many years ago when a number of mid-western manufacturers in a given industry were engaged in group bargaining. They came to a complete stalemate with the union on the question of general wage increase. The parties were about 5c an hour apart on the wage increase, and it was clear that a strike would ensue unless the management offer was increased.

After the group had decided to stand pat, and had so advised the union, and everybody was waiting over the weekend for the strike to break Monday, the spokesman for the management group could not resist the desire to achieve a settlement for his own company alone. He proceeded shortly before the strike to grant a general wage increase 4c an hour above what was satisfactory to the group at large. As a result, his company continued to operate, while the others took a strike.

Basic Problem of Submerging Individual Company Needs

This instance merely serves to emphasize the basic problem of submerging individual company needs and desires in the interest of acceptance of group policy. Numerous other instances of a breakdown in group bargaining in recent years may be found.

It may be unnecessary to dilate upon this proposition here, but a few of the subjects of collective bargaining where this is highlighted in group negotiations may be mentioned.

Many are prone to assume that, of all collective bargaining issues, the matter of whether or not to grant a general increase and determination of the amount of such increase is relatively a clear-cut problem.

Suppose, however, that a group of five or six manufacturing concerns are bargaining jointly and their operations are located in different labor market areas subject to the different pressures of each such area. For example, one plant may be located in the South, another in Detroit area subject to the influence of U. A. W. settlements. Still another may be in the

Continued on page 14

*An address by Mr. Garrett before the American Management Association, Chicago, Ill., Feb. 16, 1953.

LETTER TO THE EDITOR:

No Need for Wage-Price Spiral!

Dr. N. I. Stone, Consulting Economist, New York City, takes issue with Prof. Slichter's contention that there is no immediate solution to wages outrunning workers' productivity and thus leading to a continuous inflationary trend. Holds, wage policy based on productivity factor, similar to General Motors formula and set up by Congress, could halt trend without interfering with the rise of labor's real income.

Editor, Commercial & Financial Chronicle:

In his interesting article on "Wage Policies Since World War II" in the Dec. 4 issue of the "Commercial and Financial Chronicle," Professor Slichter presents a penetrating analysis of the rising trend of wages under union pressure and its inflationary effect on prices.

N. I. Stone

Professor Slichter sees no effective force likely to stop or reverse this inflationary wage trend. With few exceptions, employers have found it easier to follow the line of least resistance by granting the demands of the unions and passing on the increased cost to a helpless, unorganized public. He thinks "the inflationary bias could be reduced by the development of stronger federations of labor capable of working out a national wage policy for the member unions," though he admits that there is "no early prospect" of such a development amid the keen rivalries between union leaders competing for popularity. Professor Slichter concludes that there is no prospect for stopping the inflationary effect of continually rising wages, except as it may be offset in part by "new checks on inflation and on deflation."

This conclusion is not reassuring for the future of the country. It means a reversal of the historic trend of modern industry—since the introduction of steam—which by its ceaseless quest for new inventions of more and more labor-saving machinery and methods has brought about a continuous reduction in costs of production with resultant lowering of prices and a concurrent increase in real wages. It is this historic process of modern industry that has made the luxuries of yesterday the matter-of-fact possessions of the masses today.

I fully agree with Professor Slichter as to the present trend of wages and the unlikelihood of any of the forces at work today being capable of stopping this unfortunate trend, as harmful in the long run to labor as to the rest of the consuming public. Unlike Professor Slichter, however, I believe that means are available for checking the present inflationary effects of rising wages without interfering with the rise of real wages which is what labor is concerned with in the long run.

Wages Under Collective Bargaining

When labor was largely unorganized and wages of the unskilled and semi-skilled were based on a low standard of living, labor unions usually based their demands for higher wages on the plea for "a living wage." Because of the inability of large masses of unorganized workers, especially women and children, to enforce their demands for higher wages, it was found necessary to enact minimum wage laws which, in spite of strong judicial opposition on the ground of unconstitutionality, finally became imbedded first in state and later in Federal statute books, and became applicable not only to women and children but to all workers.

In the course of time, the minimum wage rates which at first were set at a bare existence level, leaving it to labor to win advances beyond the minimum, have gradually been raised by Federal and state enactment until they now amount to 75 cents per hour, while labor is pressing for a minimum of one dollar.

With office boys now assured a minimum of $30 for a 40-hour week, all grades of labor and skill have automatically been raised to much higher levels. Without entering into a detailed analysis of prevailing wage scales, it is common knowledge that house painters, plumbers and teamsters and other trades calling for skills which can be acquired in a short time, now command annual earnings denied teachers and college professors who have to spend years in study to qualify for their positions. Labor today no longer bases its demands on considerations of a living wage. Yet it has become a fixed custom, upon the expiration of a contract, for unions to demand a wage increase as a condition of entering into a new contract.

Under the inflationary policy followed by the Roosevelt and Truman Administrations the demand was based on the argument of the rising cost of living. But when it was pointed out in instance after instance that the increases in wages already granted in the past years outstripped the rise in the cost of living, this failed to dampen union demands for more money.

Facing this situation, the General Motors Company in an effort to bring about a constructive solution of the wage problem proposed to the automobile workers union a dual formula having for its object to assure labor (1) against a decline in real wages through rising prices, and (2) a continually rising standard of living through labor's participation in the benefits resulting from increase in productivity from year to year.

This formula provides for (1) the adjustment of wages at quarterly intervals up or down in accordance with fluctuations of prices of consumer goods as reported by the U. S. Bureau of Labor Statistics, and (2) an annual increase of wages of 2½ to 3% based on a general increase in productivity.

The proposal was accepted by the aggressive, but intelligent and far-sighted President of the Union, Walter Reuther. It has brought contentment and peace among the General Motors workers to such an extent that it led the union to enter into a five-year contract on these general terms. This is a reversal of the prevailing type of short-term contracts which offer the opportunity to call for frequent pay raises.

The formula has brought peace and stability to an industry which had previously gone through some fierce conflicts. It was a brilliant stroke of industrial statesmanship on the part of General Motors. It responds to labor's aspirations for continued progress and rising earnings. On the other hand, basing the increase on rising productivity takes the ground away from under the old opposition of labor to improved labor-saving machinery resulting in increased productivity; an opposition which had resulted from unfortunate experience in days gone by when a less enlightened wage policy on the part of management had unwittingly played into the hands of leftist labor leaders who preached and practiced "the class struggle."

The new formula is attracting wide attention in both camps of American industry. General Motors stole the show from U. S. Steel which had hitherto set the pattern of periodic wage adjustments in American industry. Not only is the Automobile Workers Union determined to have the same formula adopted throughout the industry, but other industries are studying the possibilities of adopting the new principle of wage adjustment. The latest recruit in the labor camp is James Carey, President of the International United Electrical Workers and an outstanding leader in the CIO. Carey has proposed the formula to the General Electric Company and other firms in the electrical industry.

The crux of the General Motors formula is that it abandons the old attempt of management to maintain a static wage policy in a dynamic industry by substituting a dynamic wage formula which fits into a dynamic economic order. The result is that it furnishes industry a chance to get rid of the periodic headaches of general wage adjustment and the endless daily battle on the production front in the plant over labor's overt opposition to and covert sabotaging of improved production methods. Labor acquires an incentive to greater productivity as the sure means to a steadily growing income and economic security. Last, but not least, a general adoption of the fromula would rid the country of the nightmare of chronic inflation to which Professor Slichter calls attention.

With that achieved, industrial progress should be able to resume the historic trend to lower prices which has been interrupted by the two world wars and aggravated by the deliberate inflationary policies pursued by Democratic Administrations for two decades.

Wages Under Arbitration

So much for wage fixing over the bargaining table. What about the large and growing volume of wage adjustments through arbitration?

Under the restrictions imposed by the Wagner Act and continued in the Taft-Hartley Act, management has lost its old powers to resist union wage demands when backed by strikes. There is therefore greater readiness to resort to arbitration than was the case before these laws were enacted.

Arbitration has grown so fast that there has been no time to study its workings, still less to subject it to any regulation. There are no legal qualifications, as in the case of judges, which a man must possess to make him eligible to serve as arbitrator and no laws to guide him in his decisions. Although the law (in New York and other states) makes his decisions legally binding from which there is no appeal, he has only his conscience to answer to for these decisions. This has had some serious consequences.

During the past two decades we have repeatedly had decisions rendered in wage disputes on railroads and public utilities raising annual wages by many millions of dollars in cases where the financial data submitted by management indicated beyond peradventure that the companies involved could not comply with the decision of the arbitrator without going into bankruptcy. In such cases the Interstate Commerce Commission or state utility commissions were forced to grant rate increases to save the companies from insolvency. The arbitrator, holding no public office and responsible to no one, thus acquired or assumed the power of indirectly raising rates to be paid by the public, a power which had been conferred by legislative acts on responsible public bodies—usually boards, not single individuals—guided in their decisions by well-defined principles laid down in the law.

In industries, outside of utilities, which in normal times are legally free to raise or lower prices at will, the arbitrator has had even less cause to worry about the effects of his decisions. Being human, he is tempted to follow the easy path of pleasing labor and letting the employer recoup himself by boosting the price of his product. Thus, arbitration which has been growing in extent as the alternative to class-war, becomes a gamble, the outcome of which largely depends on the personal outlook or bias of the arbitrator.

Is there a way out? Can arbitration be put on a more reliable basis, comparable to a court of justice? A judge functions strictly within a framework set by law. His decision usually affects only the parties involved in the case. How much more is such procedure warranted in the case of arbitration, the outcome of which usually involves hundreds or thousands of people directly and the general public indirectly?

It was labor's demand for a legal minimum wage that caused the taking of the revolutionary step of regulation of wages by the government. Now that the power of the government to legislate in that field has been firmly established, it may be asked why it should not be used to prevent inflation from which workers as consumers are the first to suffer. As old age retirement pay from the government or from private industry, or both, is now to be the privileged lot of every worker upon reaching retirement age, the preservation of the purchasing power of that pension becomes a matter of vital concern to every worker.

If Congress were to lay down certain principles for the guidance of arbitrators now being adopted or favorably considered by leading industries and unions, creating a floor for wages with a flexible ceiling which rises with the rise in productivity, the country could be cured of the evil of chronic inflation caused by continuous indiscriminate wage advances. If wage increases were to come out of increased output, there would be no need of raising prices.

Management, labor and the government now have the means of preventing the paralyzing effects of chronic inflation of the kind referred to above. They can do so without jeopardizing labor's gains already achieved and without interfering with a continuous rise in labor's real income, so long as that increase is derived from increased productivity.

N. I. STONE

295 Madison Ave.,
New York City 17, N. Y.
Feb. 17, 1953

Welch Heads Comm. For N. A. S. D.

Carl Stolle, Chairman of the Board of Governors of the National Association of Securities Dealers, Inc., announces the appointment of Joseph E. Welch as Chairman of the NASD "Investment Companies Committee." Mr. Welch is executive Vice-President and Treasurer of Wellington Fund.

Joseph E. Welch

The committee includes Hugh W. Long of Hugh W. Long and Company, Inc.; Harry I. Prankard II, of Lord, Abbett & Co. of New York; William F. Shelley of Vance, Sanders & Company; S. L. Sholley of The Keystone Company of Boston; and Ward L. Bishop of American Funds Distributors, Inc.

With Lawrence Smart

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Donald M. Willem is now with Lawrence F. Smart, Hibernia Building.

Business and Professional Freedom

By ROBERT G. STOREY, ESQ.*
Storey, Armstrong & Steger
President, American Bar Association

Asserting greatest single issue today is freedom, distinguished attorney sees great danger in tendency toward government encroachment in the fields of professions and business. Scores extension of Federal power over intra-state business as nullifying Tenth Amendment. Cites court cases expanding Federal power over commerce and business, and concludes by urging businessmen to take united action to protect their individual Constitutional rights.

Bankers and lawyers value our institutions and constitutional form of government. Our financial structure and legal institutions are sacred to us. Both are under challenge today. Our clients and customers not only expect us to protect them in their financial and legal problems, but to interpret these great issues to them. The greatest single issue of our time is freedom. The world is half free and half slave. Elsewhere I have spoken of the challenge from abroad directed against our institutions. Today I would like to speak briefly with you about certain aspects in which freedom faces challenge from within our own society.


Robert G. Storey

The preservation of individual freedom is the first obligation of every government to its citizens, and the first responsibility of every citizen is to see that his government meets that obligation. For without individual freedom no society is worth having.

Those aspects of individual freedom which the law of any society recognizes and protects constitute the basic rights of the members of that society. Political freedom gives rise to civil rights; economic freedom, to property rights. The quality of any government depends essentially upon the status of such rights in its fundamental law.

Properly Applied Restraints

If freedom, abstractly considered, is absolute in value, the civil and property rights which it comprises assuredly are not. They are relative. Restraints may be, and properly are, applied not only to freedom of contract and private property, but also to freedom of speech and publication. No man is free in the United States to manufacture atomic bombs; and no man may open a radio broadcasting station without a certificate from the Federal Communications Commission. While businessmen may compete, they may not engage in "unfair methods of competition" or pursue "unfair trade practices." Furthermore, to engage in business of one's choice is to subject one's self to a formidable array of legislative controls involving labor relations, social security, taxation, allocations, priorities, and what-not—all considered essential to the public welfare.

No man can attain professional standing without having met the qualifications imposed by the law of the state in which he intends to practice. The public is entitled to know that one holding himself out as doctor, accountant, or lawyer, is qualified both in knowledge and in character to handle the affairs of his professional calling.

With these restraints, as such, I do not here seek quarrel. The rights of business and professional men undoubtedly are qualified by the interest of society over the economy of the nation and the services provided the public by the professions. The question is whether the imposition of restraints may not go beyond that which is necessary to provide such protection and may not actually endanger the basic rights of men freely to engage in business and to practice their chosen professions.

It is a peculiar handicap of lawyers that they must represent adverse interests. In every lawsuit one party must win and one party must lose. It takes a high-minded client to compliment his lawyer when he is on the losing side. In this respect the services rendered by lawyers, in such areas of conflict, undoubtedly give rise to adverse criticisms from time to time by disappointed litigants. This is a criticism which is inevitable in the very function of the legal profession. It does not hold any sort of threat to the existence of the profession itself. The only danger to the legal profession, as I see it, in modern times is the danger which confronts all businesses and professions alike. That is the spreading tendency in the world to substitute in ever greater measure the action of the state for the services of professional and businessmen.

Lawyers and the Constitution

Standing against this tendency in the United States is the attachment of our people to the free institutions of this nation, founded as they are in the basic law of the land. That basic law is the Constitution of the United States, an instrument drafted principally by a young lawyer, James Madison, and adopted in a Constitutional Convention more than half of the members which were lawyers. You may thus understand why it is that we lawyers of this day speak with such pride of constitutional government and why we constantly strive to uphold the Constitution against every fact and force.

One of the basic issues which early arose in American constitutional history was whether the Congress of the United States could enact legislation which was contrary to or exceeded its delegated powers under the Constitution. Most of you know that the great John Marshall in *Marbury v. Madison* established the principle and the precedent that Congress and the Executive in this country are subject to the limitations imposed by the Constitution. In England it is still true that Parliament is supreme. In the United States legal supremacy is to be found in the written Constitution of the United States and, of course, in the constitutions of the several states.

The Constitution of the United States constitutes a compact between the people of this republic and their government pursuant to which the rights of men freely to hold property and to engage in business of their own choice are clearly recognized. No man can be deprived of property without due process of law in the United States. This rule applies as against the Federal Government by reason of the Fifth Amendment of the Constitution; and against state governments under the Fourteenth Amendment of the Constitution. So this legal instrument, which is the basis for our representative form of government, is also the charter of our economic freedom. If its precepts are faithfully observed, we need have no fear of socialism in this country.

In the past, we have relied heavily, and perhaps unfairly, upon the courts to assure that legislative or executive action did not exceed constitutional limitations. One of the significant developments in modern constitutional history, however, has been a growing reluctance on the part of the courts to invalidate legislation upon constitutional grounds unless the reason for invalidation is clear and certain.

The Tenth Amendment

Although the Tenth Amendment reserves to the states or to the people those powers which are not delegated to the United States by the Constitution, in recent years that Amendment has ceased to have practical effect to limit Federal control of business. The power of Congress to regulate commerce with foreign nations, and among the several states, and with the Indian tribes, has been legislatively expanded, with judicial approval, into ostensible authority over every aspect of American business which incidentally relates to the interstate shipment of goods or transmission of information. This authority is not limited to the economic concept of commerce, but includes production, mining and agriculture, even where the product is not intended for, or actually shipped in commerce. It is sufficient that the regulation be reasonably related to a Congressional purpose to bring about a "stimulation of commerce." (Wickard *v.* Fillburn, 1942.)

The judicial recognition of this expanded concept of commerce has been paralleled by judicial approval of extensive controls over commerce imposed in the past two decades by Congress. Thus, in *American Power and Light Corp. v. Securities and Exchange Commission*, decided by the Supreme Court in 1946, Mr. Justice Murphy, speaking for the Court, said:

"Congress, of course, has undoubted power under the commerce clause to impose relevant conditions and requirements on those who use the channels of interstate commerce so that those channels will not be conduits for promoting or perpetuating economic evils. . . . Thus to the extent that corporate business is transacted through such channels, affecting commerce in more states than one, Congress may act directly with respect to that business to protect what it conceives to be the national welfare. It may prescribe appropriate regulations and determine the conditions under which that business may be pursued. It may compel changes in the voting rights and other privileges of stockholders. It may order the divestment or rearrangement of properties. It may order the reorganization or dissolution of corporations. In short, Congress is completely uninhibited by the commerce clause in selecting the means considered necessary for bringing about the desired conditions in the channels of interstate commerce."

When it is considered that the "channels of interstate commerce" include the tiniest rivulets in each state contributing thereto, the declared right of Congress to regulate business "to protect what it conceives to be the national welfare" is judicial acknowledgment of the positive paramountcy of the Federal Government over business in America. As Mr. Justice Murphy observed "Any limitations are to be found in other sections of the Constitution."

Some Recent Court Decisions

Prior to the 1934 decision of the Supreme Court in *Nebbia v. New York*, it had been generally declared by the courts that the power of government to impose controls upon business was restricted to that type of business said to be "affected with a public interest." In that case, however, this limited concept was swept away. The court held that "the Legislature is primarily the judge of the necessity of such an enactment" and "that every possible presumption is in favor of its validity." After the *Nebbia* decision legislative controls of business could be attacked successfully under the due process clause only "if arbitrary, discriminatory, or demonstrably irrelevant to the policy the Legislature is free to adopt, and hence an unnecessary and unwarranted interference with individual liberty."

The *Nebbia* case marked a significant change in the rule of decision applied to legislative controls over business. Perhaps underlying that decision was a more fundamental change in judicial philosophy permitting legislatures greater discretion in limiting civil rights for public purposes. Thus, in a recent labor case, Mr. Justice Black stated: "Under this constitutional doctrine the due process clause is no longer to be so broadly construed that the Congress and state legislatures are put in a straitjacket when they attempt to suppress business and industrial conditions which they regard as offensive to the public welfare." (Lincoln Federal Labor Union v. Northwestern Iron & Metal Co., 1949.)

Whatever the judicial rationalization may be, business may be regulated by Congress and state legislatures "so long as their laws do not run afoul of some specific Federal constitutional prohibition," or, in the case of state enactments, of "some valid federal law." Persons adversely affected by such regulations must sustain a burden under the due process clause of demonstrating their arbitrary or discriminatory character or irrelevance to a permissible legislative policy. This burden may not be easy to sustain.

In *National Labor Relations Board v. Stowe Spinning Co.*, decided in 1949, the basic issue was the freedom of mill-owners to rent, or refuse to rent, to persons of their own choice, space in a building owned by them. The building had no connection with the mills, although it was located in the same community. It contained a post office, grocery store, and a room suitable for meetings. The National Labor Relations Board ruled that, since the room was the only readily available meeting place for unions in the community, the mill-owners were guilty of an unfair labor practice in refusing to rent the room to a union representative seeking to organize the employees of the mill. The mill-owners contended that the order of the Board requiring them to rent the room to the union organizer was an invasion of "private property unconnected with the plant, for a private purpose, in the very teeth of the Fifth Amendment." In rejecting this contention, the majority of the Court approved the Board's ruling that the refusal "to permit use of the hall . . . under the circumstances, constituted unlawful disparity of treat-

Continued on page 36

*From an address by Mr. Storey at the Mid-Winter Trust Conference of the American Bankers Association, New York City, Feb. 11, 1953. Mr. Storey is Dean, School of Law, Southern Methodist University, and President of Southwestern Legal Foundation, Dallas, Texas.

World-Wide Credit Situation And Our Foreign Investments

By RALPH M. BINNEY*
Vice-President, The First National Bank of Boston

Boston banker reviews economic conditions and credit situations in various nations with which we trade. Finds credit and foreign exchange conditions in Latin America mixed, with widespread shortage of dollar exchange. Sees Great Britain and France beset by difficulties, while outlook in Italy is "not a brilliant one." Lists fundamental points regarding our foreign investments, among which are: (1) assurance against confiscation and expropriation; (2) convertibility and free movement of profits and capital, and (3) reasonable return commensurate with risk involved.

Let's take a look at the credit and collection situation in a broad manner, by regions, as that is about the best we can do in the short time at our disposal.


Ralph M. Binney

Canada

We need not discuss Canada because the similarity with our own country is so close that it is hard to think of trade with our great northern neighbor in terms of "foreign" trade. In fact, a great many American manufacturers treat Canada as a domestic market. So far as money is concerned, instead of the numerous foreign exchange worries and restrictions in other foreign areas, we have all learned to be a little envious of the Canadian dollar—and we certainly don't mind earning it.

Canada's balance of trade improved last year. An expansion in the volume of exports, accompanied by declining prices of many imported products, resulted in an export balance of $263,700,000 for the first 11 months of 1952, in contrast to an import surplus of about the same amount in the preceding year. The forecasts of Canadian business activity for 1953 all seem to be favorable and stress the belief that high levels of consumption, good investment climate, and continued defense expenditures will sustain business on a good level.

Latin America

Latin America is our next best market, so let's take a quick look at the situation there. I assume that in any representative American business group such as this, a substantial element is doing business with the Latin American countries that are now in the process of development from what are commonly referred to as "backward" or "underdeveloped" countries to progressive and up-to-date economies, with emphasis on industrialization. They are very important to us as a nation because of their geographic location and kindred aspirations, but perhaps more importantly, because of the wealth of their mineral and other natural resources, as yet largely undeveloped, that are important, strategically and economically, to our future welfare and theirs. This combination of their enormous raw material resources and our industrial capacity and technical know-how complement each other and make an ideal basis for the development of sound, profitable trade relations.

On the surface, this is an ideal situation, but as every importer and exporter knows, there are numerous obstacles to be overcome. Many of the difficulties are more political than economic. There is a strong tide of nationalism running in many of these countries—against their own real interest—and accompanied, as usual, by dictatorial government control. At least a third of Latin America, in terms of population and area, has come under various degrees of dictatorship and rigid controls.

In some of these situations the kindred element of Communism can be detected, working sometimes behind the scenes and sometimes in the open, as in Guatemala. These political factors must be taken into consideration when evaluating Latin American credit risks. As any experienced exporter knows, they cannot be overlooked for dictatorial governments invariably impose restrictions of one sort or another in order to survive. Frequently they resort to exchange controls or import and export restrictions that seriously interfere with business. More significantly, however, they oftentimes set up nationalized operations, State monopolies of essential production, and government ownership or control of many businesses that could be more efficiently and soundly developed by private enterprise. This naturally discourages foreign investments and retards the growth of the country. Unfortunately, too many Latin American countries have the idea that foreign capital and modern manufacturing techniques subject them to some sort of "Colonialism"—submit them to foreign domination or impinge upon their natural sovereignty. You know and I know that this idea is fallacious, and it can be proven by the actual record in many countries. Nevertheless, this feeling is important and something that we have got to overcome before we can develop the excellent natural trade relations we should be enjoying with our Southern neighbors.

Argentina

Conditions in Argentina have not changed much and this once great market for many American exporters remains virtually closed. Money is tight, collections are slow, and the balance of trade is still unfavorable. Last year, Argentina suffered from poor crops, but the situation this season is much improved. Some authorities estimate they will have an exportable surplus of some 3 million tons of wheat this year. However, they are trying to get very high prices from Brazil and have been creating resistance from other markets, with the result that the storehouses are loaded to capacity and the actual loading for export has been small up to date. Recent rains have helped the other growing crops and pastures, and the outlook for the corn crop is excellent. Wool stocks are relatively high, however, and this commodity could be a good dollar earner for Argentina if marketed at realistic prices.

Brazil

I would call the situation in Brazil mixed. The long range outlook is still good but present conditions are difficult and the outlook for 1953 is certainly confused. Money continues to be tight in Brazil and cruzeiros may be in even more demand as dollar exchange becomes available. There is a lot of "hot money" in the banks waiting for conversion.

Many businesses have been marking time waiting for the Free Exchange Law to go through and shortages of essential imported materials are becoming more apparent and they are having a deteriorating effect on many lines. Collections are only fair and the inflationary trend continues unchecked.

Chile

Business in Chile is a little better, but credit is still tight and although the current wheat crop is better than last year's, she will probably have to import 100,000 tons or about one-third of last year's import requirements. Chile has been showing an export surplus in the last few months, thanks to increased copper production and the free-dollar exchange market has firmed up. (117 per $ to 110 per $.) Allotments of preferred exchange at 60 pesos have been small and there is still a substantial backlog pending. (Brokers' $ rate 127 pesos.)

Colombia

Colombia is a good market for many American manufacturers and she ended the year 1952 with a book surplus of $19 million in her balance of payments. Export licenses approved last year totaled $405 million, of which $380 million represented coffee—so we can still safely look upon Colombia as a one-crop country dependent upon coffee prices and production for her dollar earnings. Import permits issued in 1952 were $403 million net of cancellations and about $80 million of that was allocated for official business. The outlook for 1953 is generally favorable, collections are satisfactory and sales expanding in most lines.

Peru

The situation in Peru has not changed much lately. Dollar export bills were in short supply during January but sizable amounts of dollars were offered on the free market and the rate remained steady at Sales 15.60 per $ for Certificates and 15.65 in the free market. In most lines the inventories are high, sales are slow, and collections in local currency difficult. Foreign currency bills covering imports, however, are being met quite promptly.

Uruguay

Uruguay is still short of dollar exchange and collections generally slow. The packing houses have been shut down waiting for satisfactory price adjustments, and this of course affects their dollar earning power. The wool market has become more active in recent weeks and Monte wools are moving here in better volume at increased prices. Imports are still rigidly controlled and will probably continue to be for some time to come, but collections are prompt and the money market continues easy.

Venezuela

Venezuela has always been a good market for our exporters and the outlook appears to be favorable, although political conditions will have to be watched closely. Last year, Venezuelan petroleum production hit a new high and expenditures this year will be even higher for the purpose of expanding production facilities and enlarging refining plants. The Central Bank report shows it purchased $714,270,000 last year and sold $644,506,000, leaving a surplus of $69,700,000. This increases the total balances of the Banco Central in gold and dollar deposits to well in excess of $400,000,000. Credit, however, is tight because of increased borrowings for industrial expansion, and collections are sluggish in many instances.

We must not overlook Cuba, Mexico, Puerto Rico and the other nations in Central America and the Caribbean, where good markets exist for many American products. Time will not permit us to deal with them individually, so let's take a quick look at some of the other areas.

Europe

Great Britain, beset by staggering losses at home and abroad as the result of two wars and by disaffection of vital supply sources such as Iran, Egypt, and India—in the war of nationalism that is sweeping the world; beset also by the ills of socialism and nationalized industry at home, is having hard sledding and still has many problems to overcome.

France, after making a fairly strong recovery and reaching a fair degree of price-wage stability, has slipped backward again and faces another exchange problem. Her excess of imports over exports last year was 21% higher than the 1951 trade deficit totaling $1,180,000,000—and she certainly can't go on that way very long. She has been running a deficit every month for the last six months in the European Payments Union, and unless the situation is reversed in the next month she faces a grave crisis.

Italy

Italian foreign trade in 1952 was highlighted by two major factors—the large deficit and the marked decline in exports. The trade deficit in the first nine months approximated $720 million, which is at an annual rate of almost $1 billion, as compared with a trade deficit of only $489 million in 1951.

This big gap was caused, to some extent, by an increase in Italian imports, but it resulted primarily from the sharp drop of exports particularly to the Sterling and French Franc areas. Italian textile exports were particularly hard hit due to British and French restrictions. Textiles accounted for 35% of total Italian exports in 1951, and this drop in volume has had serious results as there is a rather high labor content in her finished goods.

Italy had a good crop year in 1952 but many of the European countries have rigid protectionist policies, even if their payments situation is favorable, so she did not participate in some of the growing markets in Western Europe and has surpluses to dispose of. This situation will continue to bother Italy for some time unless Western Germany, Belgium, Holland, and some of the other countries liberalize their policies. Italy relies on the dollar area for large amounts of indispensable raw materials and foods. Recently she had to buy large amounts of coal here and due to the Iranian crisis switch from Sterling to Dollar petroleum which further aggravates the payment situation. A substantial portion of Italy's exports to soft currency areas contain dollar component materials. If the Italians reduce this dollar liability by limiting such exports, it would tend to aggravate the problem of unemployment, which she can ill afford to do at the present time. Italy still has many of her age-old problems with her today and the outlook is not a brilliant one.

Belgium and Holland

Belgium and Holland both made excellent progress in solving their postwar problems by working hard on a sound, realistic basis. Holland has just been badly hurt by the recent storms and floods and it will take her some time to recover from the blow in spite of the generous help that was offered so promptly and spontaneously by everyone. Their credit is good and they are fine traders, so I feel certain they will recover again as they always have in the past.

Near and Far East

The Near East and Far East I am going to skip over because of the pressure of time. Many of these countries are good markets for some of our products but the political and social conditions are such that most sales are made on cash or letter of credit terms, so we don't need to go into the credit and collection picture in detail.

South Africa

South Africa presents good prospects for 1953. As in the past, capital goods imports will be given priority and consumer goods will be carefully screened and retarded. With increased gold production and expanding uranium exports to the United States, her dollar exchange position should improve.

We cannot overlook the social and political situation here, however, any more than we can in any other country when evaluating our credit risks. A serious national election campaign is in full swing prior to the April elections, and violent racial tensions continue to build up as a result of the non-whites' defiance and opposition to segregation laws. This makes a very explosive situation and it really overshadows the improved economic situation.

* * *

Outlook for Private Investment Abroad

I have been asked to include some discussion of the foreign investment situation in my talk, and that is obviously hard to do in so short a time. I would, however, like merely to register a few sound fundamental points that are often overlooked by some of our businessmen and almost always by our government officials. They are simply this:

(1) Whenever the business climate in a foreign country is favorable and the future outlook sound, American businessmen will be willing to go in and assume reasonable business risks without a lot of government guarantees or someone holding their hand. We've done it before and we'll be glad to do it again whenever the foreign nation is smart enough to give us a reasonable degree of freedom to operate and an even break with local industry. We still have a lot of individual initiative left here and a willingness to use it whenever there is a real opportunity to do a good job.

(2) But!—we still want an incentive, and that means we expect to be able to keep our capital investment intact and even stoop so low as to make a profit on the venture!

(3) During the past 20 years, you have heard a lot of speeches—mostly from government people—as to why we should "assist good neighbors"—"help the under-privileged"—"stamp out communism," etc., etc. These are commendable objectives, but we rockbound New Englanders know—and I'm sure you do, too—that when you or I, or the firm we represent, put any of our hard-earned money into a proposition—other than a straight charity contribution—we want to be pretty sure that "hard-earned buck" is coming back when and if we want it, and that while it is working abroad there will be a reasonable return in the form of profits and dividends.

(4) The other incentives that impell American companies to make foreign investments are: the desire to protect their name and sales position in a given market; the need for raw materials like oil, minerals, fibers, food products, etc.; and those firms like banks, shipping companies, insurance companies, and public utilities, etc., that service industry and follow the call of attractive business

*A talk by Mr. Binney at the Chicago World Trade Conference, Chicago, Ill., Feb. 18, 1953.

and potential earning power. All of these groups follow certain similar basic policies when considering such investments overseas.

They don't ask for favors but they do want an even break. For the most part about all they ask is—

(1) Assurance against confiscation and expropriation of the original investment and its accumulated profits.

(2) Some assurance that the profits and, if necessary, the capital can—at some future date—be converted and returned to the United States. Many people feel that this presents a tough problem to the foreign government. Actually, it is not as bad as it seems. Most of us who have large investments abroad put them in for a long pull or permanent investment. We certainly don't expect to bring them back soon and if they are earning reasonab'e dividends that can be converted, the stockholders will be happy and contented.

(3) That brings us to the next point—a reasonable return commensurate with the risk involved. There is no reason why Americans should be expected to take long-term risks overseas without the prospect of making a profit. It is the profit motive that built up this country and has developed a lot of others. It is nothing to be ashamed of, and when we lose that incentive to drive on to greater heights we are all done.

There are, of course, numerous other factors that have to be considered by manufacturers, transportation companies, and others which I shall not attempt to discuss. Many of them were well covered yesterday afternoon by the panel on Market Analysis. Before closing, however, I would like to leave one more thought with you to think over seriously.

For several years now, there have been all sorts of proposals for government loans, guarantees, insurance of some sort or some form of security to protect foreign investments. Personally, I don't think we need them and all the attendant government controls and red tape that go with them. I still think that American businessmen are alert to their opportunities here and abroad and that they are willing to assume reasonable business risks to make a profit. The quickest and easiest way this can be encouraged is for our own authorities to apply a lower tax rate to income earned abroad. The minute a taxpayer—be he a manufacturer or an individual—sees a chance to reduce his tax bill and increase his disposable income, he takes a good look at the proposition. A favorable tax rate aplied to foreign income and capital gains would start a lot of good sound companies and other investors looking abroad for favorable opportunities and this money would undoubtedly find its way—for the most part—into businesses that would show good growth prospects and be good for the foreign nation that was smart enough to attract it with a favorable cooperative attitude.

Perhaps the idea is too simple—we've got too used to giving our money to the government and letting them do it for us the hard, expensive way. I hope and expect, however, that under this new Administration things are going to be different and business will have a more favorable climate to work in—and that we will have a good definite foreign policy program to guide us.

Joins L. B. Schwinn

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Chester W. Willett has become associated with L. B. Schwinn & Co., Union Commerce Building, members of the Midwest Stock Exchange. Mr. Willett was formerly with H. C. Hopkins & Company.

Agricultural Outlook for 1953

By TRUE D. MORSE*

Under Secretary of Agriculture
Former Chairman, Doane Agricultural Service, Inc.

Asserting long-term future for agriculture was never more certain of dependable profits, new Under Secretary of Agriculture reveals current situation of farmers, dairymen and cattle raisers. Says, at present, farmers' major hazard lies in prices, and holds "price supports are being projected ahead" with assurance that corn, soybeans, wheat, oats, tobacco, cotton and other crops will sell at high levels. Points out farm land boom is over, but that it will take a lot more capital to step up farm output one-fifth by 1955.

Election results will work no miracles for farmers and those financing and working with them. Programs should develop slowly. More trial and error can be expected.

True D. Morse

Republicans made commitments to—

"commodity loans on nonperishable commodities—

"on-the-farm storage—

"sufficient farm credit—

"voluntary self-supporting crop insurance—

"marketing agreements."

They said "We do not believe in restrictions on the American farmers' ability to produce.

"We favor a bi-partisan Federal agricultural commission with power to review the policies. . . .

"We condemn as a fraud on both the farmer and the consumer the Brannan plan scheme to pay direct subsidies from the Federal treasury in lieu of prices to producers."

There will be important changes. Administrative decisions on matters like price ceilings, supports not fixed by law, marketing of government owned grain and other commodities, exports and marketing agreements, can be made with limited delay as the new Administration takes over.

Economic forces will be the dominating influence regardless of the party in power. These build up from season to season and year to year. They set prices far more than any governmental program.

Cattle prices dropped because of a record build-up of numbers—plus drouth.

Corn prices skidded far below supports because of a big crop in a concentrated area.

Cotton prices moved down under the impact of a large crop, more World supplies and growing competition from synthetic fibres.

Authorities agree that the most any party in power can do is to cushion the shock of price-making forces. Therefore, watch supply and demand as your best guides to future prices.

New Agricultural Leadership

Ezra Benson, as the new Secretary of Agriculture, will insure able leadership from Washington. He is trained in agricuture and has had previous experience in Washington.

He is a man of unquestionable integrity and will put the interests of the nation and of agriculture ahead of politics in the administration of the high office to which he is being named.

The 1953 "Outlook Conference" has been held in Washington and the different "Situation" reports have been released. The state authorities have issued their predictions or are in the process of getting them out.

The reports and predictions have a sobering effect. They confirm the fact that the "easy money" in farming is past. The squeeze on farm profits is tightening. Net incomes may be lower in 1953.

"Agriculture's Capacity to Produce" has been studied, with all the states joining the U. S. Department of Agriculture in the research. It is a look ahead to 1955.

On top of the rapid rise in production that has taken place since 1939, there could be added another 20% above the 1950 production. This would be an increase in farm output averaging 4% per year.

The report cautioned that "the estimates are not forecasts of what farmers will do." They show what farmers could attain by 1955.

It seems clear in the minds of the authorities that farmers will fall short of the output which they can profitably produce.

It will take a lot more capital to step up the farm output by one-fifth by 1955. Farmers hesitate to make such rapid investments—because of fear of future prices and market demands.

They don't want to risk savings.

They are even more cautious about borrowing.

Fear of the future thus is a major barrier to the most effective land use — and sound farm management.

There is a minimum of risk in the primary requirements which the authorities found necessary for the rapid production increase.

Fertilizer comes first—and it is one of the few bargains which farmers can buy. One dollar spent on fertilizer at today's prices is returning $2.00 to $10.00 in crops.

The authorities say that to attain the 20% increase in farm output by 1955, fertilizer use will need to be increased "70% over the quantities used in 1950." For the country as a whole, the estimate is 93% more nitrogen, 54% more phosphoric acid, and 77% more potash.

"The Corn Belt states would become the heaviest users of nitrogen by 1955"—4 other regions now use more nitrogen.

Lime will be needed in much larger quantities—annual applications "nearly 60% more than was applied in 1950."

Price Supports

Price supports are being projected ahead. Before Congress adjourned, mandatory supports at 90% of parity was voted for basic crops for the years 1953 and 1954.

For the next two years, plans can be projected ahead with assurance that corn, soybeans, wheat, oats, tobacco, cotton, and other crops will sell at high levels. Not all of these are "basic crops," but all will reflect the 90% price guarantee for the basic crops.

Production can be expanded with a minimum of risk.

Bargain fertilizer can be used to produce crops which the government has guaranteed will sell at high prices.

Couple the price guarantees with the profitable use that can be made of fertilizer and you have a basis for sound farm plans.

Farmers will need to borrow a lot more money to make such heavy applications of lime and fertilizer. It will take a lot of selling to get farmers and farm owners to use the additional credit even when the profits are so strongly guaranteed.

I recently participated in a program at the University of Illinois relating to the problems of getting increased production. There was agreement that "credit is *not* the problem — motivation *is* the problem."

Iowa State College made a survey among southern Iowa farmers which shows how great is the resistance to borrowing. According to the survey, 55% of the farmers would not borrow more non-real-estate funds unless they anticipated 25% to 100% returns on the money.

Interest rate was not the barrier. "The majority of the farmers indicated that they would not borrow additional funds even if credit could be acquired at no cost."

The study shows that the returns on additional capital investments in southern Iowa would be "considerably above interest rates which must be paid for borrowed funds."

The farmers themselves estimated that the "use of additional capital would return a much greater income than the cost of borrowed funds."

Farmers who borrow — should do so on a sound basis. This is not a suggestion that farmers plunge into debt or recklessly spend savings. It is advice to spend freely for higher production if you have a sound farm management program.

It is advice to invest additional capital to produce higher yields of crops protected with price guarantees.

There will not be enough money in many local areas. (This will not be true in the Clarksville Trade Area.)

I spent November 13 and 14 in the National Agricultural Credit Conference of the American Bankers Association. The concern over credit limitations was clearly reflected all through the meeting.

There may again be a rapid expansion in farm mortgages as P.C.A.'s and banks shift more debts to long-term financing.

Prices the Farmers' Major Hazard

The major hazard of farming has shifted from production to prices.

With modern machinery, tractors, improved seeds and feeds, more fertilizer and pest control methods — farmers can produce crops and livestock with more regularity. Many production hazards have been brought under control.

In contrast, the price hazard is way up.

Capital investments of farmers are high—the value of the machinery on a farm often exceeds the cost of the land.

Cash costs of farming are high — and "sticky." Farmers buy everything from baby chicks to tractors—and the gas and oil to run the tractors. They can't produce unless they spend cash.

The Federal Reserve Bank of Minneapolis says, "Just a few 'bad' years could, therefore, cause heavy financial losses. If costs were not recovered, the modern farmer would soon have a situation where his costs exceeded his equity investment."

Dr. Stanley W. Warren of Cornell says a farmer nowadays can pay for a farm in a short time, but he can also lose it in a short time.

Lack of experience with recessions or a depression is a factor about which there is increasing concern. It is estimated that well over one-half of those now charged with the management of businesses and farms have never experienced other than a rather continuous uptrend in prices. That helps cover up management mistakes.

Young farmers and young businessmen need especially to be cautioned.

The true test of management comes when prices and incomes are declining. Less than half of those now operating farms and businesses know from past experience how to meet the problems of a shrinking economy.

The Beef Problem

Beef cattle continues to represent one of the major danger

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*An address by Mr. Morse at Austin Peay State College, sponsored by the First National Bank of Clarksville, Clarksville, Tenn., Dec. 30, 1952.

War Business

By ROGER W. BABSON

Commenting on what will happen when Korean peace comes, Mr. Babson contends war expenditures will continue, since we will furnish South Koreans and others with guns, planes and equipment. Says most of industrial activity is due not to Korean conflict, but to preparation for World War III. Visualizes slowly declining business.

Last week I discussed Korea and stated that the Chinese will get sick of it before this year ends. As we are already tired of the conflict, this means that 1953 will see a Korean Peace with our boys coming home again..

Roger W. Babson

For the above we all should be thankful; but the question arises as to how this will affect your job. Surely both the railroads and many industries are now profiting greatly by the Korean War. What will happen to them when our boys withdraw?

First let us realize that our boys cannot withdraw until the South Koreans are trained and equipped to take their places. This means that it may be 1954 before our boys get back. However, it may not reduce the number of new draftees. With only about 531,000 men in Korea, over 1,000,000 new recruits each year are needed to merely provide replacements in our total military forces.

An Analysis of the Situation

We must supply the South Korean armies with food, ammunition and clothing. We assume that our boys will give the South Koreans their guns and other equipment, including airplanes. Hence, by year end, as the South Koreans may be doing mostly only guard and practice work, the demand upon us will be materially cut down. Until a flare-up occurs in Indo-China, Malaya or somewhere else, the traffic of our western railroads will surely be much less.

Peace or war will make little difference to the maintenance expense of our Navy or its men. Many of the ships now patrolling the coast of Korea will be sent to other waters; but their expenses will go on just the same. In a way, this also applies to our air force. We will lose fewer planes to be replaced, but they all must be kept in the air. Certain manufacturing concerns will have fewer orders; but those engaged in processing foods, supplying clothing, shelter and fuel should continue to give full employment. We must make it popular for South Koreans to serve in their army and replace the Allied troops.

Cold War Preparations

Most of the industrial activity today is not due to the Korean conflict, but to preparing for World War III. This will continue to give full employment for from 6 to 12 months more. Furthermore, the making of military supplies may become a new and permanent industry for some years ahead. If so, no efficient workers need suffer this year from an ending of the Korean War.

Some companies may be affected by President Eisenhower's determination to avoid overlapping military orders and reducing costs. This could mean smaller profits to some, which would make them reduce their labor forces and cause some unemployment in certain communities. But only the latest and least efficient employees need to be laid off.

Business Outlook

The above means that several railroads may be hurt by peace in the Pacific; but most industrial plants have nothing now to fear. The new Administration will insist on lower costs and no rush work or overtime. This means that manufacturers and wage workers must be more efficient.

Frankly, I feel that this will be a good thing all around. Our "riding high and handsome" the past few years was leading to a bad fall for us all. Now the new policy could give manufacturers and wage workers an opportunity to adjust themselves gradually to the new conditions. I visualize slowly declining business, but not panicky. More advertising will be found to be the best cushion.

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Multi-Employer Bargaining

the Pittsburgh area influenced by Steelworkers settlements, and another in Baltimore or Philadelphia.

The availability of manpower, the cost of living, community practices, and many other major factors affecting wage policy often operate quite differently in each of such areas. Thus, a wage settlement appropriate in one of the areas, and perhaps highly desirable to meet a manpower problem there, will be poorly suited at best to the needs of an operation in other areas. A group decision in such a situation is bound to fall short of meeting the needs of some, and perhaps most, of the plants affected in the negotiation.

Another aspect of group wage negotiations today is that typically the wage increase question is approached on the basis of a "package offer." It may be easy to agree on the size of the total package — but not to agree on what goes in it—holidays, vacations, insurance, shift premiums, etc.

A more specialized problem of wage policy can arise because of incentive programs. Suppose that three companies in a given labor market area are bargaining together. Company A has no incentives at all. Company B applies incentives and bonuses to 50% of its production workers, and their earnings average about 20% above the agreed standard hourly wage rate. Company C has applied incentives and bonuses to more than 80% of his total production force, and these incentive earnings run an average of 50% above standard hourly rates.

Now let us assume that a general wage increase of 10c per hour is essential to bring negotiations to a satisfactory conclusion. Company C feels for various reasons that its incentives have become too loose by an accumulation of minor changes over the years affecting employee output, but not providing a basis for modifying the existing incentive plans. In view of this, C does not wish to apply the 10c general increase to the base rates for purposes of incentive, and argues that to do so would produce a payroll cost impact about 14c per man hour instead of 10c. C therefore proposes that the general increase should be given as a flat cents-per-hour amount over and above incentive earnings received under existing incentives.

C's proposal might be acceptable to A, since A has no immediate issue at stake. but Company B might well feel that application of the general increase in such manner would tend seriously to undermine the effectiveness of its incentives in that earnings opportunities over the contract hourly rate would be so reduced as to lose their pull for increased production.

These problems are illustrative only, but have arisen in concrete form in numerous multi-employer negotiations over recent years. Instances of similar problems in dealing with such subjects as intra-plant inequities, maintenance rates, pensions, overtime, and seniority may be found. In fact, in every typical bargaining area the existence of different conditions in the various plants presents a potential source of difficulty in group negotiations.

Despite the real difficulty of group bargaining, however, the fact remains that the technique has worked reasonably well over the years in many groups. It is important to know why this has been so.

Homogeneity—A Prime Group Bargaining Essential

In the first place it has been recognized that a prime essential of successful group bargaining is homogeneity of the business operations involved. To lump together a food processor with a steel fabricator in group negotiations is to invite fiasco. Perhaps one of the rare exceptions to this may be found in some San Francisco employers' groups which in some negotiations cut across industry lines. It may be that the relatively greater success of group bargaining on a **local** basis in service industries results from the high degree of homogeneity which can be achieved in such groups. This is not easily possible, of course, in companies with wide-flung, complicated, manufacturing operations.

Secondly, the parties in group bargaining, generally speaking, have learned not to try to cover too much ground in their group contracts or master agreements. There are many phases of day-to-day collective bargaining which truthfully are incapable of uniform treatment in a single contract covering thousands of employees. Thus it is not uncommon to find that master agreements include specific provision either for supplementary local agreement on specific subjects, or a stipulation that existing practices or local agreements shall be continued unless modified by local agreement.

Third, and perhaps most important, participating managements in group bargaining have recognized that the basic need for group action in their situation has far outweighed the vexations of dealing with individual bargaining problems on a group rather than on an individual basis. This has made for a kind of statesmanship, taking into account the long-range nature of collective bargaining, which in some instances has been remarkable. There may be more bargaining within the management group than with the union upon occasion.

In the last analysis, the major lesson to be drawn from the experience of many employers in participating in group bargaining is that they freely entered into it and it has proven satisfactory to them.

The Davis Furniture Case

Any discussion of the advantages and disadvantages of group bargaining today would be incomplete without reference to a case which has come before the National Labor Relations Board recently. This involved the Davis Furniture Company in San Francisco. The Davis Company is one of a dozen furniture dealers in the San Francisco Bay Area, which for years had bargained jointly with a given union. The settlements each year resulted from negotiations by representatives of the entire group of employers and were accepted as binding by all of them.

After a complete impasse was reached in negotiations a few years ago the union struck a single employer in the group. This was for the clear purpose of picking off the individual employer for an advantageous settlement which then could be presented to the rest. If successful, this move would have defeated a major purpose of the companies in bargaining together.

As a countermove, therefore, the entire group of employers shut down their operations until the strike was settled. The record does not indicate that anyone was discharged or any threats of coercion made. Purely and simply, then, this was a lockout to prevent an individual employer from being picked off with a settlement which then presumably would have been the basis for dealing with the remaining employers. The National Labor Relations Board found that the management groups had engaged in an unfair labor practice by discriminating as to tenure of employment and directed that the employers should pay all men affected for time lost.

The case now is pending in the Ninth Circuit Court, and no doubt will find its way to the Supreme Court for ultimate decision.

To date, most employers in group bargaining have assumed that it was entirely proper for them to use their economic strength—as a group—when an impasse was reached. The only apparent other alternative, if one member is struck, would be for the others to give him financial support during the strike to offset his loss. This may not be practical, however.

Thus if the position of the National Labor Relations Board in the Davis Furniture case is sustained, a major purpose of group bargaining by employers will be undermined. And, I might add, much of my discussion today will have been purely academic for your purposes.

Continued from page 5

Soviet Exploitation of Capitalist Devices Proving Futile

railroad trains, waiting rooms, restaurants, and living quarter allocations. In Russia truly all men are created equal, but some are more equal than others—with the big reservation added that the inequality is determined by the all-powerful State.

The End-Product of the Hybrid System

Now what has this pseudo-capitalism added up to in the country's over-all economic strength, and in our relative ability to carry-on the Cold War?

In the first place, with their over-concentration on their own armament economy, accompanied by the population's starvation of consumer goods, the Soviet Union is still behind—way behind—us in the armament sector—for instance, by four years in atomic weapons.

Surely the Soviet economy's lagging is to a great extent the result of the bureaucracy, resulting in lack of initiative by both management and the individual —in general apathy and slowdown. This is particularly true of the industrial workers and the collective farmers.

At the International Economic Conference in Moscow which I attended, we got clear demonstration of the Soviet's important shortages of capital goods, particularly machine tools and locomotives—which they were trying to wheedle out of the West.

In motor vehicles, despite their recent advances, Soviet output still remains at barely 5% of ours. Not to bore you with a host of further figures, I can summarize the relative capitalistic-communist progress by merely pointing out that compared to 1940, despite the Kremlin's addition of its Eastern satellites, her industrial potential relative to ours' is now actually lower than when she was then standing alone; that even, according to her own biased projections, Soviet production in 1970 will still merely equal U. S. output as of 1950; that through the dynamics of the free economy, the United States—although possessing only 7% of the world's population, nevertheless produces a full half of the world's output of manufactured goods.

Surely this great achievement, with the ensuing number-one status of our country, is at least in part due to our wholehearted observance of the basic human need for *incentive*—as seen in the workings of such devices ranging from the opportunity of every new-born male baby to become President, all the way up — or down—to the patent.

If the message from this conclusion, namely renewed faith in the free economy's incentive motive, is of any value to you and your Association, that alone is indeed important justification for my having made the journey to Moscow.

With Virginia Secs.

NORFOLK, Va.—John P. Dekker, formerly in the Norfolk office of Scott, Horner & Mason, is now associated with Virginia Securities Company of Norfolk, Royster Building.

With Compton & Wharton

(Special to THE FINANCIAL CHRONICLE)

WINTER GARDEN, Fla.—Benjamin T. Shuman has joined the staff of Compton & Wharton, First National Bank Building.

With Beil & Hough

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—John L. Adamson has joined the staff of Beil & Hough, 33 Fourth Street, North, members of the Midwest Stock Exchange.

Walter Rosenbush Opens

Walter Rosenbush is engaging in the securities business from offices at 129 East 82nd Street, New York City. He was previously with Walston & Co.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

The market during the past week continued to behave much as it did from August to October of last year, when it was correcting its May to August advance. So far, about half of the recent election rally gains have been lost in two selling phases. Shorter term traders are likely to be more cautious if a rally extends to the 284-286 area, but are also likely to welcome any decline to the 274-276 area as an opportunity to add to intermediate term holdings. Action of secondary stocks has been good since December. This suggests that they may be the leaders of the next recovery, particularly since they have rested during the past year and a half.

* * *

The stock market is not as daring as Columbus was. It hesitates to sail uncharted seas. Recently most of the averages of industrial stocks moved slightly above their 1929 highs, which of course, means into territory that has never been explored by investors or speculators. Neither has the market experienced an economy like this one where there has been a rearmament boom superimposed on a boom that was caused by the need for goods that were not produced in sufficient quantity during the war. This unusual combination of stimulants forced business activity in January to a peak that has never been seen in peacetime. This absence of guideposts or maps in either our market or our general economy has kept the stock averages in one of the narrowest ranges in history for the last 19 months.

* * *

Such caution has been seen in the past when the market tested historical highs. Back in 1905, the industrial average moved above its peaks of 1899 and 1901 and it took 18 months of indecision before it got used to its untested area. It then advanced 30% before the bull market peak was reached. In 1927, the same average finally got above its former top made in 1919. For four months, it hesitated and then moved 213% higher to its 1929 top. In 1927 the rails, for the first time, got above their highs of 1906. It required a 16 months pause before they started another 35% advance. At other times in history a test of previous peaks has so frightened investors that the market backed away.

* * *

What the final outcome of the boom on boom state of our economy will be is puzzling to our best economists. Some predict a peak of production this year. Others, equally brilliant, say a depression is not likely until 1954 or 1955. Some signs of weakness are evident already, since many of the deferred demands that built up during the war are rapidly being filled. In the past six years, the number of homes built has been 39% larger than the increase in new families. There has been a net gain of about ⅓ in plants and equipment since the end of the war, a pace which is not likely to be maintained much longer. Private debts have doubled since 1945. Actually only one business boom in the past 60 years has lasted longer than the current one.

* * *

The length of the rearmament boom is impossible to predict. One can only reason that it will have to continue as long as the threat of communistic aggression in the world is evident. If there is another World War, we shall be in it from the start. We shall not have months to prepare for our entry as we did in the past two wars. A serious depression in this country would be Russia's best weapon. Our leaders in Washington are fully aware of the need to keep this country healthy economically and we can only hope that they will be wise enough to encourage rotating rather than wholesale readjustments.

* * *

Healthy Skepticism and Caution

Fortunately the stock market has been kept in a healthy state by its skepticism and caution. Because of the change in the value of the dollar, it is not fair to compare 1929 levels with those of today. When adjustments are made for the change in the value of our money, they show that 1929 stock prices were 54% higher, while in 1937 they were 32% higher, than they are today. Fairer historical comparisons are the relationship of stock prices to earnings and dividends, which show that the market is at more conservative levels than it was at important peaks of the past.

* * *

Other reasons for the belief that 1929 levels are more reasonable today than they were in 1929 are the following observations and figures:

(1) If corporate earnings were as much in demand as they were in 1929, the market would be selling 66% higher than it is today.

(2) If dividends were as much in demand as they were in 1929, the market would be selling 68% higher than it is today.

(3) In spite of a bull market that has lasted for over three and a half years and in spite of the fact that the Dow-Jones industrial average has risen 37% above its 1946 peak, over half of a list of 500 leading trading stocks have not sold as high in this bull market as they did in 1946.

(4) Back in 1929, people were borrowing $8,549,000,000 to buy securities on margin. Today they are borrowing only $1,207,000,000 for the same purpose.

(5) In the past bull markets that can be studied in detail, a sharp rise in the more speculative stocks has occurred near the end of a bull market. In contrast, we have seen no speculation in such issues for about sixteen months. The ratio of an index of low priced stocks to the general market is now about the same as it was in the pre-war years 1935-39. At other important market peaks, this ratio was 50% to 100% higher than it is today before the market became vulnerable because of its own distortions.

(6) Sharp advances of the general market are characteristic of the enthusiasm that has developed in the last twelve months of past bull markets. During the past twelve months, the difference between the lowest and highest prices has been only 14%, whereas in other bull markets the gains from the lows to the highs during the final twelve months have averaged 32%.

* * *

Comparative Return

A shift from stocks into more secure types of securities is a wise policy when a bull market peak approaches. That was easier to do in 1929 than today because of the better yields that were obtainable then on the higher quality securities, as is shown in the following figures:

Investment Needed to Obtain $1,000 Income Per Year

	Today	1929
D. J. Ind. Stks	$18,248	$29,800
D.J. Rail Stks	17,730	19,960
D.J. Utility Stks	19,380	31,650
Preferred Stks	23,700	19,100
High Grade Corp. Bonds	32,650	20,000
Long Term Gov't Bonds	35,700	26,700
Savings Banks	40,300	21,900

Today, therefore, we find a stock market that is showing few of the strains and distortions that create its own weaknesses. At the same time, we find the first signs of deterioration in our general economy that could cause trouble in the future. Under the circumstances, it seems wise to show a preference for some of the forgotten and depressed sections of the market which would have few excesses to correct if business declines and which could try to catch up with the general market if a downturn does not come soon. That is exactly what many investors have been doing in 1953. As a result, the following groups have actually gone up since the close of 1952, while the general market has gone down. If we assume that one had to take $1,000 out of the general market to buy a certain number of shares in these groups (at average prices during the years 1935-39), the following figures show how much would have to be taken out of the general market to buy the same number of shares now:

Auto trucks	$630
Soft drinks	559
Heating & plumbing	406
Anthracite coal	589
Confectionery	651
Glass containers	662
Carpets & rugs	653
Biscuit bakers	880
Meat packers	769
U. S. golds	321
Specialty machinery	379
Rail equipment	540
Variety chains	645
Shoes	639
Beet sugar	347
Apparel	632
Motion pictures	810
Cigarettes	454
Utilities	640
Telephone & telegraph	530
N. Y. C. banks	660

* * *

Considering the extent of the market recovery since the lows of last October, the recent decline is not unnatural or surprising. It has been much like the many other technical corrections during the recent bull market. Perhaps there will still be some selling to raise money for income tax payments before March 15. There will also be weight on the market from people who want to establish long-term (six months) profits on stocks bought around the lows of last September and October. This could affect the market into April. A rally after that seems possible as people prepare for the usual seasonal uptrend that generally comes in the summer. Such a rally could be substantial if the excess profits tax is eliminated in June. The market's big decision as to its major trend is likely to be made after Labor Day, when the course of business activity should be more clearly defined.

[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.]

With Fla. Securities

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla. — Douglas M. Deringer has become associated with Florida Securities Company, Florida National Bank Building.

SEC Head Resigns

Donald C. Cook, Chairman of Securities and Exchange Commission, a Democrat, submits resignation to President, but will stay on until successor is appointed.

On Feb. 24, Donald C. Cook submitted to President Eisenhower his resignation as Chairman of the Securities and Exchange Commission, but agreed to serve until a successor was appointed. Mr. Cook, a Democrat, told the President that there is now an unfilled vacancy in the five-man commission, and that if there were only three members and those members split two to one on any issue, the decision could later be reversed by a three-to-two vote of the full commission.

Donald C. Cook

In his letter of resignation, Mr. Cook stated:

"My decision to resign does not reflect any judgment that continued service with the Commission under your Administration would be incompatible with my views on Federal regulatory policies in the utilities and securities field. Instead, I believe that I could serve with great pride and satisfaction in your Administration.

"Indeed, this is only a reflection of belief that all of us must be good citizens first and party members only thereafter. But I have been in the public service for over 15 of the last 17 years. Therefore, I believe that I am now entitled to pass on the burdens of public life to others and return to private life to fulfill my obligations to my family.

"Together with all other Americans whose first concern is with the public welfare, I hope that your Administration will be a truly great one."

Mr. Cook joined the Securities and Exchange Commission in 1935 and served on the staff until 1945. He returned to the Commission in 1949 as a Commissioner, and was appointed Chairman a year ago.

The vacancy in the membership of the SEC, referred to by Mr. Cook was caused by the resignation on Feb. 14 of J. Howard Rossbach. Mr. Rossbach had served as a member of the Commission since Aug. 4, 1952, under a recess appointment. He succeeded to a vacancy expiring June 5, 1957.

With Penington, Colket

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla. — George M. Lewis is with Penington, Colket & Co. of New York City.

Blunt Ellis Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Francis P. O'Connor is now with Blunt Ellis & Simmons, 208 South La Salle Street, members of the New York and Midwest Exchanges.

Lee Higginson Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Arnold R. Smith had become connected with Lee Higginson Corporation, 50 Federal Street.

Year's report of a Company Built on Friendship

AT this time of year The Home Insurance Company reports on its activities of the previous year. The figures, the numbers, the dollars and cents have been summed up. They show the financial position of the Company and they have much interest for investors and stockholders. That is proper.

But insurance is a great deal more important than just dollars and cents. Insurance deals with *people*. You can't show on a balance sheet what it means to a man when fire or other catastrophe wipes out his life's work. You can't put a price on protection that enables you to work and plan for the future with assurance that it won't all be undone at a single stroke. In human values, the services of insurance are almost beyond the ordinary yardsticks of price and value received.

More than almost any other type of business, insurance is based on the true principles of friendship. The first attribute of a friend is that he will come to your aid when you need it most—and that is exactly what insurance is designed to do. Secondly, a friend is somebody you know, somebody who is interested in *you*. In practically every city, town and village across the nation there is a representative of The Home. He *is* The Home. Through him, the Company extends its protection to you. Through him, when loss occurs, that guarantee is made good. Through him, The Home is *your* friend.

On the eve of celebrating our 100th birthday, we look back on 1952 as an eventful and resultful year for The Home Insurance Company. It is a great satisfaction to all in The Home family — employee and management, producer and stockholder — to know that their year's work can be counted in terms of good things for many people . . . suffering averted, troubles overcome, peace of mind for people everywhere.

PRESIDENT

1853 • 1953
THE HOME INSURANCE COMPANY · NEW YORK · HOME
100th ANNIVERSARY

BALANCE SHEET

ADMITTED ASSETS	December 31, 1952
United States Government Bonds	$ 93,293,526.82
Other Bonds	69,662,362.94
Preferred and Common Stocks	154,190,561.00
Cash in Office, Banks and Trust Companies	34,904,305.02
Investment in The Home Indemnity Company	15,049,406.50
Real Estate	6,860,066.57
Agents' Balances or Uncollected Premiums, less than 90 days due	18,508,593.77
Other Admitted Assets	4,464,325.63
Total Admitted Assets	$396,933,148.25
LIABILITIES	
Reserve for Unearned Premiums	$171,326,998.31
Unpaid Losses and Loss Expenses	34,346,108.04
Taxes Payable	7,700,000.00
Reserves for Reinsurance	1,510,607.16
Dividends Declared	3,600,000.00
Other Liabilities	4,372,168.98
Total Liabilities	$222,855,882.49
Capital Stock	$ 20,000,000.00
Surplus	154,077,265.76
Surplus as Regards Policyholders	$174,077,265.76
Total	$396,933,148.25

NOTES: Bonds carried at $5,766,396 Amortized Value and Cash $83,890 in the above balance sheet are deposited as required by law. All securities have been valued in accordance with the requirements of the National Association of Insurance Commissioners. Based on December 31, 1952 market quotations for all bonds and stocks owned, the Total Admitted Assets would be $393,830,412 and the Surplus as Regards Policyholders would be $170,974,530.

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Banker

GEORGE McANENY
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President

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CHARLES A. LOUGHIN
Vice President & General Counsel

IVAN ESCOTT
New York City

PERCY C. MADEIRA, JR.
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Britain's Move for Economic Freedom

By PAUL EINZIG

Dr. Einzig states there is reason to believe British Government this year will follow example of U. S. and will make a "dash," though cautiously, for economic freedom by removing one step at a time all economic controls. Sees desire to cut down public expenditure back of move, and points out it may result in sharp price increases, unless adequate materials are available.

LONDON, Eng.—The New Year witnessed a bold bid towards the restoration of economic freedom on both sides of the Atlantic. The degree to which this end was pursued in the United States and in Britain differed of course widely. The British Government is not in a position to emulate President Eisenhower's sweeping gesture in removing most controls with a stroke of the pen. Owing to the shortages that continue to prevail in many essential materials and even more owing to the precariously balanced position of sterling, Britain has to go slowly in its progress towards a free economy. Nevertheless, some progress was made in 1953 through the decisions to remove most restrictions on cereals and through de-rationing sweets. More steps are likely to follow in the same direction.

Dr. Paul Einzig

Indeed there is reason to believe that this year the British Government will take its courage in both hands and will make a dash for freedom through removing a number of controls even though their removal entails a certain amount of risk. Hitherto they have been proceeding very cautiously taking one step at a time and making it quite sure that no risk was involved. It would have been possible to de-ration tea, for instance, many months earlier than is was actually done in September, 1952. Likewise the view is held that the de-rationing of sweets could reasonably have been undertaken some time last year instead of waiting till February, 1953. It now seems that the government intends to discard its "safety first" policy and will accelerate the pace of decontrols.

One of the main reasons for speeding up decontrol is the desire to cut down public expenditure. Although the results of this year's Treasury scrutiny of the Estimates for 1953-54 are not yet available it is a foregone conclusion that, apart from the reduction of food subsidies, no substantial economies have been achieved. Such cuts as have been made have been more than offset by new expenditure. In a recent statement the Chancellor of the Exchequer, Mr. Butler, admitted the impossibility of making drastic cuts without interfering with social services. The only other direction in which it would be possible to economize would be through the termination of government controls. Their wholesale liquidation would make it possible to reduce the number of government officials by tens of thousands and to economize many millions of public money.

The other side of the picture is represented by the risk of a sharp increase in prices if controls are ended before adequate supplies become available. It seems that to a large extent the government will be prepared to take that risk during the course of this year, in the hope that the country will benefit through the mitigation of the artificial character of the price level which has hitherto been grossly distorted through various controls. Above all the government hopes that the country will be compensated for any price increases by the benefit of tax reductions that could be made as a result of cuts in expenditure achieved through the removal of controls.

Tax reductions are another sphere in which the government is expected to take a bold course this year. Should Mr. Butler's mind be working on strictly cautious and orthodox lines his Budget statement in April could not reasonably be expected to contain any noteworthy tax concessions. For it is now generally believed that the year 1952-53 will close with an overall deficit of some hundreds of millions of pounds. It is true this will be entirely due to capital expenditure. Current expenditure will be more than covered by current revenue, but a substantial part of capital items is bound to remain uncovered. This would be of no great consequence if there were a corresponding surplus of net savings to offset the inflationary effect of the deficit. Unfortunately in spite of the higher interest rates the amount of dissavings exceeds that of new savings. This is the most vulnerable spot of Britain's economy. And it is this aspect of the British economy that Mr. Butler is likely to tackle.

One of the most effective ways of reversing the present trend in saving would be a substantial reduction in taxation. The main cause of large-scale dissavings in recent years has been the prohibitive level of taxation which forced most people who had capital to live on their capital. A reduction in taxation is expected to induce them to make an effort to live within their current incomes and even to resume saving. Any major tax concession in Mr. Butler's Budget would be based on this assumption, and on the assumption that lower taxation would induce firms and individuals to try to make larger net profits. Owing to the high level of taxation there is relatively little inducement at present to keep down expenses because the greater part of any additional expenses would come out of the pockets of the Treasury. Lower taxation would result in an all-round economy drive which would mean that the same amount of employment would result in a larger amount of output. The limited manpower would be used to better advantage and the nation's taxable income would increase not as a result of inflation as during the last 13 years but as a result of a genuine increase of productivity.

There would of course be a grave risk involved, even graver than in the removal of controls. For failure of consumers and produces to respond to the tax reductions in accordance with anticipations would mean a large Budgetary deficit with all its inflationary consequences. This together with any rise in prices resulting from decontrols might conceivably cause a substantial rise in the cost of production and in the cost of living. Should Mr. Butler decide to proceed with income tax cuts he would take this risk with his eyes open. He may feel that the situation calls for a bold course because there is no other way for breaking the existing deadlock. It would be a gamble but on the whole a fair gamble with the odds slightly in the government's favor.

The year 1953 may well prove to be the year of the dash to freedom not only in the form of removing controls but also in the form of enabling the people to spend their money in their own way instead of continuing the practice under which so much of their money is collected in taxation and spent by the government. It would be idle to minimize the risks involved, but there is a widespread feeling that it is a risk well worth taking.

NASD Exec. Comm. Appmts. Announced

WASHINGTON, D. C. — The National Association of Securities Dealers, Inc., announced the following appointments to its Executive Committee:

Chairman: Carl Stolle, President of G. A. Saxton & Co., Inc., New York.

Carl Stolle

Members: H. P. Schlemmer, partner in Schwabacher & Co., San Francisco; John D. McCutcheon, President and Treasurer of John D. McCutcheon & Co., Inc., St. Louis; John F. Bunn, Jr., partner in Bioren & Co., Philadelphia; Paul Devlin, Vice-President of Blyth & Co., Inc., New York; Edward C. George, Vice-President of Harriman Ripley & Co., Inc., Chicago; Gerald P. Peters, President of Peters, Writer & Christensen, Inc., Denver, and Wallace H. Fulton, NASD executive directors.

NASD is the all-inclusive body in the securities business, membership being made up of investment bankers, brokers and dealers, and both members and non-members of stock exchanges.

With Hamilton Manage't

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Robert L. McKay is now affiliated with Hamilton Management Corporation, 445 Grant Street.

With Inv. Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Stanley G. Barrett, and Galen T. Thompson have been added to the staff of Investment Service Corporation, 444 Sherman Street.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla. — Oscar Isaacson is now with the Miami Beach office of Merrill Lynch, Pierce, Fenner & Beane, Lincoln Building. He was formerly with the firm in New York.

C. W. Badalamenti Opens

BROOKLYN, N. Y. — Charles W. Badalamenti is engaging in a securities business from offices at 1578 West Sixth Street.

M. H. LeBlang Opens

BROOKLYN, N. Y.—Milton H. LeBlang is conducting an investment business from offices at 164 Linden Boulevard.

LETTER TO THE EDITOR:

Warns British Seek Dollar Devaluation

Frederick G. Shull says British aim to ruin our dollar by devaluation in order to meet England's monetary deficiencies.

Editor, Commercial and Financial Chronicle:

Whenever I see statements by anybody suggesting that the official price of gold should be raised in terms of American dollars, I almost "see red" for the price of gold cannot be raised in terms of dollars without "devaluating" the dollar itself and the dollar cannot be "devaluated" without robbing our people of the real values of their accumulated savings payable in dollars — some $500 billion of which assets are now owned by the people in the form of Government bonds, bank deposits and life insurance benefits, all payable in specified "numbers" of dollars, regardless of the "value" of the dollar itself.

Frederick G. Shull

The latest suggestion of this sort coming to my attention is included in the regular weekly article by Dr. Paul Einzig, written from London, and appearing in your issue of Feb. 19, under the heading, "Will There Be a 'Floating' Pound Sterling?"—whatever that means. But if there is to be some sort of a "floating" pound sterling, let us hope it possesses enough buoyancy, in itself, to keep "afloat" without depending on the United States Treasury to hold it up. Here are some direct quotes from the Einzig article on which I should like to comment:

"When Mr. Eden and Mr. Butler will see members of the United States Administration in Washington on March 4, they are expected to declare Britain's readiness to resume convertibility of sterling at a comparatively early date, provided that the conditions attached to it by the recent Commonwealth Economic Conference are fulfilled"; and one of the "conditions" enumerated by Dr. Einzig is the following: "There is to be an all-round increase in the price of gold in terms of all currencies including the U. S. dollar." What a fantastic suggestion! In the "U. S. dollar" we already have the most outstanding and reliable international currency in the world —a currency by which the other nations undertake to measure the relative "values" of their own respective currencies; and, it would appear, the "Commonwealth Economic Conference" feels that the reliability of that yardstick should now be ruined by further "devaluation" of the Dollar—which, of course, would automatically result if the official price of gold were to be raised in terms of American dollars.

If Messrs. Eden and Butler are coming to Washington with any idea that Americans are so interested in "resuming convertibility of sterling" that we are willing to further debase the Dollar to accomplish that aim, they may well be advised of the utter impossibility of such a move on our part, before they waste their money on the transatlantic cost of this proposed trip to Washington; for, as I have already pointed out, nothing could be more detrimental to the American economy than further "devaluation" of the American dollar.

If England really wants "convertibility of sterling" on an equitable basis, the answer would seem to be quite simple, as evidenced by the following: Today, the Dollar carries a "value" of 13 5/7 grains of fine gold; and if the pound sterling deserves its present rating of $2.80 per pound, it means that sterling must carry a "value" of exactly 38.4 grains of fine gold per pound sterling. Therefore, if England is willing to guarantee the goodness of her own currency — as we guarantee the "goodness" of our dollar in all international transactions to be at $35 a fine ounce of gold—and will firmly establish the pound sterling at 38.4 grains of fine gold, or at any other gold-value that she is willing to maintain at all costs, there would appear to be no difficulty in promptly bringing about "convertibility of sterling"; but if we are to be expected to ruin our Dollar in order to meet England's monetary deficiencies, that is a horse of a different color.

All Americans may well hope that the new Administration will not be led into such a dishonest undertaking as that of further "devaluation" of the Dollar.

FREDERICK G. SHULL
Connecticut State Chairman
Gold Standard League

2009 Chapel Street,
New Haven 15, Conn.
Feb. 24, 1953.

Emanuel, Deetjen to Admit H. J. Kenny

H. James Kenny, Jr., member of the New York Stock Exchange, will become a partner in Emanuel, Deetjen & Co., 120 Broadway, members of the New York Stock Exchange, on March 2. Mr. Kenny is a partner in H. J. Kenny & Co. which will be dissolved Feb. 28.

Stieglitz to Admit Gerard L. Pears

Stieglitz & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, will admit Gerard L. Pears, member of the Exchange, to partnership on March 2. Mr. Pears was formerly a partner in Lawrence Turnure & Co.-Blyth & Bonner.

John Munroe, Exchange member, will retire from the firm February 28.

Talmage to Admit

Talmage & Co., 115 Broadway, New York City, members of the New York Stock Exchange, will admit William S. Morris to partnership on March 2.

Bache to Admit

Charles K. Smith will be admitted to limited partnership in Bache & Co., 36 Wall Street, New York City, members of the New York Stock Exchange, on March 1.

Transfer to Houston

HOUSTON, Tex.—Dunn & Wills have closed their office in San Antonio and the firm's business is now being conducted from their office at 711 Main Street, Houston.

F. J. Connelly to Admit

Frank J. Connelly, Jr. will acquire a membership in the New York Stock Exchange, and on April 1, will be admitted to partnership in F. J. Connelly & Company, 15 Broad Street, New York City.

UNION CARBIDE

AND CARBON CORPORATION

UCC

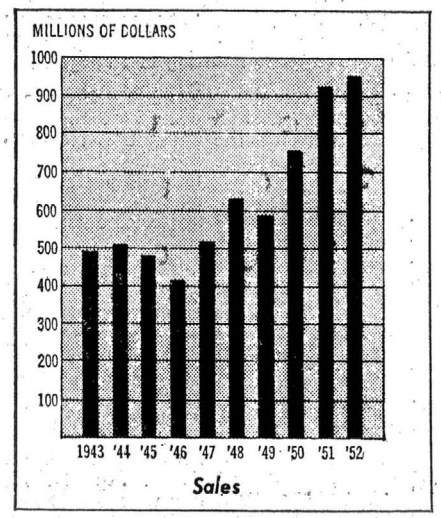
1952 Annual Report Summary*

CONDENSED INCOME STATEMENT

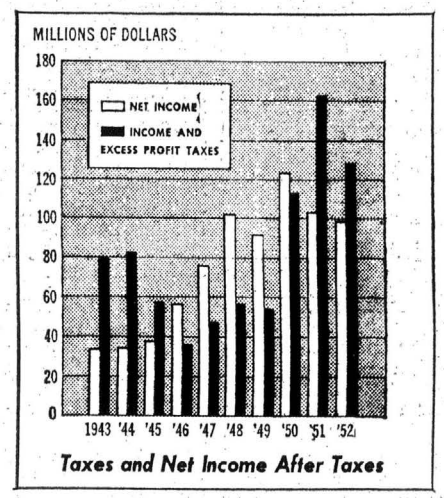
	1952	1951
Sales	$956,931,021	$927,519,805
Total Income	978,505,458	942,612,195
Net Income Before Income and Excess Profits Taxes	227,308,403	268,386,065
Provision for Income and Excess Profits Taxes and Renegotiation	128,987,704	164,496,354
Net Income	98,320,699	103,889,711
Net Income per Share	3.41	3.60
Dividends Paid	72,015,860	72,015,860

CONDENSED BALANCE SHEET

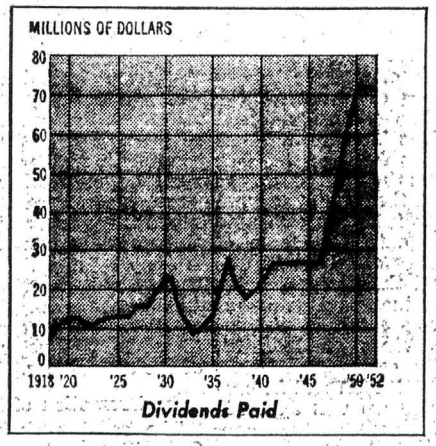
Assets		
Total Current Assets	$472,762,802	$469,951,529
Fixed Assets After Accumulated Depreciation and Amortization	574,498,412	478,052,028
Investments in Affiliates and Foreign Subsidiaries	19,744,817	24,886,567
Deferred Charges	5,172,117	5,205,493
Patents, Trade-Marks, and Goodwill	1	1
	$1,072,178,149	$978,095,618
Liabilities		
Total Current Liabilities	$210,968,881	$237,369,842
2.70% Promissory Notes	140,000,000	150,000,000
3.75% Promissory Notes	100,000,000	——
Reserve for Contingencies	6,381,098	6,381,098
Capital Stock—		
28,274,744 shares (28,157,019 shares in 1951)	208,534,466	204,368,035
531,600 shares (649,325 shares in 1951) held by the Corporation as collateral under the Stock Purchase Plan for Employees	18,786,482	22,952,913
28,806,344 shares	227,320,948	227,320,948
Less present amount of Agreements under the Stock Purchase Plan for Employees	18,553,970	22,732,623
	208,766,978	204,588,325
Earned Surplus	406,061,192	379,756,353
	$1,072,178,149	$978,095,618



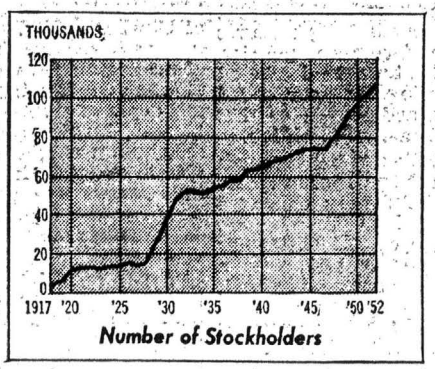
Sales



Taxes and Net Income After Taxes



Dividends Paid



Number of Stockholders

*Copies of the complete 1952 Annual Report of Union Carbide and Carbon Corporation will be gladly furnished on request. Included with the report is an illustrated booklet that describes the Corporation's products—Alloys, Carbons, Gases, Chemicals, and Plastics—and highlights its expanded production facilities. For copies of the report and booklet, please write to the Secretary, Union Carbide and Carbon Corporation, 30 East 42nd Street, New York 17, N. Y.

Trade-marked Products of Divisions and Subsidiaries include

BAKELITE, KRENE, and VINYLITE Plastics • DYNEL TEXTILE FIBERS • LINDE Oxygen • PREST-O-LITE Acetylene PYROFAX Gas • NATIONAL Carbons • EVEREADY Flashlights and Batteries • ACHESON Electrodes • PRESTONE and TREK Anti-Freezes • ELECTROMET Alloys and Metals • HAYNES STELLITE Alloys • SYNTHETIC ORGANIC CHEMICALS

The Savings and Mortgage Picture

By WENDELL T. BURNS*
President, Savings and Mortgage Division, American Bankers Association
Senior Vice-President, Northwestern National Bank, Minneapolis

Mr. Burns calls attention to recent rapid growth and expansion of individual savings and the work of the Savings and Mortgage Division of the ABA in this development. Discusses also work of the Committee on Investments and the Committee on Real Estate Mortgages. Stresses impressive growth of savings held in banks, and looks for this trend to continue, but calls for "wise handling of savings funds."

After making a few comments about savings in general, I shall give a resume of some of the things the Savings and Mortgage Division of the American Bankers Association is doing, and attempting to do, in the promotion and investment of savings in banks.


Wendell T. Burns

First, a few comments about savings and their growth. To encourage principles of thrift and the habit of savings among our people is of great importance to the economic welfare of our nation. It is a policy in which banks may participate with enthusiasm, knowing they are contributing to the security and happiness of our people. It brings to banks another opportunity to participate in maintaining a sound business economy.

Banks are ever broadening their influence in this field. This is evident from the extraordinary record of savings growth during the past year. During World War II when we had full employment and high wages with a scarcity of things to buy, it was not surprising that savings were at an unprecedentedly high level. Today when we do not have a scarcity of goods for sale, the high rate of savings is as gratifying as it has been unexpected.

Banks have had an important hand in this accumulation of savings. Of the total growth during the past year, one of the largest dollar volumes of liquid savings has been in banks. The combined total of savings increase in banks was $4.8 billion for the year 1952, which brought the total of savings in all banks in the country to $63.5 billion.[1] It is interesting to note that the percentage increase of savings in commercial banks was over 8%, and the percentage increase in mutual savings banks was almost as great. The total accumulated savings on Dec. 31, 1952, held in commercial banks was about $41 billion and in mutual savings banks was approximately $22.5 billion.

Another source of savings that reflects similar growth this past year is the outstanding reserves against life insurance policies. Savings of this type also increased over 8% during the year ended Dec. 31 last, and totaled on that date approximately $62 billion.

The greatest percentage growth in savings in the past year appears in state and federally chartered savings and loan associations. Their increase of $3.1 billion for the year 1952 was 19%, with a total in share accounts on Dec. 31, 1952, of about $19.1 billion. This total is 30% of the dollar amount of savings in the banks of the country.

In contrast to the growth of savings in these privately managed institutions, new money invested in United States Savings Bonds during the past year was over $800 million less than redemptions. Nevertheless, the Savings Bond program remains vitally important with substantial amounts (almost $58 billion) of all series outstanding at the year-end.

There has also been a decline in postal savings deposits. This is a trend that has been continuing for several years. They now stand at about $2.5 billion. The high in 1947 was $3.4 billion.

There are, of course, other investments and cash accumulations which reflect the savings of the nation; but the types here discussed are the most important that we think of as personal liquid savings. Savings of the nation in these forms now total more than $200 billion.

Savings of the kinds here discussed amounted to $12 billion at the end of 1912. They have multiplied 17 times in 40 years. They have more than quadrupled in the past 20 years. They are today well over 250% of what they were just 10 years ago. This phenomenal growth of savings points up the importance to banks of aggressively seeking a larger share of this business.

Work of the Savings and Mortgage Division

The Savings and Mortgage Division of the American Bankers Association has worked continuously and is increasing its efforts to encourage the development of more savings in banks in the belief that this is good for the bank, good for the individual, and good for the country.

I would now like to report to you briefly some of the things this Division of the American Bankers Association is doing. I will try to tell you some of the things we are accomplishing and some of the things we are attempting to accomplish. These efforts largely center around the promotion of savings and the sound investment of those funds. Much of the work of the Division is done by and through committees whose membership comes from banks in every section of the country. Much of this report, therefore, will refer to the work of the committees.

Promotion of Savings

The capable chairman of our Committee on Savings and Mortgage Development is Dal Hogan of Oklahoma City. I would like to say a few works about the work of his Committee, which has been aiming at increasing the breadth and depth of savings in banks. By breadth, I refer to the effort to see that thrift services are available in every nook and corner of the country. By depth of savings, I refer to the Committee's urging that savings be promoted more vigorously by banks offering this service. This means more advertising dollars for savings promotion. The Committee has already prepared much advertising material on savings, and now in cooperation with the Public Relations Council is preparing a "Savings" booklet suggesting methods of reaching the public for the promotion of thrift and the encouragement of savings accounts. To be incorporated in this manual are findings of a public opinion survey designed to find out how much the general public knows about the differences in set-up and purposes of a bank and a savings and loan association. In competing with savings and loan associations, we need to keep before the public the advantages of doing business with a bank. Generally, commercial banks cannot profitably compete on interest rate due in part to the different conditions and legal requirements under which we operate and to the greater cash reserves and more liquid investments of banks. Nor do we propose unprofitable operations. But we can compete on product. We can compete on the bases of broader and more complete service, of greater liquidity for our depositor, of more cash reserves behind his deposit, and of sounder and greater diversity to the investment of his funds.

This Committee believes that commercial banks generally are looking with growing favor on savings deposits and are more and more prepared to fight for them and that mutual savings banks are doing a better competitive job. This is all to the good and most encouraging. Competition for the saver's dollar has become so keen that banks must be increasingly aggressive, promotion minded, and prepared to spend advertising dollars liberally to obtain and hold their share of this important business.

School Savings

One promising form of savings is school savings. Five hundred banks, principally the mutual savings banks, have $92 million of these deposits. For the country as a whole, the average account is around $27. Thrift work with children is appealing and promising for the future. Our Committee on School Savings and the staff of the Division stand ready to assist any bank wishing to set up such a plan.

Nationwide Surveys of Savings and Savings Cost

Our Committee on Savings Management and Operations last summer completed a nationwide survey on savings including an inquiry on trend of interest rates on savings and on methods used in computing interest.

This Committee, in cooperation with the Country Bank Operations Commission, this past year completed a nationwide survey among the smaller commercial banks to determine the amount of earnings that banks derive from savings deposits. The survey reveals several important factors in the operation of a savings department. For example, operating expense is usually small; and the per cent of gross income retained as net profit contributes favorably to bank earnings. Generally speaking, it is believed that a net profit to a bank of at least ½ of 1%, after providing reserves for possible losses, should be obtained from operation of the savings department of a commercial bank.

We believe that not only is operation of a savings department profitable but that offering thrift facilities plays an important part in fulfilling community needs, and thereby many intangible benefits accrue to the bank. The promotion of thrift makes possible a more sound local and national economy, which in turn means stronger banking institutions.

Legislation on Savings and Loan Branch Offices

One of the matters which has occupied the serious attention of the American Bankers Association and of the Division in the past year has been the competition of savings and loan associations. Our Committee on Federal Legislation has endeavored to obtain Congressional action restricting branch offices of Federal savings and loan associations.

The bill sponsored by the American Bankers Association was introduced in the Senate last year seeking this result. A second bill was introduced a little later at the request of state supervisors of savings and building and loan associations.

The bills were similar. The bill favored by the American Bankers Association would restrict branch privileges to those permissible to state-chartered savings and loan associations. The state supervisor's bill would permit Federal savings and loan associations to select the more favorable provisions applying to either state-chartered savings and loan associations or other thrift institutions, and would also permit already existing branches to continue, even though unlawfully established.

The latter bill was approved by the Senate Banking and Currency Committee and was awaiting action by Congress at the time of adjournment in July. Plans to reintroduce the branch bill favored by the American Bankers Association are being made for the new Congress, and careful attention will be given to its progress.

The Postal Savings System

There has been an increasing awareness of lack of need for savings facilities supplied by post offices under the Postal Savings System. The American Bankers Association has taken an ctive part in pointing out this situation for many years. A bill has been introduced in Congress by Senator Bennett of Utah which provides for abolishing the System.

The Postal Savings System was created in 1910. It was intended primarily at that time to encourage thrift among immigrants, who had no knowledge of banks, and with the hope that these people would shift their deposits to banks as they became adapted to the ways of America. Its continuing purpose has been to provide savings deposit facilities in communities where adequate savings bank services do not exist.

A report of a survey of the Postal Savings System completed Sept. 30, 1951, by the General Accounting Office and submitted to Congress March 13, 1952, by the Comptroller General of the United States recommended that Congress give consideration to the question as to whether or not under present conditions there is a need for a Postal Savings System. It was pointed out that 90% of post offices designated to receive postal savings deposits are where other savings facilities are available. Only 1% are in fourth-class post office districts operating in small communities.

Arthur Sands, Chairman of the Subcommittee, appeared last year before the Postal Service Committee of Congress and emphasized these facts brought out in the Comptroller's report. Especially with F. D. I. C. insurance as a protective measure, the small saver should be less and less interested in postal savings. We are hopeful that this unnecessary form of competition by the Federal Government will eventually be eliminated.

Bond Investments

One of the important tasks performed for the Savings and Mortgage Division is that done by the Committee on Investments. This Committee has as its objective the development of sound policies for investment of savings deposits. Under its direction, studies are in progress for the analysis of quality characteristics of public utility bonds as well as the preparation of a survey of state investment laws regulating legal investments for savings funds.

The Committee also brought to investing institutions valuable data revealed by long range studies of corporate bonds made by the National Bureau of Economic Research. The American Bankers Association and other organizations participated with the Bureau in this research.

The data appeared in the December issue of "Banking" magazine in a series of articles prepared by members of the Committee on Investments and outstanding leaders in the investment field.

Mortgages

Mortgages have for generations been one of the most important and, at times, the most important form of investment for the mutual savings banks of the country. Since World War II, they have been of growing significance in the loan portfolios of commercial banks. At the end of 1952, they totaled approximately $15.7 billion for all commercial banks—over 300% of what they were at the end of 1945—and represented 25% of total bank loans.

As the relative volume of mortgages in banking system grew, the Division increased its interest in mortgage loan activity. Formerly, this Division was known as the Savings Division. The name was changed to its present form in 1948. Joe Jones, the very able Chairman of this Conference, is the Chairman of our Committee on Real Estate Mortgages.

The past year has been one of transition in the field of housing and mortgage credit. After two years of Regulation X and the companion regulations of F. H. A. and V. A., these controls were suspended last fall. This brings us to a point in our economy when excessively liberal credit terms for mortgage loans are again possible. This comes at a time of relatively high building costs and after a housing building boom of several years. It is to be hoped that lending institutions will exercise care in the extension of credit in this period.

The Committee on Real Estate Mortgages has worked consistently to urge less domination of mortgage lending by Washington, except in time of emergency; has urged that more reliance be put upon private industry to care for the financial needs of its customers. We have urged that FHA be again made an independent agency free of political control. We have urged that FNMA be abandoned as a support to housing credit, except as an emergency standby organization. That was the burden of our testimony before the Senate Banking and Currency Committee on Housing Legislation of 1952. While more money was voted in this bill than we thought desirable for mortgage uses, we were pleased to see that Congress reduced by half the appropriations requested. Results have not been what we have wished, but at times we have seemed to make progress.

We have protested unsuccessfully correction of artificially pegged interest rates on FHA and VA loans. No doubt the VA 4% rate has an important bearing on the availability of funds for veterans' loans. There can be no doubt that bankers generally wish to help the veteran, but bankers also feel that the VA should not be arbitrary in the matter of interest rates.

It is interesting to note that at the last American Legion Convention, a special committee was formed to consult with the Veterans Bureau on interest rates, with a view to discussing the need for a possible upward adjustment. We cannot but feel that flexible interest rates in line with current conditions would help materially to resolve the problem of mortgage loans to veterans. From current comments emanating from Washington, the possibility of an increase in both the VA and FHA rates appears better than it has

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

1 These and other figures on savings as of Dec. 31, 1952, are estimated.

for a long time. We hope these increases will be effected.

Conclusion

This is obviously not a full register of the work and influence of the Savings and Mortgage Division. Other and special committees are at work on special problems. Many useful publications are available to you covering all phases of savings—types, promotion, costs; and a variety of books and pamphlets on bond investments and mortgages—several published this past year or in preparation now. The Division is fortunate in having an able and energetic staff who are alert to the new needs and new responsibilities of the savings banker. We want to work with you to develop savings on a sound and expanding basis in the banks of the country. We want to help develop sound programs for the investment of those funds.

It might be of interest to many of you to note that the Savings and Mortgage Division came into being just over 50 years ago. It was organized at the Convention of the American Bankers Association in New Orleans, November 11-13, 1902. The growth of savings in the banks of the country during the last half century has been impressive. May that growth be just as spectacular in the 50 years ahead, and may we handle those funds wisely.

NYSE Members Asked To Vote on Admitting Corporate Members

Proposed amendment to Constitution previously approved by Board of Governors and, if approved by membership, it will become effective about May 1.

G. Keith Funston, President of the New York Stock Exchange, announced on Feb. 20, that the Board of Governors, at its policy meeting on the day previous, approved an amendment to the Constitution which, if adopted by the membership, would make the corporate form of doing business available to present and future member firms.

G. Keith Funston

The Board's action followed recommendations made by the Special Committee on Broadening the Auction Market on the New York Stock Exchange. That committee, Mr. Funston pointed out, recommended strongly that permissive incorporation be adopted "in the best interests of the public and our industry."

The amendment is being submitted to the membership and, to become effective, must be approved by a majority of the members—with a minimum vote of 688 required. Balloting will continue through Thursday, March 5.

If the amendment is adopted by the membership, the effective date of the amendment will be May 1 next.

Corporations eligible for membership in the Exchange would be those primarily engaged in the securities business as brokers or dealers, and whose voting stock is held by persons actively engaged in the business of the corporation. Eligible non-member securities corporations could become member corporations under prescribed restrictions, Mr. Funston stated.

Banks, investment trusts, insurance companies and securities corporations, whose stock is held publicly, would not be eligible.

Existing member firms wishing to incorporate in order to strengthen their financial structure, to achieve greater continuity of operation, and to develop pension funds for their employes and officers, would be able to do so if the proposal is adopted.

Member corporations, their stockholders, officers, directors and employes, Mr. Funston emphasized, would be subject to the same control by the Exchange as is now exercised over member firms, their partners and employes.

On a previous occasion, a similar constitutional amendment met with disapproval by a majority of the membership.

James K. Wiley Joins Staff of Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERBURG, Fla.—James K. Wiley has become associated with Goodbody & Co., 218 Beach Drive, North. He was formerly manager of the municipal and mutual fund departments for Shaver & Co.

With Merrill Lynch Staff

(Special to THE FINANCIAL CHRONICLE)

CANTON, Ohio — Wilma M. Buchman has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, St. Francis Hotel Building.

Joins Newhard, Cook

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Elmer L. McCarron has become connected with Newhard, Cook & Co., Fourth & Olive Streets, members of the New York and Midwest Stock Exchanges. Mr. McCarron was formerly with Fusz-Schmelzle & Co.

McDonald Co. Adds

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Richard T. Hannum has become connected with McDonald & Company, 50 West Broad Street. He was previously with The Ohio Company.

Two With F. L. Putnam

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Theodore Chaffin and Harry B. Ernst have become associated with F. L. Putnam & Co., Inc., 77 Franklin St., members of the Boston Stock Exchange. Mr. Chaffin was formerly with Richard J. Buck & Co.

Canadian Securities

By WILLIAM J. McKAY

Canada again sets the pace! Canadian Finance Minister Douglas C. Abbott, in presenting his budget for the coming fiscal year on Feb. 19, announced widespread tax reductions, comprising an 11% reduction in personal income tax levies to be effective July 1, as well as other tax reductions and eliminations. Minister Abbott, in presenting his proposals, said they were based on the confidence that the Canadian gross national product would be 4% higher in the coming fiscal year than the high record of 1952.

Hon. D. C. Abbott

The tax changes listed by Mr. Abbott, in addition to the lowered personal income levy, include the following:

A reduction of the rate on corporation income from the present 20% on the first $10,000 of profit and 50% on the profits over that amount to 18% on the first $20,000 plus 47% on amounts above $20,000.

A reduction of the tax on cigarettes of $2 a thousand, or about 4 cents on a package of 20.

Elimination of the sales tax on books, and on newsprint and other materials used in newspapers, books and magazines.

Repeal of license fees on television and radio sets.

Several new features were proposed in the new tax proposals, which, according to Minister Abbott, would "ease the strain, which sometimes places too great a penalty on successful effort." Among these, is an increase from 10% to 20% in the exemption of dividend payments from taxable corporations in personal income tax levies.

The loss in revenue resulting from these tax changes, Minister Abbott estimated at $361,000,000 a year. He expressed confidence, however, that total revenue for the 1953-54 fiscal year would be $4,473,000,000, or almost $100,000,000 more than during the 1952-53 period. His estimate of the surplus for the coming year was $11,000,000, compared with $48,000,000 during the current period, and surpluses of five to six hundred million dollars during each of the last six years.

In the last seven years the net Canadian national debt had been reduced by $2,284,000,000—more than one-fifth of the total indebtedness created during World War II. This debt reduction represents a saving of $63,000,000 a year in interest charges.

Mr. Abbott also announced that there would be no increase in customs duties, but some tariffs would be reduced. Included in the latter are equipment used in agriculture, fishing and mining.

The total expenditures of the Canadian Government for the coming fiscal year is estimated at $4,462,000,000, of which outlays for defense would be slightly more than $2,000,000,000.

In addressing Parliament, Mr. Abbott pointed out Canada has become accustomed to breaking records in production, foreign trade, investment, employment and income. He estimated the gross national output of 1952 at $23,000,000,000, an increase of 7% over 1951. He also listed a 12% rise in the total wages earned by Canadian workers, and a sharp rise in expenditure along with a decline in prices and an increase in personal saving.

In 1952, he revealed, Canada's foreign trade set new records in volume and value, with a surplus of $150,000,000. This contributed to the strength of the Canadian dollar, a factor of considerable importance, adding greatly to the general stability of the price level and the rise in real income.

Canadian exchange reserves rose during the last year by $81,000,000 to a level of $1,860,000,000, Mr. Abbott announced, saying there had been no official intervention, except to insure orderly conditions in the foreign exchange market.

The Canadian Government's favorable attitude toward business is revealed in the substantial reductions made in corporation taxes.

At present the corporation income tax is 22%, including old-age pension tax, on the first $10,000 profits and 52% on everything above $10,000. This levy will now become 20%, including old-age pension tax, on the first $20,000, and 49% above that. Mr. Abbott estimated that as a result, 70% of business firms will pay the 20% rate.

By a provision which is retroactive to Jan. 1, 1949, income tax will not be levied on the premiums paid by the issuing company on preferred stock which it buys back. This exemption particularly benefits the former preferred shareholders of the St. Lawrence Paper Co. This firm agreed to buy in at $60 a share its preferred stock having a par value of $1, the $59 bonus being intended to cover arrears of dividends. People who sold their stock sometimes without knowing that the company was the buyer found themselves liable for income tax on the premium.

For the future, the tax levied on the individual on such preferred share premium will be repealed but the company in question will have to charge the total bonus against its tax-paid undistributed income or else pay a tax of 20% on the premium paid.

Harris, Hall & Co. Earnings Up in 1952

Net earnings of Harris, Hall & Company, Incorporated, of Chicago, in the year ended Dec. 31, 1952, totaled $133,360 after income taxes, compared with a loss of $83,209 the year before, Edward B. Hall, President, stated in the annual report to stockholders.

Edward B. Hall

Earnings were equal to $3.08 a share on the 43,243 shares of common stock outstanding on Dec. 31.

Mr. Hall pointed out that through special effort the company's costs of operating in 1952 were appreciably less than in the preceding year. He said business volume of Harris, Hall so far in 1953 has been "substantial but not highly profitable" due in part to declining bond prices. He referred to the prospect of a large supply of new financing by both business companies and public bodies in the current year.

Dick & Merle-Smith to Admit Three Partners

Dick & Merle-Smith, 30 Pine Street, New York City, members of the New York Stock Exchange, on March 5, will admit James L. Sheehan, George W. Polley and Henry A. Melander to partnership.

Draper, Sears to Admit W. Ackerman

BOSTON, Mass.—Draper, Sears & Co., 53 State Street, members of the New York and Boston Stock Exchanges, on March 2, will admit Warren Ackerman, member of the New York Stock Exchange, to partnership in the firm. Mr. Ackerman in the past was a partner in Ackerman and Company in New York City.

W. Scott Linn

W. Scott Linn, partner in Rodman & Linn, Chicago, passed away at the age of 64 while on vacation in Florida.

V. D. Basart Opens

WATERTOWN, S. Dak.—Victor D. Basart is engaging in the securities business from offices in the Medical Arts Building.

Now Schreiber, Dail

ST. LOUIS, Mo. — The firm name of Edward D. Dail & Co., 315 North Seventh Street, has been changed to Schreiber, Dail and Co.

A. B. Sobie Opens

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Albert B. Sobie has opened offices at 1717 California Street to engage in the securities business.

With Minneapolis Assoc.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Richard P. Kriegler has been added to the staff of Minneapolis Associates, Inc., Rand Tower.

Continued from page 2

The Security I Like Best

welded products; toothtype lock washers; high quality small-horse-power electric motors, generators, alternators and other specially designed electric rotating equipment; and the "Lowerator," a labor saving, self-levelling storing and dispensing device for restaurant, office and other industrial use. In addition, the company continues its interest in future acquisitions of well-managed concerns with good earnings records, potential defense work, mass production possibility of peacetime goods and aggressive merchandising.

In recent years, **American Machine & Foundry** has designed, developed and perfected a machine, known as the "automatic pin spotter," to perform the work of pin boys in bowling alleys. The original machine, introduced seven years ago, was not satisfactory and had to be withdrawn. After years of extensive research an entirely new model, which utilizes greatly different mechanical principles than the earlier one, was developed. This new model has finally been successfully tested and 200 machines were built in 1952. Production schedule for this year calls for over 1,000 machines with a substantial production increase looked for thereafter. The pin spotters are expected to be distributed to bowling alley operators under lease arrangements whereby **American Machine & Foundry** receives a rate equivalent to the pinboy's pay of 12 cents a game. Inasmuch as the machine can be operated 24 hours a day without interruption, bowling alleys with early morning hour patrons will thus be able to handle customers at all hours, which is virtually impossible when pin boys are used.

The tremendous growth potential of the automatic pin spotter is evident when one realizes the great popularity which bowling enjoys in the 56,000 certified bowling alleys and 6,500 bowling recreation establishments in the United States. American Machine & Foundry is understood to estimate that about 15,000 machines might be rented within the next 10 years. With a national average of about 10,000 games bowled per year, an annual average rental income of $1,200 per bowling alley appears feasible. Assuming that about 15,000 pin spotters would be in operation within 10 years, annual gross revenues from rental income should be about $18,000,000 by that time. Net income, after royalty payments, maintenance and repair, and administration expenses, but before taxes, is estimated at roughly one-third or in the neighborhood of $6,000,000. Thus annual rental revenues from the pin spotters alone could in time equal the company's present total pre-tax income.

American Machine & Foundry and its wholly-owned subidiaries operate 14 modern manufacturing plants in the United States. In addition, one of its subsidiaries owns and operates a plant in Canada. The company's products are sold for export throughout Europe, the Middle East and Africa through wholly-owned subsidiaries. Export distribution in Latin America and the Orient is made through the company's own sales personnel and independent local merchants and agents. American Machine & Foundry maintains an active research and development program. Research activities in conjunction with testing and development of new products and improvement of machinery and equipment have resulted in the design of a number of unique labor saving features which have won wide acceptance by industries served. Furthermore, the company and its subsidiaries own many patents, trade marks and trade names as well as licenses on patents held by other manufacturers.

Nineteen fifty-two sales are estimated in excess of $100,000,000 or about twice 1951 sales of $54,203,000. The fourfold increase from 1950 total sales of $27,517,000 is a direct result of American Machine & Foundry's aggressive diversification program and growth in its activities. 1952 estimated earnings of $2.25 per share compare with 1951 net income of $1.83 per share which does not include a non-recurring profit of 33 cents per share from sale and lease-back of two plants. These figures are based on the present common stock capitalization after adjusting for the 5% stock dividend paid last year and 497,736 shares issued during 1952 in exchange for stock interest acquired in three companies. Earnings for nine months, ended Sept. 30, 1952 were $1.51 per share on sales of $67,109,000 compared with $1.03 per share on sales of $34,597,000 reported for the same period last year. Dividend payments, which have been made continuously since 1927, amounted to 80 cents per share plus 5% in common stock last year.

The dividend was recently increased to an annual cash rate of $1 per share. Extra disbursements in stock are likely to be made from time to time.

The company's 1,905,491 shares of common stock are preceded by $7,700,000 of 3% sinking fund debentures, due 1953-1960, 76,000 shares of $3.90 preferred ($100 par) and 14,500 shares of $5 ($100 par) preferred stock.

American Machine & Foundry is in sound financial and working capital position with current assets of $49,105,000 on Sept. 30, 1952, including cash and marketable securities of $8,924,000, compared with $28,835,000 current liabilities, which included $15,000,000 notes payable to banks due 1954. Book value stood at $15.52 per share at that time. The current price of the shares of around 22 compares with last year's high of 24 and an all-time high of 45 reached in 1946.

AMERICAN MACHINE & FOUNDRY'S earning power has been greatly enhanced as a result of the change in the scope of its business from a one time supplier of cigarette and cigar making and bakery machines to a mass producer of a varied line of specialized industrial machines.

The company's aggressive diversification program, permanent increase in its government contracts, further growth resulting from recently acquired manufacturing companies and development of unique labor-saving devices foreshadow a bright future in the years to come.

G. S. Ganes Opens

EAST CHATHAM, N. Y.—George S. Ganes has opened offices on New Concord Road to engage in the securities business.

Oscar Stein Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Oscar Stein is engaging in a securities business from offices at 2311 Canfield Avenue.

L. A. Caunter Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Anton W. Ribich, Jr. has become associated with L. A. Caunter & Co., Park Building.

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

ANNUAL MID-WINTER DINNER

At Benjamin Franklin Hotel FEBRUARY 20, 1953

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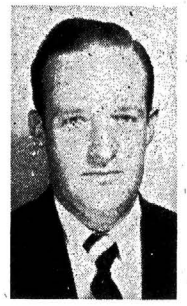

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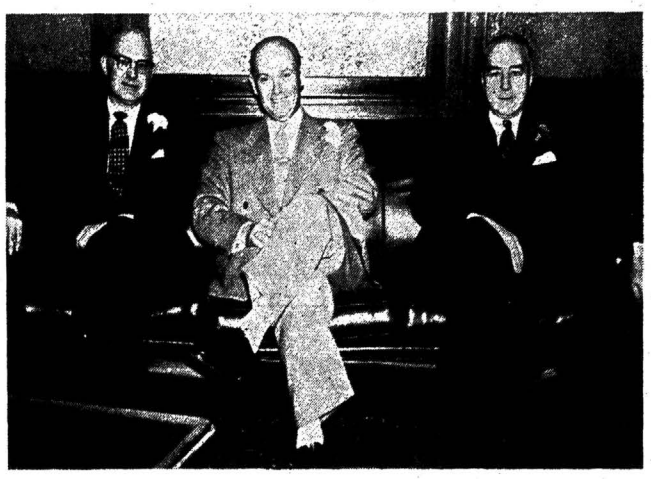

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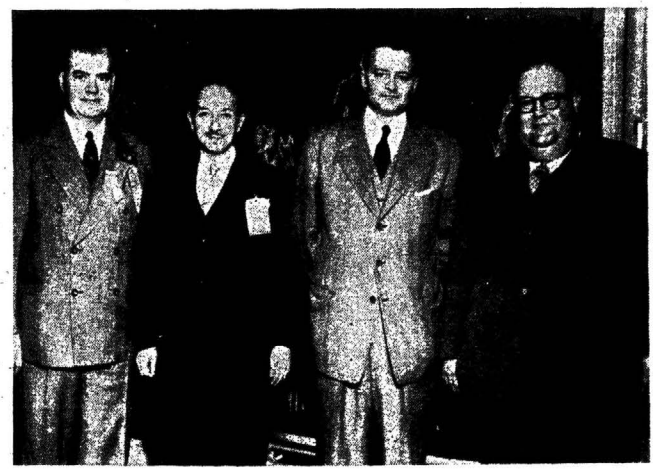

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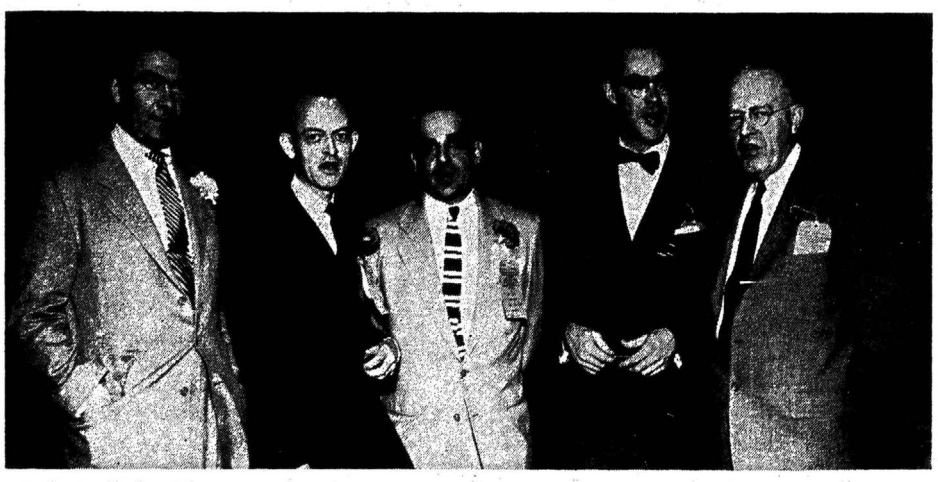

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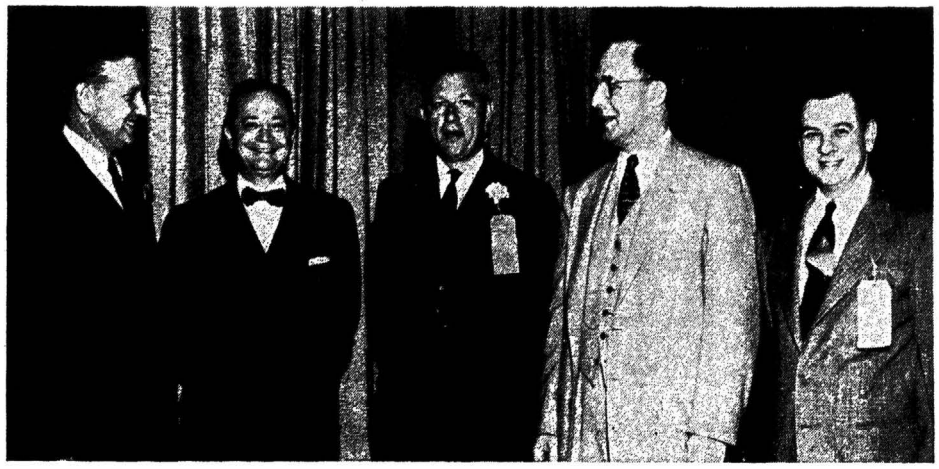

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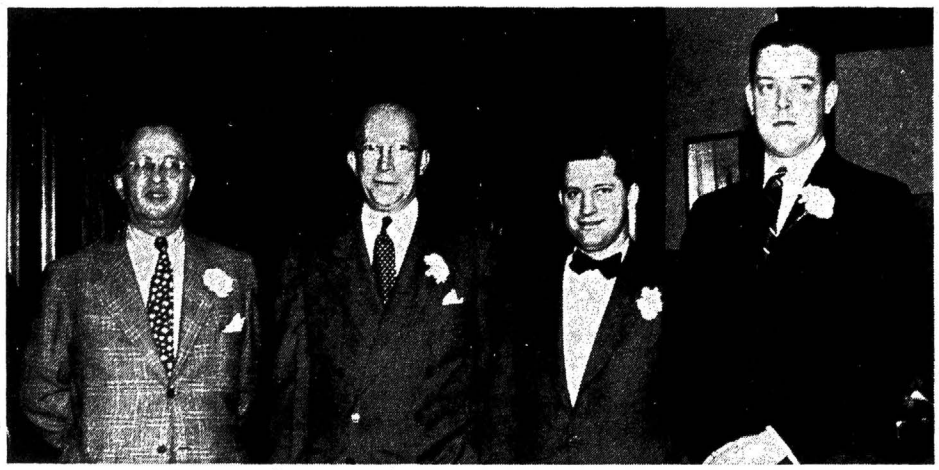

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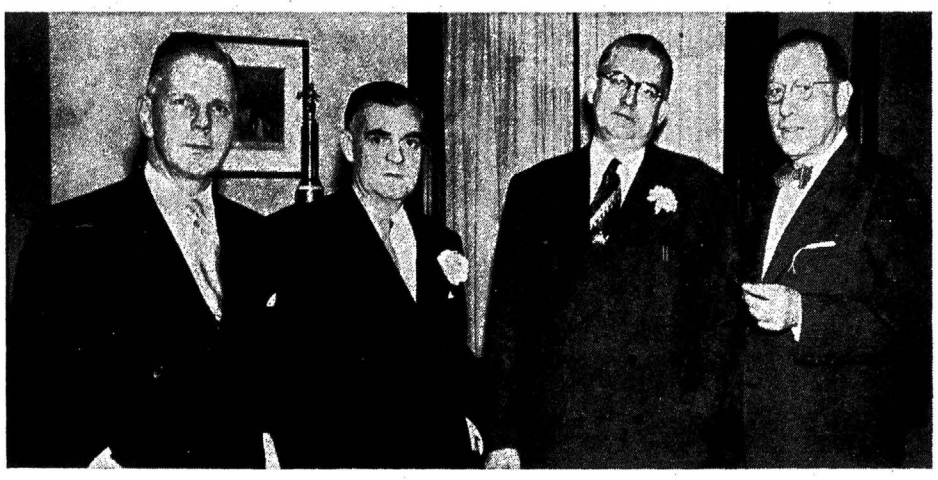

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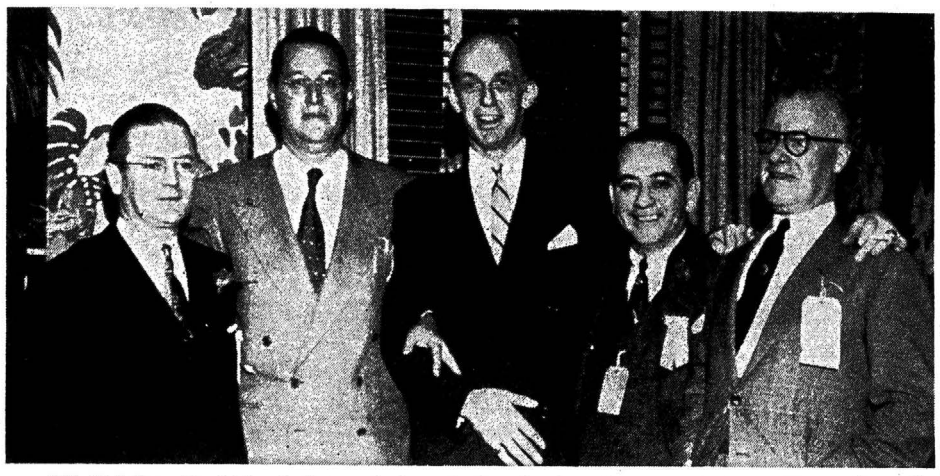

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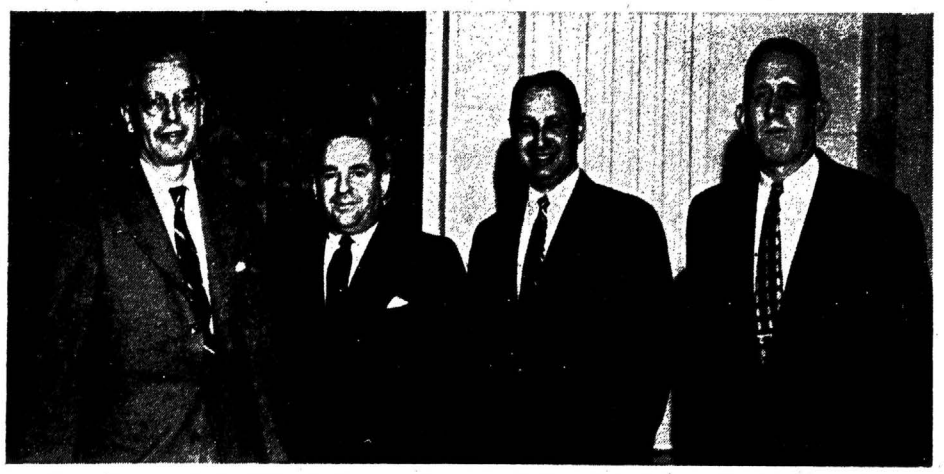

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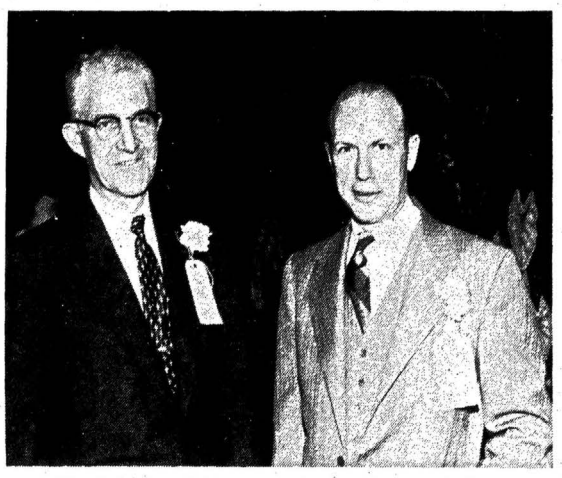

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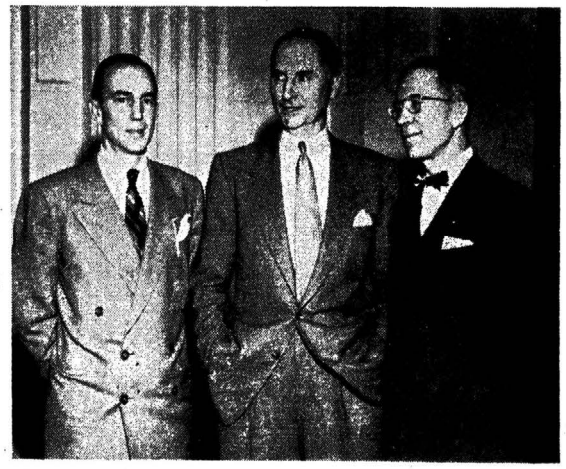

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Continued from page 13

Agricultural Outlook for 1953

enterprises. Farmers are holding too many cattle — and rapidly building up herds at terrific costs.

Cattle numbers January 1 according to predictions will go up another 5 million to 93 million head—a new all-time high and the scramble to get more beef cattle continues.

We have been advising farmers not to defer taking their cattle profits. Moderate expansion to use increasing grass is justified—but take profits by sales each year.

Beef will not hold even at present lower prices when labor has less to spend for steaks and choice roasts. Pork and chicken meat will help pull the market down when pressures develop.

Stocker and feeder cattle and cows will be bid up next spring as ranchers and farmers restock drouth stricken areas. But prices may tumble again in the fall of 1953 as even more cattle are marketed.

Severe losses this past year—should be a warning that easy beef dollars are passing. We need to recall that the average price of all grades of beef steers sold out of first hands in Chicago in 1945 was $16.18. In 1947 it had shot up to $25.83 and shot on up to $36.57 in April, 1951.

When beef becomes less profitable, it may tumble prices on pasture and hay lands. A lot of second and third grade land has been bid fantastically high because of beef cattle prices.

Beef cattle will continue to be a major Pillar of Income for the Clarksville Trade Area. The long term outlook for beef is good and the cow and calf program is sound but there will be further price adjustments along the way.

Hog Prices

Hog prices have probably passed the low for this winter and higher prices should be ahead.

Hog numbers have been cut too far and drouth areas will undoubtedly reduce hog production even further. The pig crop report just out shows an 11% cut in the spring pig crop. It should insure profitable hog prices for much of 1953.

Highly efficient hog producers usually make profits from hogs.

The ones that cause the violent swings in the markets and in production are the small inefficient farmers. They need to be put on a good management program. That usually means keeping at least a 10-sow herd.

Broiler and turkey meat have rapidly increased in importance in the competition for meat dollars—and more and more efficiency is being developed.

At the National Institute of Animal Agriculture, a poultryman reported he is producing one pound of broiler and turkey meat with one minute of labor.

Broilers are being produced with 2.6 pounds of feed per pound of chicken.

Poultrymen made it clear that they will take over more of the meat market. Hog farmers—along with cattle and sheep men, will find cheap chicken and turkey will be major competition for the future.

The 1953 prediction is more broilers but fewer turkeys.

Laying flocks of 500 or more pullets continue to be profitable for farmers. Egg prices as usual have started down this winter—but farmers should place orders for enough chicks to fill their laying houses to capacity with early pullets. Eggs should bring profitable prices the last half of 1953.

Dairying

Dairy cow numbers have held almost the same—while the big upsurge in beef cattle has been taking place. Dairying is not expanding as rapidly as population. The number of milk cows and heifers 2 years old and over is the smallest in 21 years.

The per capita production of milk last year was the lowest in 27 years. In recent months, milk production has been less than a year ago. Milk production declining—while the population upsurge continues.

Dairying in contrast to the present beef situation is a safe and dependable enterprise. Operators of small farms and new farmers short of capital should consider dairying. A lot of those with beef cattle should be milking cows.

The strength of dairy farming will be appreciated more in the years ahead as the rapid upsurge in population continues.

You are fortunate in having a Kraft Food Company plant here to furnish a dependable milk market. Farmers will certainly profit by expanding their dairy herds.

Make use of your artificial breeding association. It will build up the productive capacity of your dairy herds and add to your profits.

Sheep will continue profitable for many years. In eight years, sheep numbers were cut almost in half. It may take eight years to get back to previous numbers.

It is a safe enterprise for farmers who like sheep. It is recommended especially for young farmers short of capital.

It is significant that sheep numbers are increasing in the better farming areas, although total numbers apparently have been reduced again during 1952.

Do not neglect sheep as one of your dependable pillars of income.

Grain

Corn is selling at bargain prices in much of the Corn Belt area but probably will go up now that the harvest rush is over. It was a record early harvest—quality is excellent.

We have been recommending—buy all needed for feed and buy early.

Corn sold through hogs, dairy cows and poultry will produce profits. It is the cheapest of feeds, in many areas.

Oat prices are expected to advance.

Wheat prices may increase as record large quantities are being held under price supports. The winter wheat prospects are poor due to drouth—even in the Pacific Northwest. Canada, however, has a huge crop, larger than ever before produced—and is expected to take over more of the foreign business.

Soybeans are expected to go up—and farmers should get $3.00 per bushel or more before next summer. It is a protected speculation to hold beans under price supports, on the farm.

Tobacco use continues to set new high records as the population grows. You are fortunate in having such an intensified crop to maintain your incomes.

Push for top quality tobacco in 1953. Penalties for low and off grades are apt to increase as ample supplies are being maintained.

It is important that farmers who grow tobacco have other major sources of income. You have a good opportunity to add more milk cows—especially on the small farms to expand the income with another intensified and dependable source of income.

Protein meals will again be short of need. We have been recommending that farmers buy ahead—at least half of their protein needs. The inclination is to cut back on purchased feeds. It will be a mistake. Rations should be kept balanced to get low-cost production.

In areas like this where drouth struck it is especially important to maintain the vitality of breeding stock with sufficient protein supplements.

Hay and roughage is desperately short in most of the United States due to drouth. Feeding started early—a severe winter or storms will catch a lot of farmers short. Thin livestock invite disaster.

Feed surpluses this year are concentrated in a small area in the western Corn Belt. We have been urging farmers to cover at least minimum feed needs early.

End of Farm Land Boom

The farm land boom is over according to the most recent price statistics. Prices leveled off or declined in 16 states—the average increase for four months was only 1% for the United States.

It is time to take a look at land of low or irregular productivity—many owners should sell.

Productive crop land, and land suitable for small part-time farms near towns and industries should hold up in value.

Debts of farmers are going up—and there is a greatly changed debt pattern of farmers. More debts are now secured by chattels than farms. Non-real estate debt reached a new high of $7.1 billion last January—up 18% in a year and continue to go up rapidly.

Farm mortgage debt up 8%, but the total of 6.3 billion is less than the non-real estate debt—and far less than the peak of $10.8 billion reached in 1923.

How to cut costs during 1953 will be much discussed and require major effort. Already reports show farmers cutting down on expenditures.

Beware of cutting expenditures that reduce rather than maintain or increase net profits. Too many farmers will practice false economy.

Fertilizer purchases, for example, should go up rather than down.

The objective is to cut per bushel and per pound costs—and one of the most effective ways is to increase yields per acre. More fertilizer helps get higher yields and lower costs.

Another example is joint ownership by neighbors of big machinery, with definite arrangements for distribution of costs according to use.

There is the temptation to cut purchase of protein feeds when cash is short. It is a mistake—false economy, not to keep livestock rations at least in minimum balance.

Higher cost, more productive dairy cows usually reduce costs of milk per hundred weight.

These suggest the sound approach to cost cutting. Beware of false economies.

1953 will hold plenty of profit opportunities for farmers. It will take more able management to maintain profits.

Grow more of the crops which have strong price supports.

Tobacco, corn and soybeans are sure to be profitable crops.

Family dairy farms should maintain or expand their herds.

Beef cattle will suffer more inventory losses but beef will continue to sell relatively high.

Hogs will be profitable for efficient producers.

Farming will suffer from a cost-price squeeze during the next few years. But—"The Amazing Population Upsurge" continues in the United States — and the World, which is already on a starvation basis, becomes more hungry every day. People are increasing faster than food.

The long-time future for agriculture was never more certain of dependable profits.

Railroad Securities

Denver & Rio Grande Western

Concern has been expressed in some quarters over the consistently unfavorable traffic comparisons in the opening periods of 1953. It is probably this decline in car loadings measured against the like periods of a year earlier that has been primarily responsible for the tired action of railroad stocks in the recent past. There can be no denial of the fact that so far in the new year the overall traffic picture has been disappointing. Examination of the week by week statistics, however, indicates that this showing is by no means any clear indication of a serious present or potential recession in business or in railroad earnings as a whole. As is usual in the industry the figures point to divergent trends for individual sections and for individual roads.

It is particularly notable that the miscellaneous and manufactured freight loadings have, on the whole, been holding well to last year's levels. With rates higher than they were at this time in 1952 this means higher revenues from this source, which is by far the largest category in the freight makeup. The greatest sufferer this year to date has been coal. The falling off in coal traffic has accounted for about 70% of the total drop in car loadings for the period. In part this is attributable to generally warm weather, in part to the fact that coal inventories had been built up to excessively high levels, and perhaps in part to a lower export demand. This situation should largely correct itself.

Next to coal the heaviest declines have been in grain and grain products which have accounted for some 15% of the overall drop. Presumably this is largely, if not entirely, due to the contraction of foreign markets. It is impossible to say at this time just when, or if, this condition will be corrected. In any event it can be seen from this breakdown that those roads to be influenced adversely by the trend of traffic thus far in 1953 will be primarily the coal carriers, and presumably particularly those in the northeast and Pocahontas areas, and roads that handle an appreciable volume of export grain. Otherwise even the early 1953 earnings picture is considered by most rail analysts to be quite good.

One road that should have particularly favorable year-to-year earnings comparisons is the Denver & Rio Grande Western. Denver & Rio Grande had a particularly severe winter to contend with in 1952 as indicated by the fact that for the full year snow removal costs came to more than $650,000. This represented an increase of 128% over a year earlier. Moreover, these heavy storms in the early months of 1952 naturally seriously interfered with the flow of traffic. As an indication of what may be expected in early 1953, the road's traffic volume in January was approximately 11% above January, 1952, contrasted with the decline in car loadings for the Class I carriers as a whole.

This traffic improvement in the opening month while car loadings geenrally were falling off once again demonstrates the validity of the premise that at all times railroads must be looked upon individually rather than collectively. Moreover, not only in the early months but, also, in the mid-year period there seems to be every reason to expect that Rio Grande's year-to-year comparisons will compare most favorably with the industry performance. The road has a substantial stake in the steel industry since the development of the Provo-Geneva iron and steel complex and so was affected more than most western roads by the steel strike of last summer.

Considering the dual adversities of last year Rio Grande did very well in 1952 from an earnings standpoint. Gross revenues improved to the extent of 5.6%, the maintenance ratio increased only fractionally and, most surprising and gratifying, the transportation ratio was pared by a nominal margin. Thus, with the Federal income tax reduced somewhat, the road managed to increase its net. Before sinking and other reserve funds common share earnings amounted to $19.46, which was the best showing since 1943. All indications are that the 1953 showing, barring serious strikes affecting traffic, should be considerably better. It is true that the capital budget is heavy but even at that such earnings prospects, in the opinion of many analysts, might well justify the adoption of more liberal dividend policies in the reasonable future.

Raymond La Pak With Blunt Ellis, Simmons

Raymond F. La Pak

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Raymond F. La Pak has become associated with Blunt Ellis & Simmons, 208 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. La Pak was formerly with Ames, Emerich & Co., Inc. and Dayton & Gernon. Prior thereto he was an officer of Wheelock & Cummins, Inc.

A. M. Kidder Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Jerry W. Larkin has been added to the staff of A. M. Kidder & Co., 139 East Flagler Street.

Joins Webber-Simpson

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Roger T. Stephens is now with Webber-Simpson & Co., 208 South La Salle Street, members of the Midwest Stock Exchange.

The Prospects of Interest Rates on Savings

By J. R. DUNKERLEY*
Secretary, Savings and Mortgage Division
American Bankers Association

ABA official discusses problem of determining proper interest rate on savings, and factors involved in determination of a bank's interest policy. Points out there is an inertia in habits of savers, and interest rate is not as important in attracting deposits as some believe, though it is error to neglect is as a factor in encouraging savings. Reviews characteristics of savings accounts and stresses importance of building up reserves and capital funds. Lists as determinants in fixing interest rates: (1) earnings of the bank; (2) its costs; (3) amount needed to build reserves; and (4) providing a reasonable return to bank's stockholders.

During the 1930s, banks were compelled to reduce their interest rates paid on savings accounts in line with their reduced earning power. Now that yields on investments are rising, it would seem logical that banks should increase their rate to savings depositors. However, it is not as simple as that since in the meantime there have been other developments, including a savage rate of income tax, which require a bank to consider many factors in determining the proper rate under present conditions.

J. R. Dunkerley

In approaching this problem, let's keep these points in mind:

(1) Acting on emotion rather than on careful analysis will probably result in a bad decision.

(2) An increase of savings interest rates because of the peculiar costs situation resulting from present high taxes and particularly the excess profits tax is not sound because the tax rates may not remain high, the Excess Profits Tax may be eliminated, or there may be other forms of tax relief for banks.

(3) If the banks of a community raise their rates to the same degree, where are the new deposits coming from, and what assurance is there of an increase of volume sufficient to offset the loss caused by the increased rates on present deposits?

(4) If the increased deposits are obtained, in theory at least they will have to come from an increased savings interest rate that is greater than that paid by other banks. This will mean the need to acquire still more of an increase in deposits and will lead to a seesaw of local competitive rate increases.

(5) If increased deposits are obtained, at least it will mean an expansion of the existing distribution of assets with the earnings from them subject to the penalty of a higher rate. If the penalty is to be offset on old and new deposits, it will mean an expansion of higher rate earning assets. Either can result in a distortion of asset distribution beyond the limit warranted by conservatism or properly supported by the bank's total capital funds.

Factors in Interest Rate Determination

I'll try to enumerate all the factors which a bank should consider in the determination of its interest policy. Here are the principal questions:

(1) Do you want the type of money which usually goes into savings accounts, or do you also want investment money?

(2) What is the present earning rate of the bank?

(3) What are the costs of handling savings deposits and withdrawals?

(4) How much of the earnings should go to reserves and capital funds?

(5) What is a fair rate of return to stockholders?

(6) Knowing your earning rate, your costs of operation, the percentage to go to reserves, and your idea of a fair profit, should you pay the rest to the saver, or

(a) Should you pay the least necessary to hold present deposits?

(b) Should you pay whatever is necessary to meet the rates of your competitors, even though you lose on the savings operation, knowing that your overall operations will be profitable?

(c) Should you choose an appropriate rate fair to depositor and bank, determined after a thorough consideration of all factors?

A little later, I want to discuss each one of these considerations; but first of all, I want to mention that it has been my observation over a period of 25 years that rate has never been properly appraised. We went through a period in the 20s when banks paid 4% on savings and 2% on commercial funds. Some savings and loans paid dividends of 8%. One of the reasons for bank and savings and loan failures was due to seeking funds at any price. Then we went through a period in the 30s when we thought rate was of no significance. Many bankers claimed that depositors were interested only in safety and that they would put their money in banks even if no interest were paid. During that period, it was difficult to invest savings profitably and there was no possibility for a high rate to savers. However, it was a serious error in judgment to assume that rate was not important. Rate is always important.

There is an inertia which tends to keep savings where they are —and which tends to discourage changes in the habits of savers. I remember clearly the case of one commercial bank which was ahead of the procession in bringing down the rates to savers in line with its own reduced earning power. This bank moved down faster than others. After dropping from 4 to 3%, then from 3 to 2½ and to 2, the bank continued its savings growth at an increasing rate. It was not until it reached 1½% that there was any noticeable change in the habits of its depositors. The bank began to lose deposits rapidly, not because it dropped from 2 to 1½%, but because during each succeeding change, dissatisfactions accumulated; and it was during this last cut that depositors were aroused from their inertia.

In another typical case, a bank discontinued interest entirely. During the six-month period immediately after cessation of interest, the bank had the greatest growth of savings in its history—and then deposits moved the other way. It took six months to counteract the inertia which had been built up by the banks' earlier aggressive promotion of the savings business.

Now we are in a period of overemphasizing the importance of rate. Of course rate is important, but so is location and convenience; so is the privilege of doing all one's banking at one location; so is promotion and the type of service performed.

Do you want some proof that interest rate is not as important as some believe? The first proof I want to offer is a billion-dollar organization which sells a 15-year savings instalment certificate for $1,000. If the saver wants his money back at the end of one year, how much interest do you suppose he gets? Well, as a matter of fact, he doesn't get any interest; and, moreover, he doesn't get back all he put into it. He gets back about one-half of what he has paid toward the cost of the certificate. Suppose this saver, after putting in money for eight years, decides to ask for his money back. Then how much do you think he will get? He will get not one cent of yield. All he will get back is what he has put into it. If he carries through his contract for 15 years, he will earn 1.91%. Despite the low earnings, the savers like this service because they know from experience that it is difficult, unless there is a regular plan for doing so, to save money. When you can build up a billion-dollar business by providing a savings service under these terms, you can see the relative unimportance of rate as compared with service and salesmanship.

I'll give you another proof. I was sitting at the desk of one of the top officers of a large metropolitan bank which some years ago discontinued the payment of any interest on savings. Recently they decided they would take savings so long as they did not have to pay more than 1%. Within a few years, this bank has added thousands of depositors and millions of deposits by simply offering the service and with relatively little publicity. If they really publicized their savings business, they could easily multiply the size of this savings department. This bank officer asked me if I could explain how his bank got all this business when across the street they could get 2% from another commercial bank, or walk a block or so and get 2½% from a savings bank, or even more from a savings and loan association.

Some commercial banks which have seen many of their large accounts transferred to a savings and loan association because of rate are using certificates of deposit based on the E Bond principle. Normally, these certificates are written for large amounts and draw interest at 2% if held for five years. If they are cashed the first year, they earn no interest. If cashed the second year, they earn ½%; the third year, 1%; the fourth year, 1½%, and a full 2% if held to maturity—five years. With average mortality, the actual cost to the bank would be about 1¼%.

Some banks which thought rate was more important than it is are somewhat disappointed at the moderate increase in deposits. Most banks which have raised their rate substantially have been relieved to see the loss in deposits checked. Since there has been a considerable increase in the inflow of savings funds in recent months, it is difficult to measure the effect of the rate. Most of these banks would have had an increase in deposits anyway.

Characteristics of the Savings Account

At this point, it might be well to take a look at the characteristics of a savings account. A typical savings account averages about $1,000; and in the vast majority of cases, there are only from 2 to 12 transactions a year. It is essentially a cash reserve for the depositor. This kind of money should go only in a bank because a bank puts its funds in such highly liquid assets that customers can expect to get their money back immediately or on very short notice, even during a period of economic stress. The typical savings depositor is interested primarily in convenience of location and the type of service he gets. He is usually attracted to a bank by its advertising and promotion. Last of all, he is interested in rate. A lot of the money we are losing to competitors is investment money. Much of that money will move whenever it can get a better rate, and is really trouble money for banks.

We must not lose sight of the importance of building reserves and capital funds. There is no question we are in an expanding economy, as well as in an inflated economy. Our increased reserves and capital funds should usually come from earnings.

The fundamental approach to the question of rate is to determine:

(1) The earning rate of the bank.

(2) The cost of handling savings.

(3) Amount needed to build reserves.

(4) A reasonable rate of return to stockholders.

After these factors are known, then the bank is really prepared to make a sound decision.

In determining the average earning rate of the bank, we have to determine a policy as to whether savings deposits are entitled only to the average earnings of the bank or whether the investment policy of the bank allocates mortgages and other long-term investments to savings deposits. In most non-departmentalized banks, it will be necessary to simply take the average earnings of all investments; and often in these banks, the commercial loan rate is just as high as the mortgage rate so it doesn't make much difference anyway.

A savings cost analysis recently completed by our Country Bank Operations Commission analyzed costs in over 2,200 non-departmentalized banks. Some of the overall averages are:

Income earned	2.38%
Operating expense	0.25
Interest paid	1.02
Net profit before taxes	1.11

In large banks which are highly departmentalized, a good case can usually be made for the allocation of mortgages and long-term investments to savings deposits. As a matter of fact, if a bank of this type does not do so, it could not show a profitable savings operation.

For ever ten years, the ABA has offered a cost accounting procedure with which banks can determine these factors which are absolutely necessary to an intelligent decision. Several hundred banks have availed themselves of this service, and other banks have worked out their cost figures without the help of the ABA.

Since we don't want to repeat the mistakes of the '20s when banks and savings and loan associations outdid each other in bidding for savings funds, I should like to think that no bank would raise its rate of interest without knowing for sure that the operation will be profitable under the new policy. Our cost studies have shown that there is a great variation among banks as to their earning rates and also as to their costs of handling savings deposits and withdrawals.

A commercial bank whose earning rate in 1942 was 1.8% and whose cost of operation was 0.5% is probably in a position to raise its rate of interest to savers if today its earning rate is 2.7% and if it has, in the meantime, reduced its cost of operation to 0.4%.

I'd like to insert here the analysis of a commercial bank with $278 million of savings deposits. At the present time, the bank pays 1% up to $5,000 and ½ of 1% above $5,000. This results in an average net rate of 0.825%. The following schedule is on the basis of 1¼, 1½, 1¾, and 2% and ¾, 1, 1¼, and 1½ on amounts over $5,000.

Schedule Showing Effect on Net Income Before and After Taxes, by Using Increased Savings Interest Rates

	1 -1½% .825% $	1¼%-3% 1.075% $	1½%-1% 1.325% $	1¾%-1¼% 1.575% $	2 -1½% 1.825% $
Income	14,341,577	14,341,577	14,341,577	14,341,577	14,341,577
Expense	9,176,833	9,872,148	10,566,485	11,260,828	11,955,168
Net Income	5,164,744	4,469,429	3,775,092	3,080,749	2,386,409
Normal & Surtax	1,740,000	1,387,130	1,034,750	682,370	329,995
Excess Prof. Tax	210,000	------	------	------	------
Inc. after Taxes	3,214,744	3,082,299	2,740,342	2,398,379	2,056,414

From an earnings standpoint, this bank ascertained that it would have to increase its savings deposits $127 million to offset the effect of a raise in rate from 1 to 1¼%. An increase of $470 million would be necessary to offset a raise to 1½%. This is the type of data which each bank must determine. Now if you know the earning rate and the cost of operation, should your bank, after determining how much should go to reserves and a fair profit to the stockholders, pay the rest to the saver; or should you pay the least necessary, or go the limit and meet the rate of the savings and loan associations?

The Competition of Savings and Loan Associations

As a general rule, a bank should never try to meet the rate of a savings and loan association. Usually a savings and loan association should pay a higher rate of dividend because it is a different kind of an institution.

The trouble in this situation is due to the fact that many people are putting their money in savings and loan associations under the impression that they are banks of deposit. When a bank goes all the way to meet the rate of a savings and loan association, it adds to the impression that they are the same type of institution.

If you find that people in your community put their money in a savings and loan because of a higher rate, you should not be overly concerned. That is the right reason for any one who choose a savings and loan. You should be more concerned if they go to the competitor because he renders better service or because he does a better promotion job especially among younger people.

In most sections of the country, savings are again pouring into the banks. This is due largely to the stepped-up advertising for savings. If we'd step it up to where it really ought to be, we might find the money coming in

*An address by Mr. Dunkerley before the Western Savings and Mortgage Conference sponsored by the American Bankers Association, Los Angeles, Calif., February 9, 1953.

as fast as we'd like. But, don't overlook this problem of inertia. It is going to take months and years to overcome the effects of the many years during which we spent nothing on promotion.

In the months ahead, let's think more in terms of savers; i.e. people, especially younger people, rather than in dollars. If we constantly attract new savers, the dollars will take care of themselves. If we keep uppermost in our minds the needs of the community, the soundness of our banks, then I believe a moderate rate of interest will in the months ahead attract the greatest volume of new savings our institutions have ever experienced. Furthermore, the type of savings which belong in banks will come to our institutions.

Cinti. Municipal Men To Hold Outing

CINCINNATI, Ohio—The Cincinnati Municipal Bond Dealers Group Annual Party will be held at the Kenwood Country Club, Cincinnati, Ohio, Friday, June 26, 1953. Cocktail party will precede Thursday evening June 25, 1953.

Alger & Rodney Perrill Join Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Alger Perrill and Rodney N. Perrill, both members of the Midwest Stock Exchange, have become associated with Harris, Upham & Co., 135 South La Salle Street. Both were partners in Alger Perrill & Co., which has been dissolved.

Harry J. Wilson Co. Formed in Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Harry J. Wilson is engaging in a securities business from offices at 208 South La Salle Street under the firm name of Harry J. Wilson & Co. Mr. Wilson was formerly associated with Barcus, Kindred & Co. for many years.

Brush, Slocumb & Co. Add Two New Dirs.

SAN FRANCISCO, Calif.—Election of two new directors, August F. Riese and Charles Weinshank, Jr., is announced by the investment banking firm of Brush, Slocumb & Co. Inc., 1 Montgomery Street, members of the San Francisco Stock Exchange.

Mr. Riese has been a principal in the firm since its inception in 1930; Mr. Weinshank has been identified with it since 1932.

With State Bond & Mtg.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn. — Philip J. Blien is now connected with State Bond & Mortgage Co., 26½ North Minnesota Street.

L. A. Huey Adds

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—Dent B. Ingram is now affiliated with L. A. Huey Company, 325 Aquila Court.

50 Years With Firm

Ernest Loveman, a partner of Goldman, Sachs & Co., New York City, Feb. 24, 1953 completed 50 years of continuous association with the firm.

Rejoins Slayton Co., Inc.

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Michael J. Cousins has rejoined the staff of Slayton & Co., Inc. of St. Louis. He has recently been with Renyx, Field & Co., Inc.

The Outlook for Savings

By KARL R. BOPP*

Vice-President, Federal Reserve Bank, Philadelphia

Maintaining following the last war nation developed a reconversion pattern of saving, during which we saved relatively less and less despite rising incomes, Mr. Bopp contends we now need $140-$150 billion of disposable personal income before there can be any net savings, due to war-generated inflation. Predicts personal savings in 1953 will increase about $1 billion over last year.

The buying waves touched off by the invasion of South Korea in June, 1950, and by the discovery of Chinese in the Northern Armies early in 1951, are two dramatic illustrations of the slithery ground we are covering when we try to appraise the topic that has been assigned to me: "The Outlook for Savings." These two spurts of spending show up clearly as sawteeth in charts of the quarterly estimates of net personal saving published by the Department of Commerce.

Karl R. Bopp

It is less well known that these aberrations seem to wash out when we move from quarterly to yearly data. In other words, the spending sprees were followed by saving sprees. In retrospect it appears that for calendar years as a whole the amount that individuals saved in 1950 and again in 1951, was just about in line with the postwar pattern of savings that has developed. Of course, there are always some individuals who save and others who spend beyond their income. I am speaking now of net saving of our entire population.

With this qualification, let me indicate what I mean when I say savings were about in line. We seem in the last 25 years to have developed four distinct patterns of saving. In the period 1929 to 1941, we did no net personal saving when our personal income after taxes was less than, say $50-$55 billion a year. Below this level we ended up with negative saving—a word that is as rough as the condition it is used to describe. Out of each dollar of income beyond this level, however, we saved about 20 cents.

During the war period, as you all know, we saved much more than 20 cents out of each additional dollar of income. I must confess parenthetically that I become disturbed when I remember what happened to the size of the Government debt and to our money supply and then follow custom by glibly talking about wartime savings. But this is a complicated subject that I shall not pursue here.

After the war we developed a reconversion pattern of saving during which we saved less and less despite rising personal incomes.

There is some evidence that we have been developing a new pattern of saving since 1947. The chief difference between our new and our prewar pattern is that we need a lot more income before we do any net saving at all. Instead of $50-$55 billion, we now need $140-$150 billion of disposable personal income before we save anything net. This change is primarily a result of the war-generated inflation. To me it was equally interesting to find as I prepared this discussion that once we reach this level of income—and last year we were 50% beyond it — we are again saving something like 20 cents out of each additional dollar.

At any rate that's what we did in 1950 and in 1951, despite the buying waves. And, according to preliminary estimates, it was what we did again last year, despite the absence of any sudden buying wave.

Savings in 1953

In trying to form some estimate of personal saving for this year, therefore, I think we would do well to begin with some judgment as to how much income we may expect to receive—after taxes. We are now running at a level perhaps 5% above the average for last year. Most economists that I have heard discuss the problem seem to guess that we are most likely to continue our "seething readjustment" at high levels for most of the year. If this judgment should prove fairly accurate, it seems to me quite possible that personal savings in 1953 might exceed those of last year by perhaps a billion dollars. My guess would be more rather than less.

Now that I have given you a figure, I should warn you not to take it too seriously. Remember, it is based on an assumption as to the general level of economic activity. Remember, too, that we have had four patterns of saving in the last quarter-century, and may develop yet another. Remember, finally, that in a country with a high standard of living, there is a large margin between income and unavoidable expenditures. A large fraction of expenditures can be deferred or — by using past savings or borrowing — can be accelerated.

*Synopsis of talk by Mr. Bopp before the Fifth Annual Conference on Operations, Audit and Control of the National Association of Mutual Savings Banks, Philadelphia, Pa., Feb. 18, 1953.

Nimmo Heads Dept. in N.Y. of Auchincloss Co.

Auchinclose, Parker & Redpath, members of the New York Stock Exchange and other principal exchanges, announced that Alfred L. Nimmo has become associated with the firm in charge of the municipal bond department in the New York office, 52 Wall Street. Mr. Nimmo was formerly with E. F. Hutton & Company.

Williston, Bruce Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla. — Jack Klinger is now affiliated with J. R. Williston, Bruce & Co., 631 Seventy-first Street.

L. L. Lewis Opens

Lawrence L. Lewis is conducting a securities business from offices at 270 Park Avenue, New York City.

John W. Lord, Inc., Formed

John W. Lord, Inc. has been formed with offices at 150 Broadway, New York City, to engage in the securities business.

Charles Silver Opens

YONKERS, N. Y.—Charles D. Silver is engaging in the securities business from offices at 65 Clark Street.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

A sufficient number of annual reports of fire and casualty insurance companies have now been issued to give a fairly good indication of the operating results achieved by the industry in 1952.

From the statements published so far it appears that the year just ended was a generally satisfactory period for insurance companies. Most institutions were able to show some gain in operating earnings. Of course, underwriting conditions varied considerably among the different companies depending upon the lines emphasized. Straight fire business continued to be quite profitable in spite of the fact that fire losses in the United States reached record proportions. Experience on some of the automobile lines including liability and property damage, after substantial rate increases over the past two years, made a better showing in the final six months of 1952. An improvement in the statutory underwriting profit shown by most groups was the reflection of a better trend in the loss ratio on both the fire and casualty lines.

Investment results, with the aid of a larger volume of funds and a better yield on fixed income securities as well as a continuing high level of dividends on equity holdings, showed a further increase.

Although taxes absorbed part of the gain in operating income, final earnings were generally above the previous year.

One of the better showings among companies which write a large amount of straight fire insurance is the operating statement of The Hanover Fire Insurance Company. A summary of the operating record of this company for the past two years is shown below.

	1952	1951
Net Premiums Written	$26,437,607	$24,888,759
Increase in Unearned Premium Reserve	1,211,777	2,025,414
Premiums Earned	$25,225,830	$22,863,345
Losses and Loss Expenses Incurred	13,078,071	12,359,628
Ratio to Premiums Earned	51.85%	54.06%
Underwriting Expenses Incurred	11,163,383	10,406,524
Ratio to Premiums Written	42.23%	41.81%
Statutory Underwriting Profit	$984,376	$97,193
Net Investment Income	1,177,080	1,088,523
Net Operating Earnings before Tax	$2,161,456	$1,185,716
Federal Income Tax	634,020	448,219
Net Operating Earnings	$1,527,436	$737,497

Translating the above figures to a per share basis and adjusting for the increase in the unearned premium reserve in accordance with the usual formula of 40%, the following result is achieved.

	1952	1951
Statutory Underwriting Profit	$2.46	$0.24
Equity in increase in Unearned Premium Res.	1.21	2.03
Adjusted Underwriting Profit	$3.67	$2.27
Investment Income	2.94	2.72
Pre-tax Operating Income	$6.61	$4.99
Federal Income Tax	1.58	1.12
Adjusted Earnings Per Share	$5.03	$3.87

Companies which write a large amount of casualty insurance have not shown as favorable an operating experience as the above fire company. While casualty operations improved considerably from the unsatisfactory experience of 1951, there were still many companies which reported statutory underwriting losses last year.

Over the coming weeks many of the other insurance companies will be publishing their annual operating statements. On the basis of present indications we would expect that all companies, both fire and casualty, will be able to report some improvement in statutory underwriting experience. Institutions writing predominantly fire lines should show a lower loss ratio and a higher margin than those concentrated in the casualty field as a result of the better rate structure prevailing throughout the past year.

Of course there will be exceptions to the above pattern but the overall results and the general experience are expected to reflect the trends in evidence in the reports published so far.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The Boards of Directors of the **Federal Reserve Banks of Atlanta, Dallas, and St. Louis** have elected Delos C. Johns, President of the Federal Reserve Bank of St. Louis, as a member of the **Federal Open Market Committee** for the year beginning March 1, and have elected R. R. Gilbert, President of the Federal Reserve Bank of Dallas, as an alternate member to serve on the Committee in the absence of Mr. Johns. Mr. Gilbert has heretofore served as a member of the Committee for the years beginning March 1, 1942, 1945, 1948, and 1951. Malcolm Bryan, President of the Federal Reserve Bank of Atlanta, is serving as a member of the Committee for the year ending Feb. 28, 1953. The Federal Open Market Committee consists of the seven members of the Board of Governors of the Federal Reserve System and five representatives of the Federal Reserve banks.

* * *

Adrian M. Massie, Chairman of the Board, of **The New York Trust Company** at 100 Broadway, **New York**, announced on Feb. 18, the following appointments: William G. Fullard, Assistant Secretary was appointed an Assistant Vice-President; Sherrill P. Newton was appointed an Assistant Secretary.

* * *

It was announced on Feb. 19, by the **Bank of the Manhattan Company of New York**, that subscriptions were received for more than 92% of the additional 250,000 shares of stock offered to stockholders on Jan. 30. The subscription warrants expired on Feb. 17. The issue was underwritten by The First Boston Corporation and associates.

* * *

DeCoursey Fales, President of **The Bank for Savings in the City of New York** announces the election of James M. Nicely as a trustee of the bank. Mr. Nicely is Vice-President of the **First National Bank of the City of New York.**

* * *

Approval was given on Jan. 20 by the New York State Banking Department to a certificate providing for an increase in the capital stock of the **Empire Trust Company of New York** from $4,500,000 to $5,000,000 consisting of 100,000 shares of stock, par $50 each.

* * *

The First National Bank of Glen Head, N. Y., has raised its capital from $160,000 to $170,000, effective Jan. 26, through a stock dividend of $10,000.

* * *

The First National Bank of Poughkeepsie, N. Y., reports, as of Jan. 22, a capital of $600,000 increased from $567,000, as a result of a stock dividend of $32,500.

* * *

An increase in the capital of the **Tradesmen's National Bank of New Haven, Conn.**, from $350,000 to $385,000, has been made possible as a result of a stock dividend of $35,000, the enlarged capital having been made effective on Jan. 27, according to the weekly bulletin of the Comptroller of the Currency.

* * *

Clifford A. Spoerl, President of the **First National Bank of Jersey City** announced on Feb. 18 at the regular meeting of the Board of Directors of the bank, that he plans to retire as President on Mar. 30. He will, however, remain as a member of the Board of Directors. At the same meeting, Kelley Graham, Chairman, announced that Kingsbury S. Nickerson had been elected President, effective March 30. Mr. Spoerl originally became associated with the bank on July 23, 1906 and has served continously since that date. In 1922 he was appointed Assistant Cashier, in 1925 Vice-President, and in 1944, First Vice-President. He has been President since 1949.

K. S. Nickerson

Mr. Nickerson joined the First National Bank in 1949 as Vice-President, and was appointed Executive Vice-President in 1951. From 1929 to 1946 he was connected with the **Chemical Bank & Trust Co. of New York**, where he was Assistant Vice-President. He served as President of the Pittsfield National Bank of Pittsfield, Mass. from 1946 until he became associated with the First National Bank.

* * *

A stock dividend of $25,000 has served to increase the capital of the **First National Bank of Toms River, N. J.** from $700,000 to $725,000 as of Jan. 30.

* * *

Now reporting a capital of $800,000, the **Moline National Bank of Moline, Ill.**, it is indicated by the Office of the Comptroller of the Currency, increased the amount from $200,000 effective Feb. 13 by a stock dividend of $600,000.

* * *

A change in the title of the **Commonwealth Bank of Detroit, Mich.**, a State member bank of the Federal Reserve System, has been made as of Feb. 2, to the **Bank of the Commonwealth.**

* * *

An increase of $100,000 in the capital of the **Fidelity National Bank & Trust Co. of Oklahoma City, Okla.**, has been brought about by a stock dividend of that amount, the capital having thereby become $600,000 on Jan. 27, compared with $500,000 previously.

* * *

The First National Bank of Rome, Ga., reports a capital, effective Feb. 11, of $250,000, increased from $150,000 by the sale of $100,000 of new stock.

* * *

A stock dividend of $500,000 has served to increase the capital of the **First Bank of Montgomery, Ala.**, from $1,000,000 to $1,500,000, the new capital, according to a recent Bulletin of the Comptroller of the Currency, having become effective Jan. 27.

* * *

As of Feb. 5 the capital of the **First National Bank of Fort Worth, Texas**, has been increased from $4,000,000 to $5,500,000; the increase accrued in part through a stock dividend of $500,000 and also by the sale of $1,000,000 of new stock.

* * *

As of Jan. 26 the capital of the **Alamo National Bank of San Antonio, Texas**, became $2,000,000, having been increased from $1,750,000 as a result of a stock dividend of $250,000.

* * *

An addition of $1,000,000 to the capital of the **First National Bank of Nevada**, at **Reno, Nev.**, has been made possible through a stock dividend of that amount, the capital as of Jan. 22 thereby being increased from $2,000,000 to $3,000,000.

* * *

The United States National Bank of Portland, Ore., opened its 41st branch on Feb. 16 with the establishment of the Hollywood branch at 3925 N. E. Hancock in one of Portland's eastside sections. The new branch opened for business in temporary quarters scarcely a week after President E. C. Sammons had announced that a banking unit would be established in the Hollywood district. Construction of a modern new building will be started within a short time. W. P. Choate, an Assistant Vice-President, is Manager of the new branch. Mr. Choate has been with the U. S. National since 1919. Assistant Managers are R. C. Geenty and R. R. Mitchell.

* * *

A bill to incorporate the **Mercantile Bank of Canada** was approved by the Banking Committee of the House of Commons on Feb. 12, according to Canadian Press advices from Ottawa appearing in the Toronto "Globe and Mail." According to these advices the bill is sponsored by the Netherland's banking group — the Nationale Handelsbank of Amsterdam. The House of Commons, it is said, has given third reading to the bill, which has already passed the Senate. From the Canadian Press accounts we also quote:

"Both Henri Ernest Moquette, Managing-Director of the sponsoring bank in Holland, and C. F. Elderkin, Inspector-General of Canadian banks, appeared as witnesses at the Committee meeting.

"Mr. Moquette said the bank will begin opeartions in Montreal and Vancouver and hopes to spread to other Canadian cities if it meets with success.

"Three of the provisional directors of the Mercantile Bank will be Canadians and two will be from Holland. The bank's stock will be $3,000,000, divided into 300,000 shares — with par value $10 each. Head office will be in Montreal."

With McDaniel Lewis

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C.—Burwell J. Shore, Jr. has become affiliated with McDaniel, Lewis & Co., Jefferson Building.

With Rex Merrick

(Special to THE FINANCIAL CHRONICLE)

SAN MATEO, Calif.—Albert C. Thomas has joined the staff of Rex Merrick, 22 Second Avenue.

With Chas. A. Day Co.

(Special to THE FINANCIAL CHRONICLE)

LEWISTON, Maine — Rene A. Bernier is with Chas. A. Day & Co., Inc. of Boston.

Joins Estabrook Staff

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—May V. Foster has joined the staff of Estabrook & Co., 1387 Main St.

With Sills, Fairman

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Arthur G. Hageman is now with Sills, Fairman & Harris, Inc., 209 South La Salle Street, members of the Midwest Stock Exchange.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The demand for government securities continues to follow the usual line when there is uncertainty around, namely, keep close to shore, go short and be on the liquid side. This means that the near-term Treasury issues are in just as good demand as they have been and, with corporations competing with the banks and other financial institutions for these securities, the tone and market action should continue favorable. There has been, however, a modest fanning out in some of the buying which has been going on in Treasury securities, with certain deposit banks and other financial institutions paying more attention to the intermediate-term maturities. The yield that is available in the new 2½% bond and other middle-term obligations is bringing buyers into these securities.

Although the longest-term government bonds have shown very little change as far as the type of buyers are concerned, and new lows have been made, they continue to show many of the symptoms of "sold out" securities. There appears to be less bearishness in these bonds, but as yet this has not brought any new buying into these issues.

Buying Dictated by Income Need

Although the government market is still very much on the liquidity preference side, which means that the principal commitments are still being made in short-term issues (and it is quite likely to continue that way for a while) there is nonetheless a fairly good sized interest appearing now and then for the medium-term obligations. Many commercial banks cannot get along with the income that is obtained in the near-term obligations, and therefore funds must be put to work in higher yielding obligations.

To be sure, the largest return would be obtained by making investments in the longest-term government securities. However, this is not what these institutions are inclined to do at this time, because they consider the uncertainties that surround the longest-term issues to be important enough to keep them away from the highest return securities except in minor amounts. The buying that these banks are doing in the longest eligible obligation has been mainly to fill in maturity schedules.

2½s of 1958 in Demand

Because of the need of somewhat higher income by certain commercial banks there has been and still is a fairly solid interest in the 2½s of 1958, the new bond, as well as the 2¼ of 1959/62, and to a lesser extent the 2⅜s of 1958. Despite the belief that intermediate-term maturities will be used in future refunding operations, and this might even result in a reopening of the 2½% bond due on Dec. 15, 1958, this does not have too much of an influence upon the current buyers of this issue.

The 2½% of 1958 fits into the income and maturity requirements of these banks and as a result they are absorbing a fairly sizable amount of these bonds at levels that are considered attractive to them. These purchases of the 2½s of 12/15/58 have not been confined to the commercial banks because there have been other financial institutions that have been making commitments in this obligation as it likewise gives them a satisfactory income. Maturity spacing is not disturbed too much by these purchases of the new 2½% bond even though maturity distribution is not as important to them as it is to the deposit banks.

Debt management and credit policy continue to occupy the center of the stage, and until there are further developments as to what is likely to take place, the money market will probably continue to adopt a conservative attitude. This adds fire to the flames as far as the near-obligations are concerned because, when in doubt, one generally keeps short. This is the policy that is dominating the government market at the present time. Nonetheless, there is a very strong opinion around that the program that will be used by the Treasury will not be as radical as some have been inclined to take for granted.

Higher Rate Policy Unlikely

W. Randolph Burgess, the Treasury's top debt management official, commenting on the savings bond program which is under study, indicates the new Administration plans no changes in the series "E" and "H" savings bonds. These obligations, particularly the series "E" bonds, are held by small investors mainly and give a yield of 3%. If there is not going to be a change in the rate of return on the "E" and "H" savings bonds it is unlikely that the Treasury is going to put out 3⅛%, 3¼%, or 3½% long-term bonds which would go mainly to the large institutional investors. This would be a political "hot potato" if the large investors were to get more favorable treatment than the small investors, who have all the votes. The Republicans are just as vote conscious as the Democrats were. Also would owners of the 3% demand obligations, such savings bonds, hold them when they could take on a higher yielding marketable obligation.

Because there are so many things which must be taken into consideration as far as the debt management is concerned, and some of these could have an adverse effect upon the money markets if they were not handled properly, many followers of Treasury obligations, do not expect as drastic changes in policy as was looked for at one time.

Strick & Co. Formed

Louis Strick has formed Strick & Company with offices at 54 Pine Street, New York City to engage in a securities business.

Joins R. S. Hays

(Special to THE FINANCIAL CHRONICLE)

DURHAM, N. C.—William H. Branson, Jr. has become affiliated with R. S. Hays & Company, Inc., 111 Corcoran Street.

Joins McGhee & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Harold J. Barnett is now with McGhee & Company, 2587 East 55th Street.

Donald C. Sloan Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore. — Orie S. Johnson is now with Donald C. Sloan & Co., Cascade Building.

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Getting Back to Sound Economic Fundamentals

ards are real advances and new assets, but they have also created obligations and responsibilities. They must be paid for. Something for nothing is a mirage, and if these developments are assets and advances we must be willing to pay their cost.

Businessmen do not like Government interference. They don't like Government controls or regulations. They believe in free enterprise and free markets. But, the greatest mistake one can make is to discount or disregard something merely because you do not like it.

Purchasing agents do not like controls either, but they do not ignore them. In fact, officials in Washington have said they found that companies blessed with efficient purchasing agents rode out the regulations and even the steel strike without too much difficulty. We do have Government interference in our markets, so it is about time we understood the apparatus being used and its effects, instead of saying, "the Hell with the New Deal and Fair Deal" which have been influencing our operations for many years.

Purchasing agents, particularly, must understand what is called economic planning, because its major purpose is to influence supply, demand and prices. This is not something that is over your head—it is right down your alley. If the purge on the Potomac is to reach the planners and policies in addition to political personalities, we may look for changes that may have much real importance in their influence on sound purchasing policies.

The Bureau of Economic Research spent years studying statistics and cycles to determine which activities most correctly forecast business changes. Those measurements are now mixed and maladjustments are developing. But, if you will look at charts showing trends of production and prices, you will find very considerable recessions since 1945. But, they did not take us into breadlines, apple selling depressions, as they well might have done 25 years ago. It is entirely probable that that type of depression is gone forever, because we have better management, and management has better information. But, certainly, there will be rough spots when profits will not be guaranteed by increased inventory values, and companies blessed with efficient purchasing departments will know the score and have a real advantage.

Prediction of "Peaks" and "Dips"

Many businessmen have fallen under the influence of theories and theorists who use the microwave relay technique to bounce business trends from peak to peak so they might skip any dips which might dim the picture. Peak defense spending, peak industrial construction, peak home building, personal incomes, employment, and gross national product relay our boom into 1953, or '54 or '55, according to that theory. Then, in the fine print, they tell us any one of those factors may decline, but probably will not, and list the sustaining forces ahead. The major ones listed are a reduction of taxes, and those calling for additional Government spending for roads, institutions, aid, armaments, etc., to take up any slack.

I can hardly follow that two-way stretch for it leaves us in the hands of the planners and plans that have put us where we are. It leaves us operating on the theory imported by President Roosevelt to relieve the breadline depression of the early 30's. That theory is not as complicated as you might think. In fact, you can pull it apart, and actually it is not a plan at all. These enthusiastic economists saw that extravagant spending in wartime brings full employment and prosperity; so, they adopted that formula for peacetime.

The key to the magic economic plan is a new statistical measurement of gross national product, or G. N. P., and it is now fairly commonly used by all progressive economists.

An explanation of G. N. P., the gross national product, may unravel some of our problems and permit us to analyze political plans in the economic field.

The theory makes spending the measure of economic activity, regardless of where the money comes from, or what it goes for. Harry Hopkins frankly told us the plan was to tax and tax—spend and spend—elect and elect. We did not believe such an unmoral plan was possible any more than we believed Hitler's or Stalin's that were completely outlined in advance. Now, we must live with the results of all three, and it may dim the outlook a bit.

The highbrows tell us a theory or policy must be implemented, and G.N.P. is the tool of that theory, for G.N.P. is an attempt to measure gross national spending.

Categories of Spending

Of course, spending falls into three statistical groups: Spending by consumers, spending by business and industry, and spending by government.

There is where our economic wizards use an apparatus that few understand. We know that spending by consumers, business and industry varies up or down with economic activity, over the scale from boom to bust. In fact, the spending is determined by the rate of activity, or, at least, it always was.

So, the boys dreamed up a plan to harness and control that situation, and give us everlasting prosperity.

We all recognize that full employment with high wages and high farm prices are very desirable, for they are the natural result of peak economic activity, and, of course, G. N. P. is high in such periods for high economic activity naturally develops active spending by consumers, business and industry.

So, the planners simply reversed normal cause and effect, on the plausible theory that, if spending is high, economic activity, wages, employment, farm prices are bound to be high. Gross national spending was made the key to permanent boom conditions and, whenever private spending is too low to power their economic merry-go-round, which they call an expanding economy, government spending—the third element of G. N. P.—is used to keep the wheels turning.

Our politicians grabbed that theory with great enthusiasm. They may not understand the economic algebra, but the idea they could buy votes and prosperity by simply increasing the budget and opening the spending spigots was a politician's dream come true. In fact, they got so careless in the process that we must now check the penitentiaries to locate our tax collectors, and some other things that happened were just as sad, and probably as dishonest economically and financially.

The High Level of Taxes

In seven years, from fiscal 1946 to 1952, our government collected $308 billion in taxes, and, from 1789 through June, 1945, including both world wars and 150 years of operations, Uncle Sam collected $254 billion, or 20% less than we have spent on our plans in seven years. That has of course produced a lot of G. N. P. for the planners and a lot of GIP for the rest of us, because the cost of this forced activity to both consumers and business, with some exceptions, has reached the point of diminishing returns.

In fiscal year 1952, which ended last June 30, taxes collected by our Federal Government were $14 billion higher than the previous year which had been an all-time high. That $14 billion increase, alone, was practically double the total collected in 1941, which was the last full peacetime year.

And, if it is any consolation to be a champion, you are it, for Uncle Sam collected 50% more taxes, in fiscal year 1952, from the State of New York, than he did from the entire country in 1941.

Of course, G. N. P. is breaking records in dollars, our 52c dollars, but if you will take the inflation out of the G. N. P. figures, you will find little economic progress. Fourteen per cent in seven years is nothing to cheer about.

On that basis, per capita income, which is the average of you and me, after taxes, is slightly lower in 1952 than it was in 1945, and that is admitted by our Council of Economic Advisors.

These have been called devastating statistics, and, if you are one of those whose income has not multiplied as fast as prices and taxes—and I believe the majority are in that class—you know they are devastating. Your prosperity has been plundered by inflation, and so have business profits. Business profits were lower in 1952 than in any year since 1946. Progressive taxes had actually reached the point where increased production and sales lowered the net income. You know lots of good companies in that boat in 1952.

Do not confuse per capita personal income and over-all personal income. Retail sales and such dollar activity figures show increases because over-all consumer spending power has increased. But so have consumers, by 17 million, the greatest population increase in our history. However, to meet that over-all population increase, or offset it, both production capacity and production have been increased much faster; so that, if strikes and aid programs were not limiting the supplies available in our markets for consumers, everything would be running out of our ears in spite of the defense program. As it is, many things are, and many companies are not too prosperous even before taxes.

This program has actually reached the point where some labor union economists want taxes included in the cost-of-living index because they have curtailed labor's purchasing power. Fortunately, the Bureau of Labor Statistics has refused to do so.

We have been adding a $50 billion defense production capacity to the facilities for normal civilian production. That additional capacity is either in place or soon will be and, having made that expansion, I think it is logical to say it will support both the defense program and a near-boom civilian production.

We have also built inventories to near-record proportions and government stockpiles for emergency needs, so, it is hard to locate any shortage now facing consumers.

Some younger buyers have never had much experience with the regulation of prices by supply and demand. They have been raised on government regulations and may have to be weaned on competition.

The older buyers will have to relearn the meaning of competition and negotiation. They are not slogans—they are the working tools of purchasing.

You can only secure a fair price through the competition of representative suppliers, but today's purchasing executive goes beyond price in the search for value. If he fully understands the need, the end use value of the product bought, and keeps informed on the costs of products and processes that will meet the requirement adequately, he can negotiate for the best value among representative suppliers.

We are being told that supply and demand economic relations are to replace political price influences in our markets. That is not a plan; for, it is being forced on us whether we like it or not. Husky supplies have even reduced the sacred farm prices and interest rates are increasing; so, the value of the dollar is strengthening. The new Administration is pledged to dump the spending plan theory. That, too, is being forced upon us whether we like it or not; for, even Uncle Sam must pay higher rates because he must borrow $60 billion this year.

That financial policy will also influence prices; for simply stated, you will get more for your money; it will have greater earning power in interest and higher purchasing power in exchange for goods.

Getting Back to Fundamentals

Some will say we are going back to fundamentals. Actually, we tried to forget and ignore the fundamentals, and they are catching up with us. We have simply proven again that wages cannot be increased without increasing costs and prices, unless productivity is increased.

We have also learned again that high farm prices do affect the cost of living. We have learned that social objectives and welfare cost money and raise taxes, and we have learned that squirting G. N. P. and regulations around do not change the arithmetic.

Of course, we have high activity and all the statistics prove that. It is our job to stoke that activity with the materials and supplies needed to keep the plants operating. That keeps our inventories at peak levels which, at these inflated prices, puts working capital invested in inventories at an all-time high.

Considerable profit has been put on the books in recent years by increased inventory values. Meaning that, under current and near-term conditions, purchasing and inventory policies are going to have major importance and will no doubt, have major attention from management. Purchasing will be in the spotlight and, in some cases, may be on the spot. Decisions can be no better than the information they are based on. Information on supply and demand and the price movements and conditions which move them are returning to fundamental importance.

Successful management is not necessarily wiser than its competitors. Timing is the essential element. The big advantage of successful management is in the analysis of conditions so that it gets wise sooner, and has the courage to act. That is particularly true with purchasing, material control and inventory policies—the industrial logistics which may well be the key to successful operations in the next few years.

Hear! Hear!

"Typical of the new revenue powers requested by the city is the power to levy taxes on transfers of securities. These taxes would be superimposed on the transfer taxes already levied by the Federal Government and the State of New York.

"Much of the security business transacted on New York exchanges comes from persons residing outside of the state. These nonresident customers account for 55% of the business transacted on the New York Stock Exchange.

"During recent years, security exchanges located in other states have grown rapidly. They list many of the securities traded on the New York exchanges and are in active competition with the exchanges in the City of New York.

"In connection with the proposal to authorize New York City to levy a stock transfer tax, the report by the city's own fiscal experts to the Mayor's Committee on Management Survey should be noted. It states:

" 'The addition of a city tax, if it did not cause the Exchange to move bodily to another state (and this seems unlikely), would at least tend to make many transactions move to stock exchanges already existing in Chicago and other parts of the country.'

"Apart from the adverse effect upon state revenues, the damage to brokerage houses and the loss to the security exchanges, an increase in stock transfer taxes exposes the whole business life of the community to serious damage through loss of jobs, customers and tenants. The payroll of the New York Stock Exchange and its members approximates $100,000,000 per year." — Memorandum by the Lieutenant-Governor and the Controller of the State of New York on the "Fiscal Program of the City of New York for Submission to the 1953 State Legislature."

If only such proposals were always so convincingly demolished!

Continued from first page

As We See It

interests and views are closely similar to those of the Northern Republicans. In the Southwest, the oil and gas interests give a similar coloration to our party.

"I am confident that in time this situation will right itself. The liberal movement in the South is real, and is particularly strong not only in Alabama but also in such states as North Carolina, Tennessee, Arkansas and Texas. It will grow with time. Sooner or later unionization will come to the South. So will Negro suffrage. As all this happens, the liberal forces inside the Democratic party will be strengthened.

"At the same time, the crypto-Republicans who have been operating as ill-concealed fifth columns inside the Democratic party will move into the open on the other side. The ultimate result will be a healthy differentiation between the parties which will clarify our position. But it would be foolish to expect this to take place soon or all at once.

"In the meantime, we Democrats in Congress are likely to speak with a divided voice on many issues, and many Southern leaders in the House and Senate are likely to take stands which in some respects are directly opposite to the official position of our party as laid out in last year's platform."

The learned Senator is, of course, addressing himself solely to the situation by which his own party is faced in this year of our Lord, 1953, or else he would have added that not only the opposition, but the party in power, is divided in this way, so that it is difficult at times to identify certain members of either party except by the label they wear. We object, however, to this easy classification of the elements of the parties into "conservatives" and "liberals." The fact is that only by assigning new and certainly not very logical meanings to these two terms is it possible to describe the philosophies or the attitudes of current day political leaders in this way. The fact is, strange as it may seem to the uninitiated, that were such terms permitted to carry their original, time-honored meaning, it would be the men Senator Douglas would label "liberal" who would be obliged to wear the "conservative" tag, while those ordinarily regarded as "conservative" would be the "liberals."

Strange Notions

Now, we have no doubt at all that Senator Douglas, who as is well known is a deeply learned erstwhile professor of economics at one of our leading universities, is quite familiar with this fact. For reasons of his own, however, he appears to prefer to ignore this bit of history and to adopt the loose (and even misleading) jargon of the day. However, it is not the Senator's choice of words, but what appears to be a somewhat distorted notion of basic facts which interests us at this point. It would appear that to this worthy gentleman the ownership of property or success in business not only makes a man a "conservative," but a "crypto-Republican," and not only a "crypto-Republican," but a citizen who is driven by some sort of inner devil to use what political power he is able to acquire for his own selfish interest, while the poor man, the small farmer, and the labor unionist would never think of doing anything of the sort, or if he did it would be a good thing for the country as a whole. This seems to us to be a strange sort of delusion. The Lord knows it is common enough, but one might hope that so learned and distinguished a member of one of the leading parties as Senator Douglas would prove to be above such twaddle.

But the Senator in an earlier paragraph of this same analysis had clearly shown that he is a victim of it.

". . . what I most fear about the new Administration can be stated very simply. In my judgment the Republican party was put into power by a fusion of giant business and giant propaganda—a combination of huge companies and newspapers with 90% of the circulation in the country as well as virtually all of the weeklies and 'slick paper' journals. Big business and big publishing have now taken over big government—and with it the big military, which tends emotionally to side with big business anyway. However excellent the personal qualities of the individual men chosen for office, the prospect of this mighty aggregation has put the Democrats in Congress on the alert for the interests of the ordinary citizen.

"There is an especial obligation upon the press. Most of us Democrats believe that the majority of the papers weighted the scales of their news columns against us during the last campaign. Whether or not they agree, the directors of the press now have the chance to prove our suspicions and fears to be ill-founded. We do not want them to be unfair to the new Administration. But will they report in a prominent position facts unfavorable to the Republicans as they may develop?"

To us this sounds much more like Harry Truman than Paul Douglas, but our interest in it is not that it has been said by the Senator or that it in effect has been said by many a professional politician. We deplore it because we earnestly believe that it, and the related conclusions of the Senator and of the others who reason in the same way, are not only without solid basis in fact but are positively dangerous to the public good. The basic "division" in this country is not today—we doubt if it has ever been—between men and women who have the general welfare at heart and others who seek constantly to feather their own nest regardless of the consequences to any or all of their fellow citizens.

Honest Disagreements

The real differences—so far as they are not purely squabbles for places of power—grow out of honest disagreement as to how the public welfare is best served. There are still many in this country—and we hope that a majority of the members of the Republican party are among them—who believe in the American system. There are many others—and by no means does the Democratic party harbor all of them—who believe in the doctrine of a paternalistic and omnipotent state which cares for those who either will not or can not fully look after themselves. In recent years Senator Douglas' party has been dominated by this latter element in the population, but if that party were true to its own past it would now be under the Eisenhower banner.

In any other but a purely party sense it is not always easy these days to identify "the opposition." President Eisenhower is more nearly a Jefferson, Cleveland or Wilson Democrat than Franklin Roosevelt, Truman or possibly even Senator Douglas.

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Business and Professional Freedom

ment and discrimination against the union."

The decision seems to involve a "disparity of treatment and discrimination against" businessmen by subjecting their privately-held properties to enforced uses which would not be constitutional if applied to properties owned by others; and it was not unanimous. Mr. Justice Jackson declared that, assuming that the employers had direct control of the room (which he did not find to be the case), he "would have serious doubts whether denial of union use of the hall could be an unfair labor practice. . . ." And Mr. Justice Reed (with whom Chief Justice Vinson concurred) contended that "employment in a business enterprise gives an employee no rights in the employer's other property, disconnected from the enterprise. As to such property, the employer stands on the same footing as any other property owner. . . . The refusal of this owner to allow the hall's use for union organization is not an unfair labor practice . . . any more than a refusal by any other private owner would be." And he concluded that the Board's (and the Court's) construction of the statute "raises serious problems under the Fifth Amendment." But the majority of the Court saw otherwise.

The Fifth Amendment of the Constitution provides that no person shall be compelled in any criminal case to be a witness against himself, a principle that goes back to the time of John Wilkes, when Lord Camden established it as a basic limitation upon inquisitorial powers. Gamblers, crooks and communists have successfully availed themselves of this right in recent times when called before congressional committees. In 1944 a produce merchant was served with a subpoena *duces tecum ad testificandum* issued by the Price Administrator under the Emergency Price Control Act. The subpoena directed him to appear before designated enforcement attorneys of the Office of Price Administration and to produce "all duplicate sales invoices, sales books, ledgers, inventory records, contracts and records relating to the sale of all commodities from Sept. 1, 1944 to Sept. 28, 1944." The subpoena was issued under authority of a price regulation which required businessmen to keep records of their transactions, such as they had customarily kept. In compliance with the subpoena, petitioner appeared, and, after claiming immunity under the applicable compulsory testimony clause, furnished the records requested. Subsequently, and on the basis of this information, and in spite of his claim of immunity, he was tried and convicted of having made tie-in sales in violation of the Price Control Act. In *Shapiro* v. *United States*, decided in 1948, his conviction was affirmed by a five to four decision of the Supreme Court. In the majority opinion Chief Justice Vinson held that the immunity clause applied only to records protected by the constitutional privilege, and that the privilege did not apply to these records because businessmen were required to keep them by administrative regulation and this requirement made them "public records." As to this, Mr. Justice Frankfurter, dissenting, said: "But the notion that whenever Congress requires an individual to keep in a particular form his own books dealing with his own affairs, his records cease to be his when he is accused of crime is indeed startling." And Mr. Justice Jackson added: "Of course it strips of protection only businessmen and their records; but we cannot too often remind ourselves of the tendency of such a principle once approved, to expand itself in practice 'to the limit of its logic.' " And in a more recent dissent he has said: "If the courts are to apply the lash of the anti-trust laws to the backs of businessmen to make them compete, we cannot in fairness also apply the lash whenever they hit upon a successful method of competing."

Congress' Powers Have Been Unduly Broadened

The fact that the Constitution of the United States has now been so broadly construed by the Courts as to enable the Congress of the United States to impose restraints upon business whenever the operations involved related to interstate commerce, even though the business is not actually engaged in commerce itself, and that government may now impose such regulations, notwithstanding the due process clause, unless the regulations are clearly arbitrary or discriminatory in character, means that those having the power of government must assume greater responsibility for the soundness, and even the constitutionality, of measures which they propose. The Constitution of the United States has, by these decisions, lost a good part of its force as an instrument of limitation upon federal and state governments in the courts. No longer can a congressman vote aye on a bill which imposes an unreasonable regulation upon business in anticipation that the courts will invalidate the legislation. As never before in the history of the country, the economic liberty of our people rests in the hands of our elected representatives. If a law is passed which affects business generally in the United States and which restrains that business in a manner which is unwise, we cannot expect the courts to substitute their views on the merits of the legislation and readily invalidate it upon constitutional grounds. This new responsibility extends not merely to Congress but to the law enforcement officers of the nation as well.

During the last war, United States Steel erected a steel ingot plant for the government at Geneva, Utah, at a cost of nearly $200,000,000. The plant had an annual capacity of more than 1,200,000 tons of ingots. After the war, the government wished to dispose of the plant, and the Surplus Property Administrator advised the president of U. S. Steel that a bid by that corporation would be welcome. U. S. Steel submitted a bid for $47,500,000, which was accepted subject to an opinion by the Attorney General as to whether the acqisition would violate the anti-trust laws. Although U. S. Steel estimated that the addition of the Geneva plant would increase its ingot capacity to 51% of the total ingot production of the Pacific Coast area, the Attorney General estimated the increased capacity at only 39%, and ruled that this increase would not place the corporation in violation of the anti-trust laws. The sale was duly approved.

Eight months after the Geneva plant was sold to U. S. Steel by the government, the Attorney General filed a complaint against the corporation charging it with a Sherman Act violation in agreeing to purchase, for $8,250,000, Consolidated Steel Corporation, a West Coast steel fabricator, as an outlet for plates and shapes produced at Geneva. The Attorney General contended not only that the acquisition would eliminate substantial competition between U. S. Steel and Consolidated but also that the agreement to acquire Consolidated was an attempt by U. S. Steel to monopolize a part of interstate commerce. This was in spite of the fact that the At-

torney General had himself approved the far more significant purchase of the Geneva plant only a few months before. U. S. Steel escaped the brand of monopolist in that case by one vote in the Supreme Court.

American businessmen are haunted by the spectre of Senator Sherman. The Act which bears his name is a potential pitfall to every aggressive business leader. But neither spectre nor pitfall is as disturbing to the economy as inconsistent law enforcement. For the government one day to sell a $200,000,000 ingot plant to a company which thereby gains dominance of basic steel production in an important area of the country, and on the next day to prosecute that company for buying a relatively small fabricating plant to utilize the output of the ingot plant, is to make law enforcement dangerously uncertain for business.

Applying Legal Controls Over Economic Forces

The attempt to apply legal controls over economic forces is, at best, a difficult task and, at worst, virtually an impossible one. Mr. Justice Jackson has commented as follows on the inadequacy of the judicial process to deal effectively with broad economic questions: "I regard it as unfortunate that the Clayton Act submits such economic issues to judicial determination. It not only leaves the law vague as a warning or guide, and determined only after the event, but the judicial process is not well adapted to exploration of such industrywide, and even nationwide, questions." Our legislators should avoid forcing upon the courts the application and interpretation of laws which are unnecessarily vague and indeterminate. Our courts should insist that, in the broad field of public control over business, constitutional issues aside, the legislation sought to be enforced in the courts clearly demands the restraints which administrators and prosecutors claim for it.

I am making no plea here for a return to the freedom-of-contract philosophy of the 19th century. I realize that the complex society in which we now live demands that professional people be subject to sound restraints in respect to their qualifications; and I appreciate, too, that this great American economy of ours cannot function entirely without restraints imposed by law. But I think that this is a proper time, while we are in this desperate struggle with the forces of totalitarianism in other lands, to take account of the fact that we all share the responsibility for maintaining business and professional freedom in our own country. This responsibility extends not alone to our courts but likewise to legislators and enforcement officers. It applies also to the professional and business interests, themselves.

In this connection I would like to tell you something about the attempt that the legal profession is making to assure that every person in this country will have benefit of legal counsel, irrespective of his ability to pay. Without going into detail, the legal profession has established throughout this nation legal aid societies to provide competent legal advice and assistance for those among us who are without money to pay fees for legal services. We have likewise established in the principal cities of the nation lawyer reference offices in the local bar associations through which people of moderate means may be referred to lawyers who will help them within the limitations of their ability to pay. We have not accomplished all that we must in this field but our objective is clear. It is that no man and no woman in this entire country shall ever forfeit any right because he does not have the money with which to pay a lawyer's fee.

The same kind of burden is upon industry. Believing in a free competitive enterprise system, business must accept willingly, and even eagerly, the risks and losses which are inherent in that system. The best assurance of maintaining the free enterprise system lies in the free and open competition of business itself.

My young colleague, Professor Whitney Harris, has recently advanced many of the thoughts which I have expressed to you today in a law review article entitled "Freedom and the Businessman," and I would like to close by repeating a paragraph to you from that article:

"The American businessman," he says, "has served the nation better than we seem willing to grant. He has directed the way to our material prosperity—and it is the highest in the world. He has established our defense productivity—and it has enabled us to triumph in military conflict. Although he may conduct his affairs in corporate form, he is nevertheless an individual, with rights pertaining to himself as a man of business. These rights of businessmen no longer should be slighted, but rather should be strengthened, not to prevent change where change is needed, nor to restrict controls where controls are required, but to preserve the essential freedom of action which makes possible an effective economic system in a dynamic democratic society."

Carborundum Com. Stk. at $32.75 a Sh.

Distribution of 271,940 shares of the outstanding common stock of The Carborundum Co., one of the principal world producers of manufactured abrasives, is being accomplished today (Feb. 26) through a nationwide group of underwriters headed by The First Boston Corp. Priced at $32.75 per share, the stock being offered represents portions of the holdings of individuals, foundations and trusts of the Mellon family. Upon completion of the sale, approximately 48% of the 1,536,430 outstanding shares of common stock will be publicly owned.

Dating back to 1891 when a founder of a predecessor company created the first manufactured abrasive material, the business of The Carborundum Company extends today throughout the world, having application in almost every field of industrial activity. Principal customers for the company's widely diverse line of abrasives include the automotive, machinery and machine tool, cutting tools and dies, electrical and agricultural equipment, iron and steel, woodworking, and many other industries.

Consolidated net sales of the company and its domestic and Canadian subsidiaries for the year 1952 were $70,173,250 and net income was $4,782,503, or $3.12 per common share. Dividends on the common stock have been paid in each year since 1922 and are currently being paid at an annual rate of $1.40 per share.

The company and its subsidiaries own and operate six plants in the United States, four in Canada and five in England, Germany and Norway. A new plant now under construction at Akron, N. Y., will produce zirconium and hafnium sponge metal of which 150,000 pounds annually will be sold under contract to the Atomic Energy Commission for a five year period.

Joins Gibbs & Co.

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—Howard A. Jamieson is now with Gibbs & Co., 507 Main Street.

Public Utility Securities

By OWEN ELY

Electric Bond & Share Co.

Electric Bond & Share's "final comprehensive plan" to conform to Section 11(e) of the Public Utility Holding Company Act was recently amended by the company. It reflected changes suggested by the SEC which in effect require Bond & Share to reduce its holdings of United Gas Corp. common stock to less than 5% of the outstanding shares within two years from the effective date of the plan (which will be the date of Court approval of the plan), instead of by the end of 1955 as originally proposed. At the beginning of 1952 EBS owned 3,165,781 shares, or 27% of the outstanding stock of United Gas; however, 525,000 shares were offered to EBS stockholders at $22.50 a share on a 1-for-10 basis during the period Nov. 17-Dec. 3, 1952.

Under the revised plan (now before the SEC for final approval) an additional 2,073,750 shares will be disposed of as follows, finally leaving 567,031 shares in the Bond & Share treasury as an investment:

	1953	1954
	Shares	
Capital distribution	*892,500	------
Rights to stockholders	------	†525,000
Dividend distribution	210,000	210,000
Other methods	------	†236,250
	1,102,500	971,250

*To be made as soon as practicable after final approval of plan.
†To be made within two years after court order approving plan.

Including the rights offered to stockholders last November, the capital distributions and the dividends, more than 90% of the United Gas stock disposed of will have been made available to Bond and Share stockholders.

Stockholders will receive in 1953-54 about 1,313,000 shares of United Gas through the capital distribution and dividends, or a quarter share of UGC for each share of EBS held—about $7 a share in terms of the recent price of 28½ for UGC. The subscription rights to be given in 1954 will be on the same basis as those given last November, i.e., 1-for-10 at a discount from market value between 10% and 15%. These rights might be worth about 30-40c, which can be added to the $7. None of these rights, capital distributions or dividends will be taxable to stockholders as ordinary income under Federal tax law.

Values per share of EBS as of recent date compared with an estimate for the end of 1954, work out roughly as follows:

	January, 1953	December, 1954
Net Cash and Marketable Securities	$7.00	*$13.00
United Gas at 28½	14.30	3.08
American & Foreign Power (3,941,985 shares at 8)	6.00	6.00
Ebasco Services, Inc. (valued at 5 times estimated $4 million earnings)	3.80	3.80
	$31.10	$25.88

*Allows for no retained earnings except amounts equal to value of dividends paid in United Gas stock and includes $3.77 to be realized from sale of 761,250 shares of United Gas (of which 525,000 will be offered to stockholders on rights) in 1954, or within two years from the effective date of the plan. These funds will be available for reinvestment.

Some time within two years from the effective date of the plan, when United Gas holdings are reduced to less than 5%, EBS should be released by the SEC from the status of a holding company and will be admitted to the ranks of the investment companies. In the meantime restrictions will be imposed on the company's investment of cash in utility company securities but the company will have essentially the same freedom to invest in non-utility securities as is generally afforded investment companies under the Investment Company Act.

What about future appreciation in Bond and Share's portfolio? American & Foreign Power's difficulties in bringing cash from Brazil are being gradually ironed out, and with the establishment of the new exchange regulations in Brazil and the granting of a $300,000,000 loan to Brazil last Saturday by the Export-Import Bank the company anticipates that it should be reasonable to expect that exchange remittances might be greater during the current year than in 1952, with the possibility that exchange remittances might be put on a current basis. The resulting improvement in Foreign Power's position might restore the stock to its former $12 price. This would add some $3 a share to EBS's 1954 portfolio value.

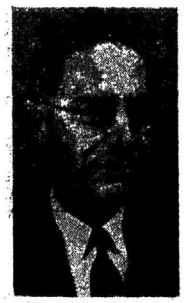
United Gas, according to some forecasts, may be able to increase its earnings to around the $2.15 level and the dividend might eventually be raised from the present $1.25 to an estimated $1.60. While the current price of 28½ seems to discount this to some extent, the 1954 value of $3.08 in the above table might well be increased by 25 cents or more.

On the other hand there is some uncertainty as to the future earning power of Ebasco Services when the present huge construction program of both utility and industrial companies tapers off. Possibly this is adequately discounted by valuing earnings at only five times, particularly since the construction programs of utilities for 1953, 1954 and 1955 are larger than for 1952. In any event it seems possible that the EBS portfolio at the end of 1954 might be worth close to $30 a share if Ebasco continues to do well, thus almost recovering the payout to stockholders.

Assuming a liberal payout of earnings (as in the case of United Corporation) it is estimated that EBS might be able to pay $1.25 or $1.50 in "tax-free" (return of capital) cash dividends beginning in 1955. Assuming that annual realization of book losses on American & Foreign Power holdings can be spread evenly over the period, such dividends could be paid for a long period of years. The company could realize these losses by selling some of its FP shares from time to time and repurchasing them later if desired.

Frank Kunkel Director

PHILADELPHIA, Pa. — The election of Frank S. Kunkel to the board of directors of the North American Acceptance Corporation (Bryn Mawr, Pa.) was announced by Randolph C. Fernon, Executive Vice-President of North American.



Frank S. Kunkel

Mr. Kunkel has been active in the investment banking field for many years. He is associated in this city with the firm of DeHaven & Townsend, Crouter & Bodine.

Under a program of expansion North American Acceptance Corporation has recently added to its offices in New England and has acquired the 30-year-old Liberty Finance Corporation in Maryland. This expansion increased the chain of offices in the North American group to 12 in five states.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

An offering of $4,500,000 Illinois Central RR. 3% equipment trust certificates, series 37, maturing semi-annually Sept. 1, 1953 to March 1, 1968, inclusive, was made on Feb. 20, by a group headed by Halsey, Stuart & Co. Inc. The certificates are priced to yield from 2.30% to 3.15%, according to maturity, and issuance of the certificates is subject to authorization by the Interstate Commerce Commission.

These certificates are to be secured by standard-gauge railroad equipment — 22,250 hp. diesel-electric passenger locomotives with automatic train stop, steam generator and electro-pneumatic brakes, and 351,500 hp. diesel-electric road switching locomotives—estimated to cost not less than $6,000,000.

Included in the underwriting group are: R. W. Pressprich & Co.; Freeman & Co.; The Illinois Co.; Wm. E. Pollock & Co., Inc.; Gregory & Son, Inc.; Ira Haupt & Co., McMaster Hutchinson & Co., and Mullaney, Wells & Co.

With Vercoe & Co.

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Genevieve Eckert has become associated with Vercoe & Co., Huntington Bank Building, members of the New York and Pittsburgh Stock Exchanges. Miss Eckert was previously Secretary for Freeman & Paisley, Inc.

With Garrett-Bromfield

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — James R. Struthers has become associated with Garrett-Bromfield & Co., 650 Seventeenth Street, members of the Midwest Stock Exchange. He was previously with Investment Service Corporation.

Mutual Funds

By ROBERT R. RICH

Pennsylvania Reconsiders Funds for Trustees

THE LIKELIHOOD that trustees in Pennsylvania will be permitted to invest in mutual fund shares under the "Prudent Man" law was greatly improved today when L. Merle Campbell, Secretary of Banking for the State of Pennsylvania, related to The "Chronicle" that he did not expect to oppose the Snowden Bill which was introduced into the State Legislature Monday evening of this week.

The Snowden Bill — which has been referred to the State Senate Banking Committee — will be, if passed by the Legislature, an amendment to the Banking Code that will permit trustees in Pennsylvania to invest in mutual funds having total assets in excess of $10 million at the time of purchase, if the funds have paid dividends in 12 out of the last 16 years and if they have no senior capitalization with priority on earnings and capital. Of the 140-odd mutual funds, the Snowden Bill would eliminate all but 40 of them, five of which have been organized prior to 1929.

In saying, "The Snowden Bill —as currently written—is a pretty good bill. I don't expect to oppose it," Secretary Campbell indicated he would abstain from a continuance of his earlier opposition concerning mutual funds as an instrument for trustee investment.

In the Summer of 1951, when two "Prudent Man" bills — the Berger and Snowden — were introduced into the Pennsylvania State Legislature, Secretary Campbell made known his preference for the Berger Bill, subsequently passed, which permitted trustees to invest in listed securities meeting certain provisions and in bank and insurance stocks, listed or unlisted. The competitive bill at that time — Senator Snowden's — also allowed mutual funds and did not pass.

It is reliably said that Mr. Campbell's concern then was that some delineation be made and standards set for mutual funds in a way similar to the Berger Bill's specifications for trustee investment in individual equities. Apparently—with the new Snowden Bill—this has been done, since it has Mr. Campbell's implied approval, which, of course, counts for a great deal in Harrisburg.

When the present Snowden Bill will be sent back to the Senate from the Banking Committee is not currently known, but it will be at least two weeks since Senator Snowden is to be away for that length of time.

SALES OF National Securities Series for the fiscal quarter ended Jan. 31, 1953, were reported at $11,829,397, the highest three-month sales in the history of the company, according to figures released today by E. Waln Hare, Vice-President of National Securities & Research Corporation. These sales represent an increase of over 70% from the like quarter a year earlier.

Total assets of National Securities Series were reported at $122,950,472 on Jan. 31, 1951—up over 38% from a year earlier. The largest single fund in the National Securities Series continues to be Stock Series with net assets of $59,099,568 as of Jan. 31, 1953. Income Series continues as the second largest fund with net assets at $29,814,148.

During the fiscal quarter ended Jan. 31, 1953, the investment management of National Stock Series, a common stock fund, increased holdings of numerous stocks, some of which were Briggs Manufacturing; Celotex Corp.; Flintkote; Bucyrus Erie; Allied Stores Corp.; Interlake-Iron Corp.; and Republic Steel. Eliminations of individual stocks included Columbus and Southern Ohio Electric; Douglas Aircraft; McGraw Electric Company and Corn Products Refining Co.

KEYSTONE FUND K2 recently issued a report to shareholders covering operations for the fiscal year ended December 31, 1952. The "K2" portfolio consists of 34 speculative preferreds selected for capital growth opportunities. The results for fiscal 1952 and the year-end figures are compared with those of fiscal 1951 in the table below:

	Fiscal 1951	Fiscal 1952
Net asset val. Dec. 31	$26.92	$27.35
Capital gains per sh.	$1.44	$1.46
Divs. per sh. from inc.	$1.18	$1.09
Total net assets, December 31	$5,620,586	$5,359,724
No. of shs. outstanding Dec. 31	208,789	195,971
No. of shareholders, Dec. 31	3,686	3,394

The decline in the number "K2" shares outstanding is responsible for the decline in the total net assets of the Fund. This reflects the more cautious attitude of Keystone investors toward speculative preferred stocks at current market levels. Since the market low of June, 1949, Keystone Fund "K2" has paid a total of $4.86 per share from realized capital gains, and the net asset value per share has moved up from $17.18 to $27.35 at the 1952 year-end. Adjusting for the capital gain distributions, the over-all increase in capital value during the 3½-year period was about 87%.

Portfolio Changes: Bush Terminal Buildings Co. 5% cum. conv. prior preferred, and Stromberg-Carlson 4% cum. conv. preferred stocks have been added to the list for investment by the fund since June 30, 1952. Eliminated from the list since June 30, 1952, were: Standard Gas & Electric $7 cum. preferred and Textron, Inc. $1.25 cum. conv. preferred.

KEYSTONE FUND B1 portfolio is currently invested about 50% in short-term or intermediate-term U. S. Government bonds and 50% in 33 bond issues of U. S. corporations, including a few Canadian Provinces. Covering operations for the fiscal year ended Dec. 31, 1952, the annual report shows the following comparisons with the figures of a year earlier:

	Dec. 31, 1951	Dec. 31, 1952
Net asset value per sh.	$26.15	$26.38
Total divs. from income during year	$0.73	$0.73

Total net assets in the B1 Fund had a market value of $18,084,968 at the 1952 year-end, compared with $18,569,330 a year earlier. The slight decline in assets of this Investment Bond Fund (its primary investment objective is capital stability) was entirely due to a decline in the number of shares outstanding from 709,985 to 685,540. However, the number of shareholders increased during the year from 4,711 to 4,824.

Portfolio Changes. These issues have been added to the list for investment since June 30, 1952: United States Treasury 2⅜s, 1958 (June); Ontario Hydro-Electric Power Comm. deb. 4¼s, 1967; Bell Telephone Co. of Canada 1st "J" 4½s, 1967.

These issues have been eliminated from the investment list since June 30, 1952: United States Treasury 2⅞s, 1960-55 (March); British Columbia (Prov. of) (Canada) 3⅝s, 1977; Canada (Dom. of) 7th Victory 3s, 1972; Nova Scotia (Prov. of) (Canada) deb. 3⅝s, 1964; Shawinigan Water & Power Co. 1st & Coll. "H" 3½s, 1970.

TOTAL ASSETS of Texas Fund amounted to $11,338,861 for the year ending Dec. 31, 1952, in contrast to total net assets of $6,473,429 for the year ending Dec. 31, 1951, reflecting a gain of 75.1% for the period.

During the year, net asset value per share increased from $4.99 to $5.40, an increase of 8.3%. While Texas Fund confines its investments to the rapidly-growing southwest area, the investments selected for the Fund are characterized chiefly by low labor cost and a wide margin of profit.

DISTRIBUTORS GROUP Incorporated, sponsors of Group Securities, Inc., has issued to dealers a new edition of its Standard Plan for Employees Profit Sharing and Retirement Trusts. This material is designed to equip the securities salesmen to render a service to firms interested in the tax advantages of this popular form of executive and staff compensation.

CLOSED-END REPORTS

NET ASSET value per share of The Lehman Corporation as of Dec. 31, 1952, was $73.22 on the 2,076,562 shares of capital stock outstanding, compared with $69.83 at the beginning of this quarter, it was reported yesterday by Robert Lehman, President, in the interim report to stockholders.

Net ordinary income for the six-months ended Dec. 31, 1952, the first half of the Corporation's fiscal year, amounted to $2,262,007, as compared with $2,354,928 in the corresponding period of the previous year. During the same period, the Corporation realized a net profit on securities sold of $3,151,971, as compared with $839,125 for the six months ended Dec. 31, 1951.

During the three-month period, the Corporation purchased stocks at a total cost of $4,912,314, as against total proceeds from securities sold of $4,942,314. The Corporation's U. S. bonds and net cash amounted to $18,082,821, or 11.8% of net assets against $17,442,105, or 12%, three months ago. Common stocks constituted 84.7% of net assets on Dec. 31 last, as against 83.4% as of Sept. 30, 1952. The report showed total net assets aggregated $152,051,780.

Chief additions to the portfolio during the quarter were 10,000 shares of Northern Pacific Railway Company; 25,000 shares of U. S. Rubber Company; 10,000 shares, R. J. Reynolds Tobacco "B"; 10,000 shares, Pacific Gas & Electric Company; 8,500 shares, Pittsburgh Plate Glass Company; 5,000 shares, Eli Lilly & Company, "B"; all new items. Sold were 20,000 shares of Parke, Davis & Co.; 24,998 shares of Tennessee Gas Transmission Company; 6,400 shares of Monsanto Chemical Company; 8,100 shares of Humble Oil & Refining Co., leaving 30,000 shares of this stock in the portfolio; 10,300 shares, Phelps Dodge Corporation, leaving 15,000 shares.

EARNINGS of The United Corporation in 1952 were $3,914,926 or 27.8 cents per share of which $651,927 or 4.6 cents per share was a special credit to net income representing profit on the sale of South Jersey Gas Company common stock Wm. M. Hickey, President, announced yesterday. In 1951 there was no special credit to income and earnings amounted to $3,142,448 or 22 cents per share.

Mr. Hickey said that the company had realized a net profit of $1,704,591, based on 1939 restated values, on the sale last July of all its holdings of South Jersey Gas Company common stock. A part of this profit, $1,052,664, was credited to capital surplus, and the remainder of $651,927 represented the special credit to net income. Excluding the special credit, earnings were 23.2 cents per share.

Gross income other than profit on the sale of South Jersey stock amounted to $4,036,545 in 1952 compared with $3,807,017 in 1951. The larger income resulted principally from the increased Niagara Mohawk Power Corporation quarterly dividend rate which took effect at the end of 1951 and from a $77,116 dividend from South Jersey common stock in January 1952. South Jersey Gas Company had not previously paid dividends.

Net assets on Dec. 31, 1952 amounted to $72,811,001 (based on indicated market value for investments held) or $5.17 per share. This compared with a net asset value of $67,102,611 or $4.77 per share on Dec. 31, 1951.

NET ASSET value at Dec. 31, 1952, of National Shares Corporation, a closed-end investment company managed by Dominick & Dominick, based on market quotations as of that date, and after deducting all dividends declared during the year, amounted to $35.56 per share on the 360,000 shares of capital stock outstanding. The net asset value one year ago was $35.02 per share.

During the year 1952, National Shares paid dividends on its outstanding shares as follows: from surplus income $409,714.43, or $1.138 per share; from net profits realized during the year on sales of securities $573,085.57, or $1.592 per share. Pursuant to the provisions of the Internal Revenue Code, the latter amount per share of the special dividend paid on Dec. 26, 1952, has been designated by the directors as a "capital gain dividend" for the year.

Securities Salesman's Corner

By JOHN DUTTON

BUILDING AN INVESTMENT CLIENTELE

(Article 6—Part 2)

"The Second Call on Your Prospect"

You will remember that during your first call you qualified your prospect. If he was interested in investing his capital for the purposes of providing a steady income, and also was conscious of the fact that his principal should be protected to as great an extent as possible; you made note of these facts. You also obtained a list of his holdings, the total number of shares in each company which he owned, and information concerning his cash reserves, etc. This data you took with you to your office and you made an inventory of his situation.

What An Inventory Should Prove

The first step in analyzing any portfolio is to find out whether or not there is too much or too little in common stocks. The second step should show whether or not there are too many speculative stocks for safety of the overall account. A listing of the percentages in common stocks, in speculative stocks, in preferreds and bonds, and in cash, government bonds, municipals, savings accounts, etc. should be prepared on a schedule sheet.

The second step should determine the percentages in various industries. If there is too much in any one company, or in any one industry, this fact too should be indicated on the summary sheet that has been prepared for submission to the prospect.

On your second call sit down again with your client. You now have something important to discuss. If there is too much in speculative stocks for safety's sake, show the percentages of the entire investment account that is invested in speculative risk items and that which is on the safer side. Ask your prospect what is most important to him—put it this way. "Mr. Jones, this capital you have accumulated I know is important to you. You didn't come upon it overnight. It took quite a bit of hard work and some saving to accumulate what you have today. I have no wish to alarm you. I don't think that the world is coming to an end, but I would like to point out just one thing to you. The only way to make certain that you can protect capital from serious losses is to see to it that you are not 'out on a limb.'"

"You will notice here that a substantial portion of your entire investment fund is invested in stocks that could be vulnerable to a substantial decline in value, in the event of a change in the economic climate. Quite frankly, no one knows when such a turn may come. However, it is a matter of historical fact that recessions follow booms and sooner or later I think you will agree that such a situation can, and will, come again. With such a sizable proportion of your investments in this vulnerable position, what do you think might happen to your capital if a severe decline in the market took place?"

You are here setting the stage for an intelligent discussion of your prospect's portfolio and, make no mistake about it, if you do go into this matter of overall balance, and sound portfolio planning you will have an interested and cooperative prospect. This does not infer that everyone is going to agree with you right off the bat that they should go out and sell some of their high-priced common stocks that now show them a very substantial profit. In fact, many people rebel today at the thought of paying the Federal tax on capital gains. But, at least, you are on the right track.

The First Step Toward An Order and an Account

You are well aware that there are two primary and motivating forces behind most of our actions. The first is hope of gain and the second is fear of loss. Of the two, it is said that fear is the most forceful of the two emotions.

Certainly when you can actually see that there is too much invested in speculative stocks (and far too many investment accounts today will certainly show that this is a predominating weakness) then it is your duty and your obligation to obtain some agreement that steps be taken **before it is too late** to move some of that money now invested in speculative securities into safer ground. If you are connected with a firm that handles mutual funds, or good utility operating company common stocks, or some better grade preferred stocks, or municipal bonds, then discuss these alternate sources of investments with your prospect. Don't try to get him to swallow the whole dinner at one sitting. Cut off a corner. Go over his list and pick out a portion of the most speculative items: obtain an agreement on that as a start. Then suggest a replacement that will fit into the overall structure of the account. If there is a shortage of primary reserves, use municipals. If a good balanced mutual fund can be acquired to give more stability of income and better market performance over the years ahead, use that. If you have other higher grade common stocks that will "upgrade" quality then use that vehicle. The most important thing you should keep in mind in making suggestions to your prospect is that you—

First: Obtain agreement that it is time to move out of a hazardous and vulnerable position.

Second: Determine how much and what stocks should be sold.

Third: Make a practical suggestion for reinvestment.

This is the basic framework of the sales procedure which should be your guide if you are going out today to do an investment job for people whom you expect to become your clients, and rely upon you for guidance in the future. Not everyone will be sensible enough to sit down with you and have a real, serious discussion of what should be done along the lines I have outlined here. But many people will do so. Those who are investors and who know that the money they have saved, and set aside for their future comfort and protection is important to them, will listen and they will act. However, you must believe in what you are doing. If you believe that this is a time to "upgrade" investments, then go out and see your people with the following thought in mind. You have a job to do. It is a good job. It is one of the most important things I can do today to help my fellow-man. That job is to help him to see that there is only one way to protect and preserve capital. That is to spread the risk, eliminate hazardous situations where ever possible, and to replace them with sound and substantial investments which, even though they might decline in value to some extent if the economic cycle turns downward, nevertheless the income and intrinsic values will not be permanently impaired.

This Is a Pretty Big Job

In conclusion, I would like to make just one observation of my own. Good accounts are worth working for. They are worthwhile seeking out even though many people will not be at all interested in sound investment planning. As I stated in the first articles of this series, there are three types of people you will meet while you are prospecting for business.

(1) The fellow who only wants to use your knowledge (forget him).

(2) The sophisticate who buys his own securities but who will sometimes give you an order if you have a special situation to offer that he likes.

(3) The customer who relies upon you for investment guidance. **Give him your best.** He not only deserves it but he will help you to find others who will also become your clients.

Finally, always remember that the slow way and the right way will pay in the end. The investment business today has begun to mature. Some of the most competent and able men you will find in any profession are now engaged in the distribution of securities to the investing public.

I can personally go back to 1925 when I first started earning a living in the securities business. We have gone a long way since then. We do need some overhauling of the Securities Acts, possibly even a complete repeal of those laws, and a new and specific set of laws should take their place. I am not a lawyer and I do not know. But something should be done to make it less burdensome on the investment industry to carry on the great task which lies before it. In many cases, advertising restrictions are stifling the merchandising of securities. Useless regulations and pecuniary restrictions of various kinds are holding back the creative forces that could carry the best efforts of our industry before the American people.

The public needs education—people do want to invest in American industry. Some day we may be able to take off the hobbles and the harness which was fastened upon the investment business by a group of political-minded legislators back in the early 'thirties. Meanwhile we are making progress—this I believe. There are thousands of able and conscientious men and women who are daily devoting their energies and talents to the task of helping the American people to better understand what they can do with their money in order to make this a better country in which to live. When you sell securities you are selling people on America. When you sell people the kind of securities **that they should own** you are helping them to protect and preserve their own little part of America. That's a mighty good sort of a way to earn a living as I see it.

With Fusz-Schmelzle

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Floyd E. Dixon, Sr. has become associated with Fusz-Schmelzle & Co., Boatmen's Bank Building, members of the Midwest Stock Exchange. He was previously with I. M. Simon & Co., and Slayton & Company.

Continued from first page

Our Problem—Preservation Of Liberty and Free Economy

particular program, but rather of the philosophy which I believe should guide the Republican Party—and the Democratic Party for that matter. The newspapers and others are too much inclined to classify every man and every party as either radical or conservative. They try to judge every issue on the basis of whether one's position is "left" or "right." They are surprised at the man who has received a left-wing aspect in the press when he perhaps supports a conservative measure, and they are surprised when those who are tagged as reactionaries turn out in many fields to be more progressive than their opponents. As a matter of fact, the questions that we face today are often questions which require primarily the application of wisdom, practical judgment and good sense, and above all a knowledge of government and a fundamental belief in the purposes for which the American Government was founded. As far as many policies are concerned, I could argue on either side of most of the policy questions of the day. At least I can see the arguments for them and against them. But the true liberal should have some guiding principles, be he conservative or radical.

Maintaining Personal Liberty — A Guiding Principle

In seeking a guiding principle, I have come more and more to believe that the consideration which ought to determine almost every decision of policy today is the necessity of preserving, maintaining and increasing the liberty of the people of our country. Every policy should be tested on that touch-stone, whether it increases or decreases the liberty of our people and the promise of continued liberty in the future.

All of us have given lip service to the principle of liberty since we were small children. But the truth is that after praising liberty, there are very few people who pay very much attention to the application of the principles of freedom, or study the conflicts of the freedoms of various groups.

This country was founded to obtain the independence of our own people, and for many years our citizens talked so much about liberty and the new era that they had brought to the world, that they bored the foreign travelers even those who were sympathetic.

Tomorrow we celebrate the birthday of George Washington, who, more than any other man, was responsible for the successful establishment of the independence of the United States. The Nation which he founded was, as Abraham Lincoln said, "conceived in liberty." Those who founded the Nation knew of the dangers which might destroy any free state. It was Benjamin Franklin who said that we had established a republic if we could keep it so, and who said further that "They that can give up essential liberty to obtain a little temporary safety deserve neither liberty nor safety." The liberty established by the new American government spread via the French Revolution to all sections of the world until it was an accepted philosophy in most countries that the best way in which people could hope for progress and a happy life was to have a free government. The philosophy was accepted even in countries where they did not in fact have liberty.

Then gradually a new theory arose that people's welfare and the happiness of their future could only be achieved by turning over all power to the state, that the people were not able to do the planning for themselves, and that only the government had the ability to plan and the power to carry out the plans necessary for the people's improvement whether the people liked the plans or not. While they give lip service to liberty, many people in this country today accept a philosophy of government which is completely inconsistent with liberty.

What is this liberty, and what has it done? First, of course, we understand it clearly to include national independence. We know that the American people desire to be free from the direction or votes of millions of other people. The American people certainly are not going to let the rest of the world take over this country and boss them. They are determined that they will resist any threat to their liberty through the growth of a great Communist state based on the Eurasian mainland.

Perpetual War—a Threat to Independence

But the very independence we are trying to protect may be destroyed by perpetual war, which has established many dictatorships in this century. It may be destroyed by expenditure so great as to turn this country into a garrison state in time of peace. In other words, there are always conflicting dangers to liberty. We have to pursue the course which will retain essential independence. On the one hand we can agree to various limitations on our sovereignty which do not really endanger it by entering into international agreements like the United Nations Charter and military alliances binding us perhaps to go to war in certain cases as a preventive of a more dangerous war. But I believe we would threaten the very essentials of liberty if we joined a world state with an international legislature making laws for the people of the United States. It is obvious if we have only 6% of the population of the world that on any basis of fair representation we would be overwhelmed by a tremendous majority of other peoples. I think the American people are tremendously opposed to such a result and insist that we remain free from the control or legislation of other peoples who do not understand what America is about, who differ from us in their governmental philosophy, in their religion and in their economic condition, people many of whom do not sympathize with the ideal of liberty at all.

So also we could destroy our liberty by a military and foreign expenditure in time of peace so great that a free economic system cannot survive. Surely we can devise an effective program within the capacity of our free economic system, and not endanger liberty at home in the wasteful protection of liberty from foreign attack. I believe that this tremendous government activity under our present program is a greater immediate threat to our liberty than that from Soviet Russia.

Why is the preservation of liberty at home and a free economic system so vital to our future? Some people talk about the need of preserving the free enterprise system. I have not particularly liked that term myself, because it has seemed to me that it is too much identified with business freedom only. Liberty should have a much wider mean-

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ing. Liberty means the liberty of every individual to live his own life and think his own thoughts, to have those thoughts taught by someone if anyone can be found who thinks they are worth teaching, the liberty of our families to earn their own living and spend the money which they earn on the things that they want for their family instead of turning it over to the government to be used in the providing of government services they may or may not want, and probably may not get. It means the liberty of local self-government—that is the liberty of each community to decide what it wants in the way of those services which are the peculiar function of local government — the right of each community to decide how its children shall be educated, how its fire and police services shall be run, how its welfare services shall be run and what they shall apply to. I don't believe you can have freedom in a country the size of the United States unless you do have the freedom of state and local communities to decide their own affairs. This country is so tremendous that no one sitting in Washington is responsive to local public opinion and consequently the regulations he attempts to make amount to tyranny in many communities where they are different from what the people want. Furthermore, I don't believe that anyone has the knowldege to draft regulations that really fit all the different kinds of situations we have in such a tremendously extended and diverse country. What fits New York City doesn't fit Ohio. What fits the city doesn't fit the country. What fits the middle West doesn't fit the Mountain States or the Far West. We simply do not have real freedom unless we maintain the independence of state and local governments. That is the basis for the absolute necessity of maintaining the doctrine of states' rights. Not only are the rights of the states themselves important in many fields because of the conditions existing in different states, but it is that doctrine which protects the independence of our cities, our schools and our counties. If it were not for States' Rights, we would be legislating in Congress for the city of Chicago, for Cook County and for every school district in the State of Illinois.

What Liberty Means

Liberty means the right of every man to choose his own occupation and work in the field to which he is best fitted. It means the independence of every man to run his business or his farm as he thinks it ought to be run as long as he doesn't interfere with the right of other people to do the same thing. In this economic field any real freedom includes a reward and incentive if a man is a really good workman and is willing to spend his time and his efforts on better work. It means a reward and incentive in business for genius, daring, ability and the willingness to risk what one already may possess, in return for greater gains.

The result of this liberty in the United States has been to permit a tremendous development of new ideas in every field of intellectual life. Those ideas have competed with each other until the best came to be accepted and led on to constantly greater development in science, in agriculture, in industry, in education, in government.

The most extraordinary effect of our liberty has been in the improvement of material standards of living. By the development of new methods in manufacture, distribution, and agriculture, the American workman — and the American farmer — has gradually come to increase his productivity until he produces two and one-half times as many things as the British workman or the British farmer. If more goods are produced per person, there are obviously more to divide up per person. That means that everybody in this country on the average has a standard of living two and one-half times what they have in Great Britain—more of all the things that make life worthwhile—better homes, better home equipment, more electric service, more automobiles, radio, television, better education, better recreation. I believe that it is entirely clear that this is the result of the greater liberty which has existed in our industries, the maintenance of free competition. The growth and competition of ideas has also been promoted by the maintenance of private colleges and private research, and also of many independent State colleges and schools free from any domination by the Federal Government.

No one certainly is inclined to dispute the great work done by the unions and by the agricultural associations in insisting on and obtaining a fair share of the national product going to less powerful people, and keeping the distribution of wealth just as equal as possible, allowing for the relative contributions made by different elements of the population. But certainly it cannot be denied that the tremendous improvement in this country over other countries has not arisen out of a different distribution of the product, but out of the tremendous increase in the total product which our people have been able to bring about. And that gross product is the result of the liberty which we have enjoyed and the reward and incentive given by a free system to those who have chosen to make the most of that liberty.

But liberty is not license, and it is not *laissez faire*. All through history men have warned that liberty, while necessary, can be dangerous. "Oh liberty, liberty, how many crimes are committed in thy name?" Milton said: "License they mean, when they say liberty." Obviously, no man can enjoy complete liberty without entrenching upon the liberty of others. Government cannot afford to allow complete freedom, or freedom itself would disappear. Government must insure equal justice under law, or no one would be free to pursue his own life as against the reckless and selfish and unprincipled. Government must assure a reasonable equality between individuals, because if certain people enjoy all the privileges and others do not enjoy those privileges, the liberty of these others is seriously curtailed or destroyed. In many cases, we must have affirmative government action to preserve liberty. And so the preservation of liberty is not a negative program but requires a continuous legislative and executive supervision.

Thus people found that if there were no government intervention to maintain freedom of competition, some company monopolized an entire industry and no one else was free to enter into that industry or introduce a new idea. Probably nothing has maintained real competition in this country and prevented the stagnation which we see in English industry, as much as the Sherman Anti-Trust Law, and the other laws which support it.

Must Have Labor Laws

So, also, in the field of labor-management relations, we found it necessary to have labor laws like the Wagner Act and the Norris-LaGuardia Act first and the Taft-Hartley Act later. These laws were enacted so that workmen would not be at a disadvantage in dealing with a powerful employer who could deal with a thousand men one at a time, and so that a small employer or an individual union member would not be at a disadvantage in dealing with a powerful union. In other words, these laws were passed to eliminate special privilege with power so excessive that it destroyed the liberty of other men. The minimum wage law is based on the theory that without government intervention oppression can occur, principally in unorganized industry. The support of farm prices is based again on the protection of a large group of small economic units against the injustices that may result from a completely free market. In the field of inflation also government has to step in to prevent the excessive expansion of credit which in times past has destroyed the very basis on which a free economy must rest. Certainly a depression not only brings great hardship, but limits seriously the liberty of millions of people and the rewards to which their work entitles them.

Also, as our civilization becomes more and more complex, it becomes more and more necessary to have government regulation which will permit all to enjoy as much freedom as possible without infringing on others, as in the field of radio and television. We have to have government regulation through the FCC in order that anyone may be able to hear and see the words and pictures that are put on the air.

So in civil aviation, we have to create a new government board and a series of regulations if there is to be any safety in the air. The more complicated our life becomes, the more necessary it is to reconcile the different freedoms of different people. Our automobile traffic requires more and more red and green lights.

But in all of this regulation, the main purpose behind the law must always be to maintain just as much freedom as is possible under the complicated conditions of modern life, and to prevent the constant tendency of individuals to try to achieve special privilege and special power. Our laws should be drawn by men of ability and good will in such a way as to preserve the essentials of freedom.

Today, it seems to me, we face the greatest danger to liberty that this nation has ever faced. As we look back through history, we can see how over and over again a nation has established freedom; how, over and over again, it has lost that freedom. The Greek cities turned into tyrannies, the Roman Republic into an empire, the Middle Ages cities were taken over by kings and emperors. Usually freedom was lost because the people surrendered powers they had enjoyed perhaps because of some temporary emergency, without realizing how important it was to retain that freedom and how difficult it was to regain it.

Our greatest danger from outside of the country today is from Soviet Russia. It is not only a danger of military invasion, but it is also a danger of the infiltration of a philosophy which appeals to many. We are meeting it with a tremendous program of military expansion, of alliances with other free nations, progaganda and infiltration on our own part. Not only is it a danger from outside, but the size of the program required to meet that danger is so great as to threaten liberty itself here at home.

Big Government, Another Threat To Freedom

This second threat to freedom of this country comes from big government itself. Our ancestors, when they established this Nation, realized that the greatest task they had was to protect the people against the excessive power of an arbitrary government. The reason for the checks and balances we have in our Constitution, the reason for the often inefficient organization, and for the division of powers between the Federal Government and the states, for the division of powers between the Executive and Congress and the Judiciary, was the vital need of keeping anyone from assuming arbitrary power. But today we face a danger which we never have faced before. Big government has constantly increased in size and in power. Twenty years ago the Federal Government took 6% of the people's income. Today they are spending 28% of the people's income and the taxes run over 25%. When we add to that about 7 or 8% for state and local government, we find that the total tax burden today is approximately 30% of the people's income and government spending more than a third of that national income. That means that the Federal Government is conducting over 28% of the total activity of the people of this country and other governments 7 or 8%. Frankly, I do not believe that we can impose on the people a burden of total government in excess of about 25% of the people's income, if we really desire to continue a free economy. The taxation required becomes exceedingly burdensome, so burdensome that it is almost impossible to balance the budget, and creates an inflation which destroys the whole basis of the system on which a free economy and rewards and incentives are based. The burden on business is so great that there is no incentive to men to go into new business and start all of those small business concerns from which our large industries have always been built up. Small business concerns with new ideas and new energy and new methods mean the increase in production which is so necessary. Also, a free economy has profited from hundreds of private charitable institutions, hospitals, universities, all entirely free from the domination of government and free to introduce new ideas and new methods. Taxation is so heavy that all of these private institutions are turning more and more to government for support, which in turn increases the further activity and power and taxation of government. At some point this burden becomes so great that there is a constant spiral of further government activity and we find it just as easy to socialize a country through the expenditure of money as by direct taking over of industry. We are faced also at the same time by direct grants of power to government which then undertakes to conduct business itself, or to regulate to death those private industries which still continue. The excessive regulation of railroads has prevented any new money being invested in railroad stocks for many years.

We have seen recently the attempt to impose price and wage controls to prevent inflation, and that involves the government regulating billions of transactions which occur every day in the United States. Businessmen have to go to Washington to get approval of the purchase of new machinery or the trying out of new methods. This whole industrial improvement process is bogged down by such control. Furthermore, price control doesn't really work, except perhaps in time of war. If it really is up against any strong tendency to increase prices to meet economic conditions, no one knows how to avoid black markets. In wage control we see how the Board has been utterly unable to maintain any formula for the control of wages. Furthermore, even if they worked, price controls defeat their own purpose. If prices are held down, it tends to increase demand and decrease supply; whereas the proper method of meeting a price situation is to decrease demand and increase supply. If, in time of war, it is impossible to prevent a tremendous deficit then we have to have price controls simply to slow up the process of inflation, although they cannot prevent some ultimate inflation. Price controls also work better in time of war under the pressure of national patriotism. I believe the Eisenhower Administration is entitled to great credit for removing all controls, and there should be no attempt to impose standby controls. Price and wage controls are no part of a free system. They can utterly destroy a free economy. Yet people have come gradually to accept them simply because they have been used and there is a natural human desire to have somebody hold down the price of those articles which I have to buy. But if price and wage controls become a permanent part of our economic system, it means the end. I believe, of the very progress which will cure the hardships which might result temporarily from high prices.

Government in Business

We are also faced with an effort to put the Federal Government into the actual conduct of business, a process of direct socialism which has gone so far in England. However, government activity may be justified in particular emergencies, and in fields where only the government can hope to operate. But certainly experience, as well as theory, leads to the conclusion that there is little freedom or initiative or new ideas in an activity long conducted by government. Government operation should certainly be held to a minimum.

We see also an attempt to extend the Federal Government's activities over welfare, health, housing and other services which have always been provided by local government and private industry. I have sympathy with the effort to extend Federal assistance in these fields to our poorer communities, but certainly it should be based on the need of those who are unable to keep up with our strenuous economic activity and maintain a reasonably decent life for their families and particularly for their children. It seems most unwise to use federal funds to extend the action of government into welfare services for which the great bulk of the people are able to pay on a business basis.

The greatest single force today building up the power and spending of the Federal Government is the tremendous scope of our military and foreign aid programs. It can only be said that these programs must be held to the minimum required for national safety and every cent of waste and extravagance must be eliminated. I believe the Eisenhower Administration is inspired with a determination to make these economies, different from anything we have seen in the past 20 years.

There is another field of freedom which is giving great concern to many people. It is felt that the investigation of Congress is excessive in trying to ferret out the existence of communism and is in danger of being extended to mere attack upon those who are favoring a left-wing socialism which has no direct connection

with Russia. Personally, I think this fear is greatly exaggerated. After all we are spending billions of dollars and endangering the very freedom of this country, in trying to meet the attack of communism from Russia. I see no reason why Congressional committees or others should not bring to the attention of the public the fact that men are Communists if they are Communists. I know of no civil right infringed upon by such publicity, particularly in fields infiltrated for the purpose of affecting public opinion, like the teaching profession, the movie and television field, the publishing field. But I see no particular purpose in examining the view of a few individual professors if they are not part of an organization promoting the spread of communism.

The question whether men should be dismissed from their jobs after the public has been made aware of their connections is an entirely different problem, a much more difficult one, and certainly depends very much on the particular case.

I see no reason why the government should continue to employ people with Communist sympathies. On the other hand it seems to me doubtful whether anybody ought to be fired from a job in a college or elsewhere if he is not using that job to spread and teach doctrine intended to undermine and overthrow the government of this country in favor of a Communist state. But those who are objecting to investigation seem to me to be claiming a freedom that does not exist. They not only want to express unorthodox opinions, but they want apparently to be free from public criticism for expressing unorthodox opinions. Certainly, the people of this country have a right to criticize Communists, and even criticize them to an extent which might drive them from the positions where they are able to influence other people. I have run for office frequently, and my enemies have not hesitated to lie about my position and do their best to drive me out of public life. I don't quite see why professors or others should be immune from such criticism and action. I must say as a member of the Board of Trustees of a university, I would not favor firing anyone for being a Communist unless I was certain that he was teaching communism and having some effect on the development of the thought of the students.

I believe that our great task today is one of keeping this country on the track of freedom. It is a difficult job to reconcile the different freedoms which conflict with each other, particularly as life becomes more and more complex. It takes brains and a careful discrimination to enact the right kind of statutes and adopt the right kind of policies. I believe this country believes in liberalism. I believe liberalism means the maintenance of an essential freedom. No matter how it may be necessary to limit this activity or that, we can still, as we work out the program for government action, do it in such a manner that it maintains the very maximum of liberty.

If we can keep liberty alive I see no reason why we should not go on expanding in material welfare. I see no reason why the standards of living of this country should not continue to increase at the cumulative rate of 2 to 3% a year, doubling every 40 years as they have during the past hundred years. There is no limit to the capacity of the American people to produce, and bring to all the citizens of this fortunate country the standards of living which we regard as essential for true progress. Let us keep constantly before our eyes the fact that these are the blessings of liberty. They can only be retained by eternal vigilance.

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The World Economic Outlook

and the beginning of a long-term peaceful era.

It is also quite unlikely that 1953 will witness large-scale warfare beyond the scope of the Korean War. The fears of those who believe a stepping up of pressure on Communist China will lead to a war with Russia are probably unjustified.

It seems that the key men in Moscow don't want war now. They'd like to continue their conquests through cold wars, without having to send Russian armies into foreign countries. They will also encourage their satellite countries to extend the cold war and they will most likely make arrangements with Peking to continue the war in Korea as well as to provoke other "Koreas." It is probable that the Chinese National Government in Formosa will be aided by the United Nations or by our country to organize a blockade against Communist China, which may become quite effective.

As a result we will have a continued high level of production of defense materials. Defense supplies probably will be shifted, to some extent, to the Far East, partly at the expense of Western Europe. Yet, military aid by the United States to Western Europe will, for the time being, remain on a scale, which on a monthly basis may be more than 50% greater than what was given during the second half of 1952. It is estimated that Great Britain, for example, may receive $45 million monthly during the first half of 1953 against $30 million monthly during 1952. It is unlikely, that on an annual basis, the world economy, and again let me repeat that it means the economies of the Western world, will be supported by foreign dollar aid and by government spending as much as it was during the early postwar years.

Many Upsetting Factors in Prospect

Consequently there will be many upsetting factors. They may be called the beginning of an international economic adjustment which is necessary because five years of war and another five years of government-directed and subsidized economies have resulted in major maladjustments in the world economy. They have prevented adjustments of national forces of production and trade because the structures of the world economies and the national economies have changed greatly during the last decade.

Inflationary policies can only be considered as artificial stimuli, which temporarily avoid the normal pains of world economic adjustments. The greater the inflationary doses, the more difficult is the process of adjustment thereafter.

Trend of Dollar Is Important Factor

An important factor in the world economy and the United States, in particular, is the probable trend of the dollar.

It is advisable to consider the value of the dollar in three ways: (1) in terms of its buying power; (2) in terms of its rate of exchange, and (3) in terms of the dollar price of gold.

In the event of a new war, the value of the dollar will suffer in terms of its buying power. It will also weaken in terms of its rate of exchange for currencies of countries which are "neutral" and for war profiteers. It will decline sharply in its gold value in terms of free market gold prices. However, the official price for gold will not be changed during wartime.

In the case of a prolonged peace period, or even during a "cold war," the outlook would be quite different. The dollar would remain strong in terms of its buying power since a new marked upward trend in commodity prices cannot be expected in the near future. However, prices for individual commodities will be adjusted and considerable fluctuations may occur. The prevailing over-all trend will favor the dollar. In the case of a major depression, there would probably be some inflationary injections into the sick economy. This would precipitate a new upward movement in prices. Such a movement would be preceded by a depression, which would raise the buying power of the dollar.

This process would be more difficult for foreign countries than for the United States. Most of them are more dependent on international trade than our own country. This applies particularly to Western Europe, as well as to Latin-American countries whose well-being at present is largely derived from production and exports of a few basic commodities.

Many Western European statesmen expect that the United States will be forced to pump $5 to $10 billion into Western Europe perpetually, in order to fill the dollar gap and help them finance deficit-spending economies. British national economic planners have pointed out that the United States would have to carry the burden of international economic maladjustments either by creating sufficient markets for dollar earnings from the export goods of Western Europe or through dollar aid to these countries.

The new plans proposed by British Commonwealth leaders, which provide for a strong convertible sterling currency, have been based on America's contributions as well as drastic cuts in the United States tariffs, etc. These plans were also based on perpetual prosperity in the United States, if necessary stimulated by inflationary policies. It is expected that a deflated dollar would have British sterling from a critical stage.

Some trends in the United States, especially in foreign trade, will be helpful to the foreign trade position of Western European countries. I refer particularly to the decline in agricultural commodity prices. As a result, the industrial export countries of Western Europe, particularly Great Britain, West Germany and Belgium, will be able to save several hundreds of millions of dollars during the first half of 1953 on import contracts for raw materials, especially of these agricultural products. These purchases had been minimized during the second half of 1952 and will have to be stepped up during the first half of this year.

Competition in Foreign Trade Greater

The pressure of competition for foreign trade from abroad will be felt by American producers more than before. Imports of foreign goods into the United States are being stepped up and it is probable that the total volume of imports into the United States will be as great in 1953 as it was in 1952 and possibly, even greater. On the other hand, it is unlikely that exports from the United States will be as great in 1953 as they were in 1952, although it is unlikely that they will drop heavily. Many American manufacturers will pay more attention to foreign markets than they have in the past 10 years. They will also take an active interest in foreign subsidiaries and enterprises which will enable American business to compete where they ordinarily would not be in a competitive position.

We may even expect that various Washington agencies will pay special attention to such a possibility. Private export of capital will probably be greater in 1953 than in any postwar year. This will be an important factor in the adjustment of this year's international balance of payments.

International trade will remain at a high level on a world-wide scale. There has been an increase in exports from countries which depended on dollar aid during the last five years. This has also been true of shipments of supplies to Western Europe, as well as to raw material-producing countries, such as Indonesia.

Some areas will suffer because of international political difficulties. This applies particularly to those areas which held the main share of trade with China, especially Hongkong and Ceylon.

Nevertheless, this will not prevent international trade from reaching a new peak level during 1953, with international competition in industrial goods as well as basic commodities more intense than at any time since the last war.

Let me quote from the British "Banker." "The Commonwealth should press forward with the development of production of those raw materials that America is likely to need in increasing volume; to finance this development, other forms of investment or consumption should be still further cut down, but a real effort should also be made to attract American capital for these schemes. There is reason to hope that specific projects of this sort, and specific measures to this end, may, in fact, be under ardent discussion at the Commonwealth Conference."

The United States' share in world trade rose greatly during the last war when we were the main supplier of the world, outside of the countries with excess industrial goods. This situation prevailed during the early postwar period.

Now we are returning to a more normal status in the world economy. This means that the United States' share in world trade is declining. It will remain at a higher level than during any prewar period, but as a result of the recovery and expansion in foreign economies, the United States' share in world trade has continued to decline. The ratio went from 27.1% in 1947 to 22.8% in 1950 to 22.2% in 1951 and roughly to about 21% in 1952. It may approximate about 20% in 1953. In contrast, the share of foreign trade in total American trade is increasing. This is a long-term trend which began with the First World War and which has not yet as come to an end. The United States has become increasingly dependent on foreign raw materials and it also has an increasing share of industrial surplus production available for exports. America has become the world's largest supplier of capital goods and will remain in this position, although it will lose the practical monopoly which domestic machine builders had on the world market immediately after the war except with regard to some special types of machinery.

International competition will be manifold, from direct price competition to the use of various types of foreign to bridge over otherwise insurmountable foreign exchange difficulties and direct barter deals.

Summary

In summary:

The comparatively favorable general business trend in this country during 1953, although it might tend lower late in the year, should have a constructive influence on the free world economies.

The upturn in world activity evident since 1951-52 should extend during most of 1953.

The continued high level of defense production will be an important sustaining factor of the American economic trend. Defense supplies will probably be shifted to some extent to the Far East, partly at the expense of Western Europe. Yet military aid by the United States to Western Europe will also continue on an expanding scale.

It is unlikely that the economies of the Western world will be supported by foreign dollar aid and by government spending as much as they were during the early postwar years.

The current world price trend favors the American dollar. International trade will improve for Western industrial countries in coming months. On the other hand, it will deteriorate for most Latin-American countries.

Exports from this country in 1953 will be lower than in 1952, although the decline will not be marked.

On the other hand, imports into this country will compare favorably with 1952.

Private export of capital will be greater in 1953 than during any postwar year. This will have a favorable influence on the adjustment of this year's international balance of payments.

International trade will remain on a high level on a world-wide scale.

While the United States' share in world trade will decline, nevertheless the proportion of foreign trade to total American trade will continue on a high level.

American will continue to be the world's largest supplier of capital goods.

Prospects can hardly be construed as unfavorable. Unfortunately, part of the favorable outlook is closely tied in with the high level of defense spending as well as continued American aid. We are quite distant from the point at which the free world's national economies will be permitted to stand on their own feet.

First Boston Offers Maine Central Bonds

The First Boston Corp. heads a group of investment bankers making public offering today (Feb. 26) of a new issue of $17,000,000 Maine Central RR. Co. first mortgage and collateral bonds, 5⅛% series, due 1978, at a price of 99⅝ and accrued interest. The group on Feb. 25, submitted the sole bid for the bonds which were offered at competitive sale and is reoffering subject to ICC approval. Late in the afternoon the group manager reported a good reception for the bonds which were moving out steadily.

Proceeds of the issue, together with other funds of the company, will be applied to the redemption of all first mortgage and collateral bonds, series B, due Dec. 1, 1954; to the redemption of all of the general mortgage bonds, series A, due Dec. 1, 1960 and to the deposit of funds for payment of the Washington County Railway Co. first mortgage bonds due Jan. 1, 1954.

Railway operating revenues of the company for 1952 totaled $26,823,602 and income available for fixed charges was $2,771,781. Fixed charges amounted to $1,210,902. For 1951, income available for fixed charges was $2,681,303 and fixed charges were $1,237,517.

The principal main line of the Maine Central runs between Portland and Vanceboro, a distance of approximately 250 miles. A total of approximately 980 miles of line is operated in Maine, New Hampshire, Vermont and New Brunswick.

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)	Mar. 1	§99.5	*99.1	99.4	101.0
Equivalent to—					
Steel ingots and castings (net tons)	Mar. 1	§2,244,000	*2,235,000	2,240,000	2,097,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Feb. 14	6,544,500	6,521,350	6,524,000	6,356,250
Crude runs to stills—daily average (bbls.)	Feb. 14	†7,017,000	6,834,000	7,081,000	6,591,000
Gasoline output (bbls.)	Feb. 14	23,552,000	23,232,000	24,037,000	21,715,000
Kerosene output (bbls.)	Feb. 14	2,708,000	2,684,000	2,791,000	2,400,000
Distillate fuel oil output (bbls.)	Feb. 14	10,582,000	10,178,000	10,903,000	10,498,000
Residual fuel oil output (bbls.)	Feb. 14	8,773,000	8,808,000	9,023,000	9,178,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Feb. 14	154,469,000	152,493,000	143,492,000	150,087,000
Kerosene (bbls.) at	Feb. 14	21,815,000	22,308,000	24,932,000	20,506,000
Distillate fuel oil (bbls.) at	Feb. 14	74,973,000	73,152,000	88,773,000	62,191,000
Residual fuel oil (bbls.) at	Feb. 14	45,954,000	45,807,000	47,745,000	38,602,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 14	681,750	690,744	705,479	737,776
Revenue freight received from connections (no. of cars)	Feb. 14	666,145	671,765	648,987	686,147
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 19	$144,052,000	$267,788,000	$229,078,000	$222,118,000
Private construction	Feb. 19	81,403,000	182,565,000	122,994,000	124,607,000
Public construction	Feb. 19	62,649,000	85,223,000	106,084,000	97,511,000
State and municipal	Feb. 19	34,393,000	53,601,000	77,809,000	59,910,000
Federal	Feb. 19	28,256,000	31,622,000	28,275,000	37,601,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 14	8,350,000	*8,570,000	9,560,000	10,595,000
Pennsylvania anthracite (tons)	Feb. 14	527,000	652,000	703,000	680,000
Beehive coke (tons)	Feb. 14	118,700	*117,700	112,200	141,900
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Feb. 14	92	88	92	89
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 21	8,196,186	8,147,461	8,144,074	7,460,763
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Feb. 19	176	200	173	177
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 17	4.376c	4.376c	4.376c	4.131c
Pig iron (per gross ton)	Feb. 17	$55.26	$55.26	$55.26	$52.72
Scrap steel (per gross ton)	Feb. 17	$43.67	$42.00	$42.00	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 18	24.200c	24.200c	24.200c	24.200c
Export refinery at	Feb. 18	35.125c	34.725c	34.325c	27.425c
Straits tin (New York) at	Feb. 18	121.500c	121.500c	121.500c	121.500c
Lead (New York) at	Feb. 18	13.500c	13.500c	14.000c	19.000c
Lead (St. Louis) at	Feb. 18	13.300c	13.300c	13.800c	18.800c
Zinc (East St. Louis) at	Feb. 18	11.500c	11.500c	12.500c	19.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 24	94.89	95.60	95.90	96.74
Average corporate	Feb. 24	108.16	108.16	108.70	109.79
Aaa	Feb. 24	111.62	111.81	112.37	114.24
Aa	Feb. 24	110.34	110.34	110.88	112.75
A	Feb. 24	107.27	107.44	108.16	108.88
Baa	Feb. 24	103.47	103.47	103.80	103.64
Railroad Group	Feb. 24	106.04	106.04	106.21	106.21
Public Utilities Group	Feb. 24	107.62	107.62	108.70	109.42
Industrials Group	Feb. 24	110.88	110.88	111.25	113.70
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 24	2.86	2.81	2.79	2.72
Average corporate	Feb. 24	3.27	3.27	3.24	3.18
Aaa	Feb. 24	3.08	3.07	3.04	2.94
Aa	Feb. 24	3.15	3.15	3.12	3.02
A	Feb. 24	3.32	3.31	3.27	3.23
Baa	Feb. 24	3.54	3.54	3.52	3.53
Railroad Group	Feb. 24	3.39	3.39	3.38	3.38
Public Utilities Group	Feb. 24	3.30	3.30	3.24	3.20
Industrials Group	Feb. 24	3.12	3.12	3.10	2.97
MOODY'S COMMODITY INDEX	Feb. 24	410.0	410.4	405.3	434.4
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 14	217,420	331,971	239,772	170,485
Production (tons)	Feb. 14	245,665	238,012	244,187	214,477
Percentage of activity	Feb. 14	95	94	95	87
Unfilled orders (tons) at end of period	Feb. 14	514,273	545,961	500,300	396,837
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Feb. 20	107.89	107.90	108.62	112.40
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	Feb. 7	35,698	31,883	36,946	34,010
Number of shares	Feb. 7	1,036,903	936,826	1,074,494	958,859
Dollar value	Feb. 7	$44,249,552	$40,936,217	$46,713,904	$43,568,177
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Feb. 7	31,059	29,128	32,700	26,490
Customers' short sales	Feb. 7	166	137	147	187
Customers' other sales	Feb. 7	30,893	28,991	32,553	26,303
Number of shares—Total sales	Feb. 7	879,779	816,983	905,070	737,406
Customers' short sales	Feb. 7	5,930	4,295	4,906	7,817
Customers' other sales	Feb. 7	873,849	812,688	900,164	729,589
Dollar value	Feb. 7	$35,217,630	$32,267,391	$37,682,687	$31,373,509
Round-lot sales by dealers—					
Number of shares—Total sales	Feb. 7	266,590	219,520	285,170	195,180
Short sales	Feb. 7	------	------	------	------
Other sales	Feb. 7	266,590	219,520	285,170	195,180
Round-lot purchases by dealers—					
Number of shares	Feb. 7	380,960	350,340	411,750	413,740
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. 31	261,770	257,290	158,240	348,630
Other sales	Jan. 31	8,435,740	7,242,340	7,516,380	9,212,610
Total sales	Jan. 31	8,697,510	7,499,630	7,674,620	9,561,240
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Jan. 31	867,250	716,520	780,320	1,034,970
Short sales	Jan. 31	159,920	135,230	101,100	194,520
Other sales	Jan. 31	685,170	648,940	665,170	866,030
Total sales	Jan. 31	836,090	784,170	766,270	1,060,550
Other transactions initiated on the floor—					
Total purchases	Jan. 31	191,790	198,700	163,600	244,760
Short sales	Jan. 31	10,500	13,000	5,600	11,100
Other sales	Jan. 31	201,010	203,730	173,700	240,610
Total sales	Jan. 31	211,510	216,730	179,300	251,710
Other transactions initiated off the floor—					
Total purchases	Jan. 31	302,710	242,717	386,211	419,972
Short sales	Jan. 31	53,550	60,648	17,880	47,630
Other sales	Jan. 31	300,152	279,087	222,475	414,007
Total sales	Jan. 31	353,702	339,727	240,353	461,697
Total round-lot transactions for account of members—					
Total purchases	Jan. 31	1,361,750	1,154,237	1,330,131	1,699,702
Short sales	Jan. 31	214,970	208,870	124,580	253,310
Other sales	Jan. 31	1,186,332	1,131,757	1,061,345	1,520,647
Total sales	Jan. 31	1,401,302	1,340,627	1,185,925	1,773,957
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Feb. 17	109.5	*109.4	109.8	------
Farm products	Feb. 17	98.5	98.9	100.1	------
Processed foods	Feb. 17	105.2	*104.5	*103.9	------
Meats	Feb. 17	97.4	*95.3	*97.9	------
All commodities other than farm and foods	Feb. 17	112.8	*112.7	112.8	------

*Revised figure. †Includes 547,000 barrels of foreign crude runs. §Based on new annual capacity of 117,547,470 tons as of Jan. 1, 1953 as against the Jan. 1, 1952 basis of 108,587,670 tons.

	Latest Month	Previous Month	Year Ago
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of January:			
New England	$14,599,976	$15,610,040	$16,600,425
Middle Atlantic	49,495,805	63,797,755	44,485,198
South Atlantic	35,213,438	29,368,857	28,998,528
East Central	46,688,770	54,876,310	46,156,306
South Central	69,480,585	57,465,929	55,170,459
West Central	13,826,189	18,133,112	13,764,535
Mountain	9,579,475	10,228,226	10,732,864
Pacific	67,584,064	80,467,638	43,384,750
Total United States	$306,468,308	$329,947,867	$259,293,065
New York City	28,765,075	32,467,886	24,712,989
Outside New York City	277,703,233	297,479,981	234,580,076
COAL EXPORTS (BUREAU OF MINES)—Month of November:			
U. S. exports of Pennsylvania anthracite (net tons)	464,526	498,404	632,972
To North and Central America (net tons)	412,558	455,232	357,076
To South America (net tons)	------	50	2,777
To Europe (net tons)	51,960	43,067	273,099
To Asia (net tons)	------	50	20
To Africa (net tons)	8	5	------
COKE (BUREAU OF MINES)—Month of Dec.:			
Production (net tons)	6,690,649	6,316,660	6,755,400
Oven coke (net tons)	6,263,544	5,960,765	6,131,500
Beehive coke (net tons)	427,105	355,895	623,900
Oven coke stocks at end of month (net tons)	2,177,391	2,444,712	1,467,399
CONSUMER PURCHASES OF COMMODITIES — DUN & BRADSTREET, INC. (1935-1939 = 100) — Month of January	337.5	327.7	324.5
COPPER INSTITUTE—For month of January:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	80,580	*85,239	83,192
Refined (tons of 2,000 pounds)	108,010	113,965	100,269
Deliveries to customers—			
In U. S. A. (tons of 2,000 pounds)	125,133	143,088	130,430
Refined copper stock at end of period (tons of 2,000 pounds)	59,836	58,858	60,836
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of December:			
Cotton Seed—			
Received at mills (tons)	538,701	1,097,259	598,443
Crushed (tons)	665,559	719,410	652,542
Stocks (tons) Dec. 31	2,260,902	2,387,760	1,880,613
Crude Oil—			
Stocks (pounds) Dec. 31	178,154,000	188,505,000	186,292,000
Produced (pounds)	213,966,000	231,827,000	206,005,000
Shipped (pounds)	213,695,000	205,197,000	197,129,000
Refined Oil—			
Stocks (pounds) Dec. 31	544,595,000	445,493,000	279,881,000
Produced (pounds)	198,895,000	190,061,000	182,865,000
Consumption (pounds)	95,697,000	66,397,000	118,578,000
Cake and Meal—			
Stocks (tons) Dec. 31	155,303	144,420	55,430
Produced (tons)	317,680	348,802	303,841
Shipped (tons)	306,797	319,496	308,727
Hulls—			
Stocks (tons) Dec. 31	48,869	52,154	36,285
Produced (tons)	148,538	154,920	149,459
Shipped (tons)	151,823	152,086	145,915
Linters (running bales)—			
Stocks Dec. 31	277,154	279,398	198,918
Produced	210,667	233,475	205,138
Shipped	186,132	277,154	179,833
Hull Fiber (1,000-lb. bales)—			
Stocks Dec. 31	2,072	1,718	1,793
Produced	2,222	2,402	1,725
Shipped	1,868	2,302	1,254
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks Dec. 31	10,988	8,843	8,089
Produced	4,325	4,697	4,131
Shipped	2,180	2,535	3,162
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of December (in billions):			
Total personal income	$279.2	*$275.8	$263.4
Wage and salary receipts, total	180.4	187.9	176.0
Total employer disbursement	185.8	*184.4	172.6
Commodity producing industries	84.7	*83.5	77.5
Distributing industries	49.9	*49.6	46.7
Service industries	21.8	21.9	20.8
Government	33.0	*32.9	31.0
Less employee contributions for social insurance	3.8	3.7	3.4
Other labor income	4.6	4.6	4.3
Proprietors and rental income	54.5	*52.9	53.3
Personal interest income and dividends	21.2	21.3	21.1
Total transfer payments	13.3	12.8	12.1
Total nonagricultural income	258.0	*255.7	240.7
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE — August, 1909-July, 1914 = 100—As of Dec. 15:			
Unadjusted—			
All farm products	269	277	305
Crops	257	257	280
Food grain	247	248	253
Feed grain and hay	218	213	233
Tobacco	428	412	440
Cotton	268	288	339
Fruit	206	195	177
Truck crops	256	238	331
Oil-bearing crops	300	300	309
Livestock and products	280	295	328
Meat animals	291	310	379
Dairy products	309	318	314
Poultry and eggs	221	238	233
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of October:			
Net railway operating income	$120,688,576	$120,912,579	$125,802,323
Other income	16,904,771	19,207,206	18,350,471
Total income	137,573,347	140,119,785	144,152,794
Miscellaneous deductions from income	3,990,605	4,182,612	4,214,377
Income available for fixed charges	133,582,742	135,937,173	139,938,417
Income after fixed charges	95,124,486	97,446,935	104,832,157
Other deductions	3,051,778	2,990,787	3,000,766
Net income	92,072,708	94,456,148	101,831,391
Depreciation (way & structure & equipment)	41,405,124	41,153,628	40,361,020
Federal income taxes	84,573,928	74,370,476	70,146,427
Dividend appropriations:			
On common stock	20,248,721	19,817,615	14,649,827
On preferred stock	5,462,221	2,909,587	4,773,286
Ratio of income to fixed charges	3.47	3.53	3.99
ZINC OXIDE (BUREAU OF MINES)—Month of December:			
Production (short tons)	16,325	15,995	15,889
Shipments (short tons)	14,053	13,960	12,969
Stocks at end of month (short tons)	23,008	20,736	27,433

Continued from page 6

There's No Shortage of Dollars or Commodities in a Free Economy

one. Therefore, the report infers, we must import ever more foreign and conserve our own — in the ground, presumably. I wonder what happens if other countries accept the same philosophy and decide to sit on their own mineral deposits? Who then sticks his neck out and permits his production to be used? I suppose we then would have to organize an International Minerals and Metals Priority Producing Board, or something similarly impressive, to decide who produces what, and how much, and when. Right now we have an International Materials Conference which has taken a step in that direction.

The P.M.P.C. recommends that tariffs on metals and minerals be eliminated. Their Recommendation is as follows:

"That permanent legislation entirely independent of the Reciprocal Trade Agreements Act be enacted authorizing unilateral elimination of import duty on any industrial material in either crude or refined form whenever it is determined that the United States is, or is expected to become substantially dependent on imports of the material, and that such action is in accord with the national interest. Procedures for making such determination should be specified in the legislation."

This language might be criticized as not clear. What does the word "substantially" mean? What does "in accord with the public interest" signify? Perhaps I am needlessly disturbed, but I think the sweeping recommendation to do away independently and unilaterally with many metal tariffs is shocking. Such bitter medicine is worse than the alleged disease it is intended to cure.

Also noteworthy is the wholesale endorsement of the Paley Commission's recommendations by the National Security Resources Board, which, you may recall, was asked by President Truman to study the Paley Report and to make suggestions which could be presented to Congress. May I note in passing, that the recommendations of the National Security Resources Board comprise entirely the conclusions of government officials from various government departments? No hearings were held as far as I can find out, and no contact made with industry. Inasmuch as the Paley Commission also drew mainly upon the talents of numerous government departments, wherein does a fresh viewpoint appear? Why was it necessary to procure an N.S.R.B. report? Isn't this unnecessary duplication? Perhaps I am needlessly alarmed, as these were acts of an Administration recently repudiated at the polls!

Insofar as lead and zinc are concerned, as I said before, the vestige of tariff protection remaining is now so low we can even afford to dismiss it altogether. A new approach to our position is needed, new safeguards for our country's mineral future. But before I outline a simple suggestion, let me review quickly what has happened to our tariff on lead and zinc under the law.

Reciprocal Trade Agreements Act

In 1934 Congress adopted the Reciprocal Trade Agreements Act, designed to reduce world trade barriers. Under the law, tariffs could be cut a limit of 50%. If we in the lead and zinc mining industry had known then what was in store for us, I am sure there would have been a strenuous appeal made to Congress, back in 1934, to surround the Reciprocal Trade Agreements with safeguards for the mining industry other than those provided by an Escape Clause. But who could anticipate a terrible World War II, or the subsequent world-wide resort to currency devaluation and currency manipulation? Who could foresee the devastating impact of inflation on the world generally as it devoted attention to disbursing enormous welfare payments and benefits, and living beyond its income?

As a result of these gigantic forces, the tariff protection accorded lear, which prior to the adoption of the Reciprocal Trade Agreements Act amounted to between 45% and 60% of the price, has dwindled to an almost negligible 8% currently. Clearly it was the intention of Congress in 1934 to limit the tariff cuts that could be made to 50% but, unfortunately, both lead and zinc are protected by what is known as specific rates of duties of so many cents per pound, and not by percentage, or ad valorem rates. Obviously, cutting an ad valorem rate 50% is far different from cutting a specific rate 50%, as you can see in the accompanying table. If lead had been protected by an ad valorem rate, its protection would still be about **3.2c per pound, after a cut of 50%.** Similar tariff treatment was given zinc.

This is a far cry from a 50% cut and shows why our present protection is of little value. The lead and zinc tariffs are no trade barrier. Last year, for example, nearly 600,000 tons of lead were imported into the United States, the greatest lead imports in history, whereas our own domestic mine production was only 375,000 tons. Before the war, our imports were only about 75,000 tons per year. One of the ill effects of such high dependence upon imports is the fact that our still great latent resources and the possibilities of discovering new mines are neglected, to the detriment of the country.

Do We Want a Vigorous Mining Industry?

The issue before the public is, essentially, do we or don't we want a vigorous, healthy mining industry? The answer is obviously and emphatically, yes. We need the great lead and zinc mining industries especially (a) for defense, and (b) as a wealth creating activity for our citizens. If this conclusion is correct, we must face these facts:

(1) We do not produce enough of either of these two metals ourselves to supply our domestic industries' entire need. We require some imports. Therefore,

(2) We would be extremely shortsighted to exclude, or bar imports of lead and zinc.

(3) The lead and zinc tariffs do not bar imports.

(4) Both lead and zinc miners must sell their products in a highly competitive international market.

(5) We still have great latent mineral resources in the United States.

Let me pass for a moment to another phase of our current predicament. I doubt that many of you realize we have no safeguard from the effects of manipulative or monopolistic practices in international metal markets of foreign governments. Although our nation endorses free enterprise, under which competitive markets determine who survives and succeeds, other countries have different economic philosophies. They may believe in cartels, private and governmental. Some countries resort to the bulk buying of metals and minerals, known as State trading, notably Great Britain under socialism, which is, of course, their right, but it has serious implications for us, as we have lately discovered. However, the present conservative government of Great Britain is drifting sharply away from government participation in the markets of both lead and zinc, through the re-opening of private metal trading on the London Metal Exchange, but, as you know, is disposing of its metal accumulations with unpleasant repercussions in our market.

Far be it from us to suggest to any country what economic system it should adopt. If people of other countries want socialism or even communism, it is, of course, their prerogative, but I do think our American mining industry is entitled to some protection from the monopolistic intervention of foreign governments in international metal markets beyond our control but which affect us adversely.

Furthermore, if the United States decides to go to completely free trade, it ought not to delude itself by thinking that the elimination of tariffs will do so and unfetter international trade. Unless devaluation of currencies, multiple exchange rates, import permits, quota systems, State trading, and other ingenious devices for restricting international commerce are likewise discarded, foreign trade will continue to be greatly restricted. Indeed, these devices are more important than tariffs.

Insofar as we in the domestic mining industry are concerned, I think we can afford to take our chances with **genuine** free trade, provided not only that the manipulative foreign trade practices I have outlined disappear, but also that our government does away with the internal subsidy system of aiding many industries with which the miners have to do business, namely, domestic agriculture, shipping and housing. We miners are taxed once to help provide subsidies and taxed again when we buy subsidized products!

From time to time, some of you may be attracted to, and advocate a subsidy system for the mining industry in lieu of a tariff, but the danger here is not only the questionable morality of a subsidy, but also that it will inevitably lead to government or bureaucratic control, just as you will find the tendency already well established in subsidized shipping, and now well on its way in agriculture.

For my part, I see no distinction in the immorality of going to your neighbor and demanding, say, a $10.00 bill to help run your mining property, or using government coercion through its taxing power to tax your neighbor for the same purpose. Either we believe in the American system of competitive free enterprise, which for over 150 years has shown the way to the world to a means of elevating the standard of living of its people, or we can adopt subsidies, cartels and governmental controls that have been common in Europe ever since the dark ages. We know what they lead to. To me, the issue is clear. We can be proud of our accomplishments under a competitive economy. Indeed, we have something to show the whole world of inestimable value to all who might be inclined to follow our competitive system.

It might be just as well to forget our small tariff remnant and start with a fresh approach. After all, the Reciprocal Trade Agreements program didn't turn out as expected. It did not stop war. It did not do away with trade barriers. We have more ingenious schemes to hamper international commerce than before the trade agreements program began. It would appear necessary to devise a modern system of safeguards patterned to international trade as actually conducted today. Therefore, I submit the following suggestion.

Wanted: A Stabilization Tax

It seems to me that a simple, practical solution would be for the lead and zinc mining industries to promote the adoption by Congress of an equalization tax, or a stabilization tax, if you prefer, on imports, graduated upward as the market price of a metal declines, somewhat as shown in the following table, and disappearing above a certain base. In the suggestion below, 16c per pound is selected as a base, with the tax ¾c for each 1c decline in price. We might, however, knock out the tariff completely, if that is economically fashionable and start the base at 17c.

Proposed Sliding Scale Equalization Tax on Lead or Zinc Metal

(Cents per Pound)

Price	Tax
16.00 and above	None
15.00 to 15.99	0.75
14.00 to 14.99	1.50
13.00 to 13.99	2.25
12.00 to 12.99	3.00
11.00 to 11.99	3.75
10.00 to 10.99	4.25
9.00 to 9.99	5.00
Below 9.00	5.00

NOTE—Equalization tax on lead ores or concentrates, 70% of metal rate; on zinc ores or concentrates, 60%-70% of metal rate. The base could be revised annually to allow for inflation, or other unforeseen developments.

This would be a simple device, designed to perform the equivalent of a floor, as currently provided agriculture, a floor even more necessary in mining than in agriculture. A great deal is heard nowadays about the desirability of "stabilizing" markets; some of these proposals are highly objectionable because they would involve government coercion, or a vast bureaucracy. On the other hand, a sliding scale stabilization tax would be almost automatic in operation. The necessary imports would be readily procurable. Consumers would benefit.

Neither miners nor their customers like the violent fluctuations in metal prices that have occurred in recent years. But how to cut them down without inviting intolerable and un-American government controls is the problem, especially as so often the sudden changes of which we complain are caused either by our own, or foreign governments' participation in the market. I think the equalization tax is the answer. Let the outside or world market swing as wide and as often as it chooses. An equalization tax will provide us some shelter, permit miners to continue operating, allow needed imports to supply our domestic market, and stimulate a search for new ore deposits. It will also enable consumers to procure their lead and zinc supply at reasonable cost.

Buffer stocks for the metals are occasionally recommended as a stabilizing aid. I cannot take the time today to point out the highly complex, indeed highly obnoxious, features of the buffer stock plan. I would refer you, however, to the simple analysis of the proposal made here in Denver only a few months ago by Mr. Simon Strauss.[1] Speaking frankly, buffer stocks tend to grow and become unwieldy, and ultimately they pose a troublesome problem of disposal. Just how do you get rid of them? Agriculture has this problem in some degree right now.

All schemes of government intervention through the purchase of commodities are risky. It may be pleasant for the farmers to have the government support certain of their markets through the purchase of surplus stocks, but what finally becomes of the huge accumulations piling up day by day, in the hands of the government. Do you remember the potato fiasco? What will the government do with its holding of 43,000,000 lbs. of butter, 340,000,000 bushels of wheat, 464,000,000 lbs. of tobacco? It will be most interesting to see.

It looks as if the farmers are doing an enormous amount of unnecessary work producing thing which the public won't buy toda and can't be compelled to bu What a pity!

The reason I bring out these points is that I believe any legislative proposal to assist the min ing industry should avoid placi us in the predicament of tl farmers. It should involve a minimum of government interferenc and administration.

We must guard against playing into the hands of the international planners, who believe that international commodity agreements or government cartels are the answers to an orderly production and distribution of the world's metal resources. A few days ago, the President urged Congress to continue the Reciprocal Trade Agreements Act and to provide adequate safeguards, at the same time, to our native industries. As the State Department has gone far beyond the original intentio of the Act, which was to limi cuts to 50% of the 1930 rate (the limit today under the Act is 75% and has all but wiped out the protection granted lead and zin some redress appears in order fo commodities with specific rates. The sliding scale system of equalization may, perhaps, best provide, through separate legislation distinct from the Reciprocal Trad Agreements Act, a practical answer in that it would help main-

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[1] "International Buffer Stocks", by Simon D. Strauss, Vice-Pres. American Smelting & Refining Co., October 1953 Mining Congress Journal.

LEAD AND ZINC

Specific and Ad Valorem Tariff Comparison

LEAD

Period	Avg. Price Cents per Lb. N. Y.	Specific Rate Per Pound Ore	Specific Rate Per Pound Metal	Ad Valorem Equivalent Ore	Ad Valorem Equivalent Metal
1935-40	4.96	1½	2⅛	30.2%	42.8%
*1947-52	15.89	¾	1 1/16	4.7	6.7
Feb. 5, 1953	13.50	¾	1 1/16	5.6	7.9

*No tariff July, 1948 to July, 1949. Tariff suspended Feb.-June, 1952.

ZINC

Period	Avg. Price Cents per Lb. E. St. Louis	Specific Rate Per Pound Average Ore	Specific Rate Per Pound Average Metal	Ad Valorem Equivalent Ore	Ad Valorem Equivalent Metal
1935-40	5.30	*1⅔	*1⅔	26.4%	31.4%
†1947-52	14.05	¾	⅞	5.3	6.2
Feb. 5, 1953	11.50	¾	⅞	6.5	7.6

*1½ and 1¾ 1935-1938; 1⅓ and 1⅔ 1939 and 1940. †Tariff suspended Feb.-July, 1952.

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There's No Shortage of Dollars or Commodities in a Free Economy

tain a vigorous mining industry in these critical times, and would not prevent the importation of any necessary metal. It is decidedly worth trying.

In conclusion, stabilization of commodities has figured prominently in thinking among Government circles of recent years. The report of the President's Materials Policy Commission devotes much space to the desirability of achieving stabilization in mineral and meal prices. It even goes so far as to suggest the application of the International Wheat Agreement principles to metals. This is not a particularly happy suggestion, for the International Wheat Agreement has cost the taxpayers over $600,000,000 in subsidies and the end is not in sight. Moreover, when you attempt to apply the principles of the Wheat Agreement to, say, lead or zinc, a multitude of sharp differences arise. Wheat is on an export basis. Lead and zinc are not. They are on an import basis. There is no scrap or secondary wheat! Scrap lead plays a big part in the lead market.

Time does not permit analyzing the International Wheat Agreement. Suffice it to say it establishes an upper and lower price of wheat. The United States agrees to charge no more than the upper price of $1.80 per bushel, and our customer agrees to pay the lower price of $1.20 per bushel if the world market should drop below it. We have paid our wheat farmers the difference between the much higher open market price of around $2.50 per bushel and the International Wheat Agreement price of $1.80, at tremendous cost, and no one knows if foreign countries would be willing and anxious to pay more than the going price if the wheat market should collapse.

The reason why most stabilization schemes fall down is that they destroy the wonderful and automatic regulating function of a free market price. The penalty is either overproduction or underconsumption, depending upon whether or not the arbitrarily selected or agreed upon controlled price is high or low. No human being, or group, is smart enough to set a price which will perfectly balance production and consumption.

Therefore, I believe that any proposal for stabilizing lead or zinc should observe the cardinal requirement of least interference with the function of the market place. That is precisely the virtue of the proposed stabilization or equalization tax in lieu of a tariff. It would be automatic in operation. It requires no payments from the Government. It does not meddle with the market. Many examples of stabilization schemes involving buffer stocks or international understandings, such as the International Wheat Agreement, have been tried and have failed. Why not try the simple equalization tax?

I am happy so many representatives of the mining industry are here in Denver, because, although the equalization tax is extremely simple in principle, certain details must be worked out so that the interests of the miners, foreign producers and consumers are protected:

(1) The first is, of course, establishment of a proper parity or base price. In this respect, it might be well to ask the advice of the various domestic producers as to what the price should be. I have complete faith in their integrity of suggesting a base that is fair for the three parties that I mentioned above.

(2) The equalization program should cover a number of years, especially if exploration work and development are to be encouraged. Therefore, a method of changing the parity price after it has been initially established should be developed, in the event of deflation or inflation.

(3) Although the equalization tax should be paid in the month following arrival, foreign shippers must know the tax payable prior to shipment. I therefore suggest for discussion this afternoon, that the average E. & M. J. price would be used with a month leeway available for the foreign producers. In other words, for shipments arriving in January, the E. & M. J. price for November would apply.

These are some of the more important practical details to consider.

At any rate, the lead and zinc industry has an unparalleled opportunity today for constructive action of benefit to all. Let's take advantage of it.

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The State of Trade and Industry

the statistical agency, adding, "copper is in short supply but can be found if steel is available."

Steel Output Estimated This Week at a Trifle Above Previous Week's Rate

Open-ending of the Controlled Materials Plan will have little effect on any consumer's steel supplies in the first half of this year, says "Steel," the weekly magazine of metalworking.

Open-ending, effective Feb. 13, means that any steel produced in excess of that needed to supply government-authorized allotments to consumers can be sold without regard to allotments. But there likely will be little of this excess steel in the finished forms that are in strongest demand, for there are enough CMP tickets in circulation to sop up all of the hard-to-get items. The products in which there will be "free" steel will be those that already are plentiful, states this trade weekly.

Also suggesting that there will be more than enough tickets to cover all of the hard-to-get steel products is the widely held fear that many steel consumers will insist on buying freely available products, such as wire and wire products, wire rod and small bars, without surrendering their CMP tickets and that they will use their tickets largely to get more of the scarce steel products like heavy shapes, heavy plates, large bars, forging bars, large diameter tubing, and hot-rolled and cold-rolled sheets, "Steel" points out.

The Office of Defense Mobilization will watch the market conditions closely so that if mills and consumers show a tendency to let the situation get out of hand, remedial measures may be taken, it adds.

How long will steel remain in strong demand? Everyone has been confident it would be strong enough to keep mills producing at capacity during the first half of this year, but there has been a reluctance to make predictions for the second half, and those bold enough to venture an opinion have been inclined to believe demand could not sustain capacity operations. Now, Avery C. Adams, President, Pittsburgh Steel Co., predicts the steel industry will operate all this year at capacity, "Steel" magazine reports.

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at an average of 99.5% of capacity for the week beginning Feb. 23, 1953, equivalent to 2,244,000 tons of ingots and steel for castings. In the week starting Feb. 16, actual production was 2,235,000 tons and the rate 99.1%. For the like week a month ago the rate was 99.4% and production 2,240,000 tons. A year ago when the capacity was smaller actual output was 2,097,000 tons, or 101.0%.

Electric Output Makes Further Gains in Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Feb. 21, 1953, was estimated at 8,196,186,000 kwh., according to the Edison Electric Institute.

The current total was 48,725,000 kwh. above that of the preceding week when output totaled 8,147,461,000 kwh. It was 735,423,000 kwh., or 9.9% above the total output for the week ended Feb. 23, 1952, and 1,363,186,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Decline Further in Latest Week

Loadings of revenue freight for the week ended Feb. 14, 1953, totaled 681,750 cars, according to the Association of American Railroads, representing a decrease of 8,994 cars or 1.3% below the preceding week.

The week's total represented a decrease of 56,026 cars, or 7.6% below the corresponding week a year ago, and a decrease of 58,807 cars, or 7.9% below the corresponding week in 1951.

United States Auto Output Last Week Raises Prospects For Record First Half

Passenger car production in the United States last week rose 8%, increasing the prospect for a record first half production of about 3,200,000 cars, states "Ward's Automotive Reports."

It aggregated 124,101 cars compared with 114,935 cars (revised) in the previous week. This was still 55% more than the 80,076 cars turned out in the year ago week.

Total output for the past week was made up of 124,101 cars and 26,120 trucks built in the United States, the highest since April 21, 1951, when approximately 200 more cars were built, against 114,935 cars and 22,489 trucks the previous week and 80,076 cars and 24,317 trucks in the comparable 1952 week.

Business Failures Turn Moderately Lower

Commercial and industrial failures declined to 176 in the week ended Feb. 19 from 200 in the preceding week, Dun & Bradstreet, Inc., states. Casualties were about even with a year ago when 177 occurred and exceeded the 127 in the comparable week of 1951. Continuing below the prewar level, failures were down 34% from the 1939 total of 267 for the similar week of that year.

Among casualties involving liabilities of $5,000 or more, there was a decrease to 147 from 170, but failures of this size remained more numerous than last year when 140 were reported. Small casualties showed little change for the week.

Retail trade accounted for most of the week's decline, with its failures falling to 89 from 108. More retailers failed than last year and wholesalers equaled their 1952 level. In other lines, mortality was slightly lower than a year ago.

Wholesale Food Price Index Continues Mildly Upward

Trends in foods were mixed last week. Extending its rise of the previous week, the wholesale food price index, compiled by Dun & Bradstreet, Inc., advanced 1 cent to stand at $6.20 on Feb. 17. This was down 6.1% from $6.60 a year ago, and represented a drop of 15.2 from the post-Korea high of $7.31 recorded on the corresponding date two years ago.

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 Altered Its Downward Course the Past Week

Reversing the sharp downtrend of the preceding week, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., registered a mild advance last week. The index closed at 278.16 on Feb. 17, comparing with 276.55 a week earlier, and with 303.73 on the corresponding date last year.

Grain markets were mixed with prices moving irregularly higher in the latter part of the week. The upturn in wheat was attributed to mill buying against substantial flour sales around mid-week, improvement in export business, and the continued unfavorable new winter wheat crop prospects. Strength in corn was largely influenced by the announcement that sales of government corn would cease. With current prices below the support level, the yellow cereal is reported going into the loan at a rapid rate. Trading in grain and soybean futures on the Chicago Board of Trade rose sharply last week.

Daily average purchases totaled about 90,000,000 bushels, compared with 51,000,000 the previous week, and 41,000,000 a year ago.

Following some early easiness, cotton prices were mostly steady during the past week. Early weakness was influenced by easiness in the securities market and in other outside markets and a private report that cotton plantings would show little change from last year.

Supporting factors included some price-fixing, and the January estimate by the New York Cotton Exchange indicating that consumption last month continued above a year ago.

Sales of the staple in the ten spot markets fell sharply last week to 86,500 bales, from 153,100 a week previous, and 105,300 in the corresponding week a year ago. CCC loan entries during the week ended Feb. 6 were the smallest in ten weeks, and totaled 93,300 bales, compared with 142,100 a week earlier.

Trading in packer hides continued active with prices working slightly higher to mark the third consecutive weekly upward movement in raw hide values. The Boston wool market was generally quiet although prices held steady.

Trade Volume Holds Close to Near Record Level of Previous Week

Attractive promotions and easy credit terms were instrumental in sustaining retail trade close to the near-record level of the prior week in the period ended on Wednesday of last week. Retail merchants generally had larger sales than at this time a year ago when a record for February was attained. However, merchants with smaller volume than a year ago were much more numerous than in recent months.

The unfavorable comparisons with a year ago continued to come from some large cities in the East affected by the population shift to the suburbs.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from unchanged to 4% above that of a year ago. Regional estimates varied from the levels of a year ago by the following percentages: New England —2 to +2; East —3 to +1; Midwest 0 to +4; Northwest and Southwest +2 to +6; South and Pacific Coast +1 to +5.

Shoppers spent about as much for apparel as during the prior week and slightly more than in the comparable week a year ago. Promotions of spring clothing gained increased attention, particularly in parts of the South and Pacific Coast. Most retailers of apparel anticipated a new record volume for the Easter season.

Retailers of household goods noted a continuing decline in shoppers' interest. Some merchants attributed the faltering demand to the record volume of consumer debt.

However, the total dollar volume of the sales of household goods was not off sharply from the record level reached two years ago.

The volume of trading in most of the nation's wholesale markets did not vary perceptibly the past week. As during recent months it continued to surpass mildly the level of a year earlier; despite price dips from a year ago, wholesalers in most lines had larger dollar volume than a year before.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended Feb. 14, 1953, increased 3% from the level of the preceding week. In the previous week an increase of 1% was reported from that of the similar week of 1952. For the four weeks ended Feb. 14 1953, an increase of 3% was reported. For the period Jan. 1 to Feb. 14, 1953, department store sales registered an increase of 2% above 1952.

Retail trade in New York last week displayed perceptible improvement, advancing from 18 to 20% over the like week in 1952.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Feb. 14, 1953, declined 10% from the like period of last year. In the preceding week a decrease of 7% was reported from that of the similar week of 1952, while for the four weeks ended Feb. 14, 1953, a decrease of 6% was recorded. For the period Jan. 1 to Feb. 14, 1953, volume declined 5% under that of 1952.

Continued from first page

What's Wrong With Our Foreign Trade Policies?

economy of the country trying this device has been set back and expansion has been almost impossible for it.

Still another belief has been that governmental controls over imports, exports, prices, wages, and, before one gets through, over everything, can improve the standard of living within a country and can help its international trade. Controls are always restrictive and of necessity operate against expansion. Since population normally increases, expansion is necessary to maintain a consistent standard of living, and a greater expansion is necessary if the standard of living is to be improved. There have been so many instances in history to prove the sterile nature of controls, that it is astonishing we in the second quarter of the 20th century had such a wide, though temporary, belief in such an idea.

With these deceptive beliefs in the air, it is not surprising that our foreign policy has been confused and contradictory. Since World War II, the announced policy of Washington has been an expanding world trade which can be achieved only by freedom from artificial restrictions and with the free world's currencies freely convertible.

We, in this country, however, have spoken with two voices. Through our State Department and before international bodies, we have declared our belief in multilateral trade with a minimum of restrictions and discriminations. Through Congress, however, in our legislation we have imposed quotas on agricultural and other products; we have passed "Buy America" acts, and we have given tariff reductions through bargaining under our Reciprocal Trade Treaties program on the one hand, but have insisted on "peril points" and "escape clauses" on the other hand. Other countries cannot understand this kind of double talk.

Time for Change

A time of change is here.

In the beginning of the 3rd quarter of the 20th century there has happened a wide shift of opinion back to more orthodox and tried theories. In this connection, I need only mention that most of the countries in Western Europe are again expressing confidence in the efficiency of sound monetary policies; that a leading article in Lloyds "Bank Review" of London dares challenge the workability of Imperial Preferences for the good of Britain and the British Commonwealth, and that an important body, such as the Detroit Board of Commerce, advocates the abolition of tariffs as no longer in the best economic interest of this country.

Obviously something is wrong with our international trade policy if our export surplus since the war of over $30,000,000,000 has had to be paid for not by the foreign countries which have bought and consumed our exports, but by the American taxpayer through loans and gifts of over $30,000,000,000, which we have made to foreign countries.

It seems evident that giving money to foreigners so they can buy our goods is not a brilliant way permanently to solve our international trade problem, even though necessities may have made such gifts seem wise at the time, and even though intangible benefits may have been derived from such generous giving.

What should be done to change this situation?

(1) We should do everything possible and as quickly as possible to get the currencies of the world again freely convertible.

(2) We should change our entrenched, but outmoded, protectionist system and import more goods from abroad.

The problem is too complex for a full analysis and discussion at this time. As a consequence, these two aspects of the problem will be dealt with because in both cases this country is in a position to initiate action, and the time is ripe for action. Most of the countries of Western Europe have adopted sound monetary and anti-inflatioary policies and are not too far from balancing their international payments. There is a growing demand for a restudy of our own protectionist policy in this country.

As to the first point, some will say that it is foolish again to try convertibility as the British did in 1947 under the terms of the Anglo-American loan and until trade is more nearly in balance. It must be obvious that trade cannot get in balance as long as the controls which make currencies non-convertible are continued. A bold effort must be made, or we are advocating that a man who has been very sick and is very weak should not try to walk again until he is strong again. How can he get strong if he doesn't start to try to walk?

Others will say there can be no chance of permanent cnovertibility unless production in the countries of weak currencies is greatly increased because it is from the production and trade in goods that foreign credits are earned. On reflection, it should be seen that production and trade cannot increase significantly as long as the controls and restrictions which prevent free convertibility are in force. Free convertibility should let loose the dynamic forces of greater production and trade.

Achieving Convertibility

How can convertibility of currencies be achieved?

Before other countries can be persuaded to take the bold and somewhat dangerous step of making their currencies freely convertible into dollars, *even though we want this to happen,* there must be sound financial policies in such countries, as well as in our own country. If multilateral trade is to regain its time-tested quality of growth and expansion, such controls must be relaxed and eventually removed. Arbitrarily fixed parities between the currencies of various countries must be replaced by rates expressing the economic values established in the market place.

Since exchange controls are solidly entrenched in nearly every country of the world, they cannot be removed all at once. Improvement must come about as a result of a number of particular actions, all designed and timed in accordance with the changing and dynamic set of circumstances in which we live. It is important that the objective of full convertibility should be announced as the end towards which all the detailed steps will be directed. People in every country should know that it is the intention of their various governments to restore free convertibility on current transactions and that their governments will adopt all the measures necessary to achieve this purpose.

It is obvious that anti-inflationary policies should be at the root of the program of each country. There is considerable evidence that many of the governments in Western Europe are now aware of the necessity of such policies and already have taken steps in this direction. Even against this background most countries will hesitate to make their currencies convertible for current account unless they have ample reserves to face the temporary dislocations which will come with a change of policy. In order to cope with this problem it will be necessary for the financially strong countries to establish convertibility funds substantial enough to support the central banks of financially weaker countries while their governments are taking the initial steps toward free convertibility.

The United States is the only large country in a sufficiently strong position materially to launch this plan. The big step should be the creation in the United States of a convertibility fund from which long-term credits could be made available to foreign central banks. Many authorities agree that about ten billion dollars will be necessary for this purpose. If such funds are available, many believe little use would have to be made of them. The mere fact that such funds would be available would discourage runs against the currencies so supported. When everyone believes a bank has sufficient money in its vaults to meet all withdrawals, a run does not occur. It is only when people fear there might not be enough money to cover withdrawals that a run on a bank takes place. The same principle holds true with reference to convertibility funds.

We Must Increase Imports

It will do no permanent good to achieve free convertibility of currencies as long as our commercial policy insists that we export more than we import. It is by selling imports to us that other countries earn most of the dollars with which they buy our exports. I am not unmindful of the contribution toward the balancing of our international trade accounts which is made by our investments abroad, or by our tourists, or by our off-shore purchases of military material. All these play important, though not determining parts.

With the expropriation of property without payment, the unilateral abrogation of concessions and the breaking of contracts having reached almost epidemic proportions in the world, it is unreasonable to expect any outgoing of private investments from this country large enough to offset the chronic dollar shortage of most foreign countries. Capital, which is shy, if not an actual coward, cannot be wooed by such tactics.

So long as our persistent export surplus exists, we are draining from other countries their reserves and are imperiling the stability and convertibility of currencies. We have been too effective through our traiffs and the related legislative and administrative provisions of our laws in keeping foreign goods out of our market. We have been spending less abroad than we should if we want to maintain the volume of our exports.

The era of grants-in-aid is rapidly coming to a close, not merely because the American taxpayer is becoming unwilling to continue such grants indefinitely, but also because our foreign friends are tired of their dependency on our gifts. Mr. R. A. Butler, Chancellor of the British Exchequer, has said Britain wants "trade not aid." Mr. George Sloan, the recent Chairman of the United States Council of the International Chamber of Commerce, has improved on this statement by saying what we need is "two way trade, not one way aid."

A balance in our international trade can be achieved by one of two main methods. One is to expand our imports and the other to permit a decline in our exports.

If we should be foolish enough to adopt a policy of reducing our exports, we would be releasing deflationary forces not only in the world, but within our own country. A reduction in our exports would certainly cause considerable unemployment in many industries in this country.

The really constructive way we can do most to help solve the problem of balancing international trade accounts without the continuation of our grants-in-aid out of the taxpayers' pocket is to import more from abroad. It will be granted that even if there were no barriers to greater imports, the present production abroad and the methods of selling foreign products in this market could not be so successful all at once as to eliminate our export surplus or import deficit, if you prefer to name it that way. It is believed, however, that an increase in imports is the best way to begin to eliminate the dollar deficit of foreign countries at the least cost to the American taxpayer.

Reciprocal Trade Agreements

The Reciprocal Trade Agreements program, which has been our major effort in the last 18 years to liberalize our commecial policy, has lost most of its effectiveness through legislative amendments and because the Chief Executive has used up most of his statutory powers to reduce tariff rates. Our imports have continued to lag behind our exports not only by reason of the tariff, but by a shutting out of imports under our methods of valuation for customs purposes, which almost amount to exclusion, by the complicated classification of items which is discouraging to importers and by other restrictive aspects of customs administration. We also limit our imports by legislation such as "Buy America" acts and by specific preferences in other items of foreign aid legislation having a similar restriction on United States purchases from abroad. I believe the following actions should be taken by our Congress:

(A) The passage of an effective Customs Simplification Act. Every effort should be made to secure the enactment of a new bill which would not only simplify customs methods and procedures, but which also would establish commercial invoice values as the basis against which tariff rates would apply, except in obvious cases of fraud.

(B) The repeal of all "Buy America" provisions in our legislation.

(C) The abolition of import quotas, a device used widely against this country, but which we cannot get abolished when directed against us, if we have similar quotas directed against other countries.

The points I have just mentioned are essential first steps. We must, however, take a bigger step. We should change our tariff policy because we lead the world in industrial efficiency, because we are the world's greatest creditor, and because our persistent export surplus has a disturbing influence on international relations.

I believe the easiest way to do this is for Congress in legislation to announce to the world a gradual reduction of our tariff rates to be spread over a limited number of years, such reductions to continue until we have a truly low tariff.

Such a policy should not be put into effect without analyzing the position of individual industries as regards their vulnerability to tariff reductions. In some cases the reductions could be accomplished in one or two years; in others five or six years might be considered advisable. Whenever industrial readjustments must be made there is always some hardship. Since the amount of additional imports which might result under this new policy would represent only about 1½% of our output of manufactured goods, any hardships would necessarily be small and quite localized.

A good deal of the so-called damage which would result from the transition to a low tariff basis would be identical with that which results in every day competitive practices and about which there is no major complaint. In our economy, adjustments of business units to changing conditions, such as state taxes, state legislation offering low taxes for new industries, new synthetic products, etc., are taking place all the time and such adjustments are almost the normal thing in our type of economy. When new products come out of our laboratories they challenge existing products and force adjustments which are sometimes painful but usually not fatal because they are spread over several years. If care is taken to reduce all our tariffs in an orderly and gradual way, the minimum of localized damage would occur and there would be the tremendous gain not only for our economy, but for world trade.

U. S. Should Lead Way in Tariff Reduction

The United States today is the only country able in every way to give the world leadership by adopting a unilateral reduction of tariff rates. The bargaining type of reduction embodied in our Reciprocal Trade Treaties program has not been effective and should be abandoned, after we adopt a broader and more logical policy of reducing all our tariffs to a low level.

As pointed out previously, if our exports must be reduced because we do not adopt a liberalization in our commercial policy, large unemployment will certainly result. The usual argument against the reduction of tariff rates is that it will create unemployment. Anyone trained in economics knows the fallacy of this argument and I will merely remark that in the decade of the thirties when our tariff and customs barriers of all kinds were the highest on record we had the most massive unemployment this country has ever known. It is also worth mentioning, that the high rate of employment since the war, partly accounted for by our tremendous exports, has been paid for out of the taxpayers' pocket at the rate of three to four billion dollars a year. Do you, since you are paying for it, want this method to continue or are you willing to try new methods?

These are things we should think on. Events have thrust world leadership on us. To discharge such leadership we need constant discussion by all capable organizations such as this one so that our actions may be prompt and consistent. With humility, hard work and good will toward all, I believe we can give a good account of ourselves.

Charles P. Winters With Shearson, Hammill Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Charles P. Winters has become associated with Shearson, Hammill & Co., 208 South La Salle Street. Mr. Winters was formerly with F. S. Yantis & Co. and Robert Showers.

With Renyx, Field

(Special to THE FINANCIAL CHRONICLE)

SHREVEPORT, La.—Ivy A. Sweeney is now affiliated with Renyx, Field & Co., Inc.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

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.

● **Arizona Public Service Co. (3/12)**
Feb. 16 filed 378,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To finance capital expenditures. **Underwriters**—The First Boston Corp. and Blyth & Co., Inc., both of New York.

● **Atlanta Gas Light Co. (3/5)**
Feb. 11 filed 80,255 shares of common stock (par $10) to be offered to common stockholders at rate of one new share for each 10 shares held on March 4; rights to expire March 25. **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, Georgia.

★ **Basalt Rock Co., Inc., Napa, Calif.**
Feb. 13 (letter of notification) 6,000 shares of common stock (par $1). **Price**—$11.75 per share. **Proceeds**—To Albert George Steblow. **Underwriter** — Dean Witter & Co., San Francisco, Calif.

★ **Basic Building Products, Inc., Anchorage, Alaska**
Feb. 9 (letter of notification) 100,000 shares of common stock. **Price**—$1 per share. **Proceeds**—To expand plant. **Address**—P. O. Box 1994, Anchorage, Alaska. **Underwriter**—None.

★ **Basin Oil Corp., Evansville, Ind.**
Feb. 12 (letter of notification) 287,500 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For working capital. **Office**—419 Grein Bldg., Evansville, Ind. **Underwriter**—None.

Big Horn-Powder River Corp., Denver, Colo.
Jan. 30 (letter of notification) 565,220 shares of common stock (par 10 cents) being offered first for subscription by stockholders at rate of one new share for each nine shares held as of Feb. 6; rights to expire on Feb. 28. **Price**—25 cents per share. **Proceeds**—For drilling expenses. **Office**—702 Ernest and Cranmer Bldg., 930 Seventeenth St., Denver, Colo. **Underwriter**—None.

Birmingham (Ala.) Lead & Smelting Co., Inc.
Feb. 9 (letter of notification) 150,000 shares of preferred stock (par $1) and 150,000 shares of common stock (par 1 cent) to be offered in units of one share of each class of stock. **Price**—$1.16 per unit. **Proceeds**—To purchase land and equipment. **Underwriter**—Carlson & Co., Birmingham, Ala.

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. **Proceeds**—To improve plant and for new machinery. **Office**—1821 Broad Street, 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.

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; Union Securities Corp. and A. C. Allyn & Co., Inc. (jointly). **Bids**—Tentatively expected to be received on March 10.

Charter Oil Co., Ltd., Calgary, Alta. (3/3-4)
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.

Cinerama, Inc., New York (3/2-6)
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.

★ **Commercial Credit Co. (3/10)**
Feb. 24 filed $30,000,000 of senior notes due June 1, 1965. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriters**—Kidder, Peabody & Co. and The First Boston Corp., both of New York.

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.

Dallas Power & Light Co. (3/24)
Feb. 16 filed $9,000,000 of first mortgage bonds due March 1, 1983. **Proceeds** — For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; The Frist Boston Corp.; Lehman Brothers; Kidder, Peabody & Co.; Equitable Securities Corp.; Union Securities Corp.; Harriman Ripley & Co., Inc. **Bids**—Tentatively scheduled to be received up to noon (EST) on March 24.

★ **Daystrom Manufacturing Co., Chicago, Ill.**
Feb. 17 (letter of notification) 14,000 shares of common stock to be offered for subscription by present stockholders. **Price**—At par ($10 per share). **Proceeds**—For new equipment. **Office**—2001-23 No. Parkside Avenue, Chicago 39, Ill. **Underwriter**—None.

Delta Air Lines, Inc., Atlanta, Ga.
Feb. 11 company filed an application with SEC covering proposed issue of $10,695,846 of 5½% convertible debentures (subordinated) to be issued in exchange for Chicago & Southern Air Lines, Inc., common stock under merger plan at rate of $21 of debentures for each C. & S. share. Debentures will be convertible into Delta common stock at rate of one share for each $35 principal amount of debentures.

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.

Edison (Thomas A.), Inc.
Feb. 13 (letter of notification) 3,500 shares of class B common stock (par $3⅓). **Price**—At market (about $16 per share). **Proceeds**—To Charles Edison, Chairman of the Board. **Underwriter**—Riter & Co., New York.

● **English Oil Co., Salt Lake City, Utah (3/4)**
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.

★ **F. & F. Finance Co., Inc., Hickory, N. C.**
Feb. 16 (letter of notification) 36,998 shares of common stock. **Price**—$7.50 per share. **Proceeds**—For working capital. **Office**—347 First Ave., N. W., Hickory, N. C. **Underwriter**—Southern Investment Co., Inc., Charlotte, North Carolina.

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

NEW ISSUE CALENDAR

March 2, 1953
Central RR. of New Jersey ____ **Equip. Trust Ctfs.**
(Bids to be invited)
Cinerama, Inc. ____ **Debentures**
(Gearhart & Otis, Inc. and White & Co.)
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 11:30 a.m. EST)
New England Power Co. ____ **Preferred**
(Bids noon EST)
Pacific Northern Airlines, Inc. ____ **Common**
(Emanuel, Deetjen & Co. and Hayden, Stone & Co.)

March 4, 1953
English Oil Co. ____ **Common**
(J. A. Hogle & Co)
New York Central RR. ____ **Equip Trust Ctfs.**
(Bids noon EST)

March 5, 1953
Atlanta Gas Light Co. ____ **Common**
(The First Boston Corp.; Courts & Co.; and The Robinson-Humphrey Co., Inc.)
Chicago & Eastern Illinois RR. ____ **Equip. Tr. Ctfs.**
(Bids noon CST)
Chicago & North Western RR. ____ **Equip. Tr. Ctfs.**
(Bids noon CST)
Federal Paper Board Co., Inc. ____ **Common**
(Goldman, Sachs & Co.)

March 7, 1953
Lake Superior District Power Co. ____ **Common**
(Robert W. Baird & Co., Inc.)

March 9, 1953
Fall River Electric Light Co. ____ **Bonds**
(Bids 11 a.m. EST)
North American Royalties, Inc. ____ **Common**
(Lehman Brothers)

March 10, 1953
Central Maine Power Co. ____ **Bonds**
(Bids to be invited)
Commercial Credit Co. ____ **Notes**
(Kidder, Peabody & Co. and The First Boston Corp.)
General Telephone Corp. ____ **Common**
(Paine, Webber, Jackson & Curtis; Mitchum, Tully & Co.; and Stone & Webster Securities Corp.)
Hot Shoppes, Inc. ____ **Common**
(Johnston, Lemon & Co.)
Narragansett Electric Co. ____ **Bonds**
(Bids noon EST)

March 11, 1953
Central & South West Corp. ____ **Common**
(Bids to be invited)

March 12, 1953
Arizona Public Service Co. ____ **Common**
(The First Boston Corp. and Blyth & Co., Inc.)
Chesapeake & Ohio Ry. ____ **Equip. Tr. Ctfs.**
(Bids to be invited)

March 17, 1953
Lake Superior District Power Co. ____ **Bonds**
(Bids to be invited)
Mississippi Power & Light Co. ____ **Bonds**
(Bids noon EST)
Public Service Co. of Oklahoma ____ **Bonds**
(Bids to be invited)
Union Sulphur & Oil Corp. ____ **Debs. & Class A Stk.**
(Smith, Barney & Co.)

March 18, 1953
Public Service Co. of New Mexico ____ **Preferred**
(Allen & Co.)
Public Service Electric & Gas Co. ____ **Common**
(Bids to be invited)

March 24, 1953
Dallas Power & Light Co. ____ **Bonds**
(Bids noon EST)
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 6, 1953
California Electric Power Co. ____ **Bonds**
(Bids to be invited)

April 7, 1953
Florida Power & Light Co. ____ **Bonds**
(Bids noon EST)
Kentucky Utilities Co. ____ **Bonds**
(Bids to be invited)

April 13, 1953
Texas Electric Ser. Co. ____ **Bonds & Preferred**
(Bids 11:30 a.m. EST)

April 14, 1953
New Orleans Public Service Inc. ____ **Bonds**
(Bids noon EST)

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)

Bros. & Hutzler (jointly); Glore, Forgan & Co.; The First Boston Corp., Estabrook & Co. and Stone & Webster Securities Corp. (jointly). **Bids**—Expected to be received about March 9 at 11 a.m. (EST) at 49 Federal Street, Boston, Mass.

Federal Paper Board Co., Inc. (3/5)
Feb. 13 filed 200,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To certain selling stockholders. **Underwriter** — Goldman, Sachs & Co., New York.

First Securities Corp., Philadelphia, Pa.
Jan. 21 (letter of notification) 600,000 shares of common stock (par one cent) which includes 22,190 shares being reoffered to the previous purchasers. **Price**—25 cents per share. **Proceeds** — For expansion of business and for working capital. **Underwriter** — First Securities Corp., Philadelphia, Pa.

First Springfield Corp., Springfield, Mass.
Feb. 9 filed 20,000 shares of capital stock (par $10). **Price**—At market. **Proceeds** — For investment. **Underwriter**—D. J. St. Germain & Co., Springfield, Mass.

★ **Florida Opportunity Bulletin, Inc., Miami, Fla.**
Feb. 16 (letter of notification) 200 shares of 6% cumulative preferred stock (par $500). **Price**—At par ($500 per share). **Proceeds**—For working capital to equip editorial office and expand the Bulletin. **Address**—P. O. Box 456, Coconut Grove, Miami 33, Fla. **Underwriter**—None.

Frito Co., Dallas, Tex.
Jan. 26 filed 115,000 shares of 70-cent cumulative convertible preferred stock (par $7.50), of which 85,000 shares will be offered publicly and 30,000 shares to employees. **Price**—To public, $10 per share; to employees, $9 per share. **Proceeds** — For expansion of business and general corporate purposes. **Business**—Manufacture and sale of food products. **Underwriter**—Dittmar & Co., San Antonio, Tex.

★ **General Alloys Co., Boston, Mass.**
Feb. 16 (letter of notification) 25,000 shares of common stock (no par), of which 15,025 shares are to be issued upon exercise of options held by officers of the company at $3 per share and 9,975 shares are to be offered to the underwriter (William S. Prescott & Co., Boston, Mass.) at $2.73 per share and resold by them to key employees at $3 per share. **Office**—405 West First St., Boston, Mass. **Proceeds**—For working capital.

★ **General Telephone Corp. (3/10)**
Feb. 19 filed 300,000 shares of common stock (par $20). **Price**—To be supplied by amendment. **Proceeds**—To increase investments in subsidiaries. **Underwriters**—Paine, Webber, Jackson & Curtis, New York and Boston; Mitchum, Tully & Co., San Francisco, Calif., and Stone & Webster Securities Corp., New York.

★ **Georgia Power Co. (3/24)**
Feb. 20 filed $16,000,000 of first mortgage bonds due April 1, 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. **Bids**—To be received up to 11 a.m. (EST) on March 24 at office of Southern Services, Inc., 20 Pine St., New York 5, N. Y.

★ **Georgia Power Co (3/24)**
Feb. 20 filed 100,000 shares of cumulative 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**—To be received up to 11 a.m. (EST) on March 24 at office of Southern Services, Inc., 20 Pine St., New York 5, N. Y.

★ **Global Oil & Drilling Co., Inc., Wilmington, Del.**
Feb. 16 (letter of notification) 300,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For drilling expenses. **Office**—100 West 10th Street, Wilmington, Del. **Underwriter**—Baruch & Co., Inc., New York.

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.

★ **Great Lakes Industries, Inc, Chicago, Ill**
Feb. 13 (letter of notification) 18,000 shares of common stock (par $1). **Price** — $5 per share. **Proceeds** — To Dempsey & Co., Chicago, Ill., the selling stockholder. **Underwriter**—None.

★ **Great Western Uranium Corp. Grand Junction, Colo.**
Feb. 12 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For acquisitions and working capital. **Office** — U. S. Bank Bldg., Grand Junction, Colo. **Underwriter**—Israel & Co., New York.

Gulf Insurance Co., Dallas, Tex.
Jan. 19 (letter of notification) 5,000 shares of capital stock (par $10) being offered for subscription by stockholders of record Feb. 11 on basis of one new share for each 35 shares held; rights to expire on March 3. **Price**—$50 per share. **Proceeds**—To increase capital and surplus. **Address**—P. O. Box 1771, Dallas, Texas. **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.

★ **Honolulu Oil Corp.**
Feb. 24 filed $1,250,000 in an incentive and stock ownership plan for employees of corporation and 25,000 shares of capital stock. **Underwriter**—None.

Hot Shoppes, Inc., Washington, D. C. (3/10)
Feb. 17 filed 229,880 shares of common stock (par $1), of which 195,880 shares are to be sold publicly for the account of three selling stockholders, and 34,000 shares by the company of which 16,000 shares will be offered to public and 18,000 shares to employees of the company. **Price**—To be supplied by amendment. **Proceeds**—To company, for working capital, etc. **Underwriter**—Johnston, Lemon & Co., Washington, D. C.

● **Indianapolis Power & Light (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**—To be received up to 11:30 a.m. (EST) on March 3, at Room 3250, 120 Broadway, New York, N. Y.

Inspiration Lead Co., Inc., Wallace, Ida.
Jan. 26 (letter of notification) 2,000,000 shares of common stock. **Price**—15 cents per share. **Proceeds**—For mining expenses. **Office**—507 Bank St., Wallace, Ida. **Underwriter**—Mine Financing, Inc., Wallace, Ida.

● **Interprovincial Pipe Line Co. (Canada)**
Feb. 6 filed 1,500,000 shares of capital stock (par $5) to be offered for subscription by stockholder of record Feb. 26. (Imperial Oil Ltd. owns 33.36% and Canadian Gulf Oil Co. 10.01% of the outstanding stock.) **Price**—To be supplied by amendment. **Proceeds**—For new construction. **Offices**—Toronto, Ont., and Edmonton, Alta. **Underwriters**—Wood, Gundy & Co., and McLeod, Young, Weir, Inc., both of New York and Toronto. Statement effective Feb. 25.

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.

Israel Overseas Corp. of New York
Feb. 17 filed 16,000 shares of capital stock par $1 and $3,400,000 of 20-year debentures to be offered in units of eight shares of stock and $1,700 principal amount of debentures. **Price**—$2,500 per unit. **Proceeds**—For general corporate purposes. **Underwriter**—None.

★ **Jefferson Lake Sulphur Co., New Orleans, La.**
Feb. 16 (letter of notification) 2,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—To Roger J. Barba, the selling stockholder. **Underwriter**—None, but James E. Bennett & Co., New York and Chicago, will act as agent.

★ **Kalamazoo Furnace & Appliance Manufacturing Co.**
Feb. 17 (letter of notification) 45,900 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For real estate and equipment. **Office** — 710 Kalamazoo Building, Kalamazoo, Mich. **Underwriter**—None.

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.

Lake Superior District Power Co. (3/7)
Feb. 16 filed 29,761 shares of common stock (par $20) to be offered for subscription by common stockholders of record Feb. 25 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 March 7. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—Robert W. Baird & Co., Inc., Milwaukee, Wis.

Lake Superior District Power Co. (3/17)
Feb. 16 filed $2,000,000 first mortgage bonds, series E, due March 1, 1983. **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.

● **Maryland Casualty Co., Baltimore, Md.**
Feb. 5 filed 442,098 shares of common stock (par $1) being offered for subscription by common stockholders of record Feb. 21 at rate of one new share for each 2½ shares held; rights to expire March 12. **Price** — $23 per share. **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.

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.

● **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**—To be received up to noon (EST) on March 17 at Room 2033, No. 2 Rector Street, New York, N. Y.

★ **Motor-Inn, Inc., Wilmington, Del.**
Feb. 17 (letter of notification) 1,543 shares of capital stock. **Price**—At par ($100 per share). **Proceeds**—For construction of motor court. **Office**—350 Delaware Trust Building, Wilmington, Del. **Underwriter**—None.

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**—To be received up to noon (EST) on March 10 at company's office.

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**—Scheduled to be received up to noon (EST) on March 3 at 441 Stuart Street, 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.

● **North American Royalties, Inc. (3/9-13)**
Feb. 16 filed 325,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To retire outstanding preferred stock and bank loans and for working capital. **Office**—Bismarck, N. Dak. **Underwriter**—Lehman Brothers, New York.

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.

Pacific Northern Airlines, Inc., Seattle, Wash. (3/3-4)
Feb. 11 filed 360,000 shares of common stock (par $1). **Price**—To be supplied by amendment (probably around $3 per share). **Proceeds**—For repayment of bank loans and new equipment. **Underwriters**—Emanuel, Deetjen & Co. and Hayden, Stone & Co., both of New York.

Paley Manufacturing Corp., Brooklyn, N. Y.
Jan. 16 (letter of notification) 99,000 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—For expansion and working capital. **Underwriter**—G. K. Shields & Co., New York.

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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.

★ **Paragon Optical Co., Inc. (Puerto Rico)**
Feb. 16 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For operating capital. **Office**—161 Munoz Rivera Ave., Hato Rey, Puerto Rico. **Underwriter**—Degaetano Securities Co., New York.

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.

● **Phillips Packing Co., Inc.**
Feb. 2 (letter of notification) 3,000 shares of common stock (no par). **Price**—At market (approximately $6 per share). **Proceeds**—To Theodore Phillips, the selling stockholder. **Underwriter**—Alex. Brown & Sons, Baltimore, Md.

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.

★ **Public Service Underwriters, Inc., Seattle, Wash.**
Jan. 29 (letter of notification) 2,396 shares of common stock to be offered first for subscription by present stockholders. **Price** — $125 per share. **Proceeds** — For working capital. **Office**—2124 Fourth Ave., Seattle 1, Wash. **Underwriter**—None.

★ **Pyramid Oil & Gas Corp., West Palm Beach, Fla.**
Feb. 17 (letter of notification) 7,000 shares of common stock (par 10 cents). **Price**—At market. **Proceeds**—To Carl M. Brukenfeld, the selling stockholder. **Underwriter**—None.

★ **Raleigh Investment Co., St. Louis, Mo.**
Feb. 18 (letter of notification) $85,050 of first mortgage serial notes (on Sir Walter Raleigh Apartments), maturity extended to Nov. 1, 1957. This is a part of original issue of $198,500 principal amount of said notes. **Office**—3664 Washington Blvd., St. Louis, Mo. **Underwriter**—None.

Silver States Oil & Gas Corp., Shelby, Mont.
Feb. 9 (letter of notification) 239,500 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To drill wells. **Underwriter**—Hunter Securities Corp., New York.

South Carolina Electric & Gas Co.
Jan. 28 filed 358,045 shares of common stock (par $4.50) being 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**—$12 per share. **Proceeds**—For construction program. **Underwriter**—Kidder, Peabody & Co., New York.

Standard Petroleum Corp., Wilmington, Del.
Feb. 9 (letter of notification) 300,000 shares of common stock (par 5 cents). **Price**—$1 per share. **Proceeds**—To drill well. **Office**—100 West 10th St., Wilmington, Del. **Underwriter**—Charter Securities Corp., New York.

Stanwood Oil Corp., N. Y.
Feb. 9 (letter of notification) 6,000 shares of common stock (par five cents). **Price**—$2.25 per share. **Proceeds**—To compensate underwriter for services. **Underwriter**—Jacquin, Stanley & Co., New York.

★ **Stein Roe & Farnham Fund, Inc.**
Feb. 18 filed 200,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

★ **Sunland Oil Co., Yakima, Wash.**
Jan. 30 (letter of notification) 40,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To drill wells. **Office**—326 Miller Bldg., Yakima, Wash. **Underwriter**—None.

● **Taylor Laboratories, Inc., Houston, Tex.**
Feb. 11 (letter of notification) 10,000 shares of class A common stock, 1,900 shares of common stock and 5,400 shares of preferred stock. **Price**—$10 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

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 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.

★ **Thomas & Skinner Steel Products Co., Inc., Indianapolis, Ind.**
Feb. 16 (letter of notification) $250,000 of 5½% first mortgage convertible sinking fund bonds. **Price**—At par and accrued interest (in denominations of $1,000 and $500 each). **Proceeds** — To reduce bank loans and for working capital. **Underwriter** — City Securities Corp., Indianapolis, Ind.

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. No general public offer planned.

★ **Travertine Products Co., Inc., Reno, Nev.**
Feb. 12 (letter of notification) 200,000 shares of common stock. **Price** — $1 per share. **Proceeds** — For new construction and equipment for mining operations. **Office**—139 No. Virginia St., Reno, Nev. **Underwriter**—None.

★ **Union Sulphur & Oil Corp., Houston, Tex. (3/17)**
Feb. 25 filed $10,000,000 of sinking fund debentures due 1978 and 101,000 shares of class A non-voting stock (par $1), the latter to be sold for account of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—From sale of debentures, to pay notes and for working capital, etc. **Underwriter**—Smith, Barney & Co., New York.

★ **United States Air Conditioning Corp.**
Feb. 17 (letter of notification) 100,000 shares of common stock (par 10 cents) and warrants to purchase 250,000 additional shares of common stock (each warrant giving holder the deferred right after 13 months to purchase prior to Dec. 31, 1957, one share of stock upon payment of $3.06¼ per share), to be offered in units of one common share and 2½ warrants. **Price**—$2.29 per unit. **Proceeds**—For working capital. **Address**—c/o Phillips & Avery, One Wall St., New York, N. Y. **Underwriter**—Mortimer B. Burnside & Co., Inc., New York.

★ **Victoreen Instrument Co.**
Feb. 12 (letter of notification) 15,000 shares of common stock (par $1). **Price**—At market (approximately $5.25 per share). **Proceeds**—To E. A. Benson and R. F. Shima, the two selling stockholders. **Underwriter**—Barrett Herrick & Co., Inc., New York.

★ **Wellington Fund, Inc., Camden, N. J.**
Feb. 17 filed 2,000,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **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.

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.
Feb. 12 it was reported company may be in the market this spring with a financing program to raise about $40,000,000. A 1-for-10 offering of common stock (about 818,658 shares) is said to be under study. **Proceeds**—For expansion program. **Underwriters** — The First Boston Corp. and A. E. Ames & Co., Ltd., acted as dealer-managers in October, 1951, stock offering to stockholders.

● **Arkansas Power & Light Co.**
Feb. 2 it was announced company may issue and sell, probably in June, 1953, about $18,000,000 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., Blyth & Co. Inc., Equitable Securities Corp. and Central Republic Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly).

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. (4/6)
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 6.

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.

★ **Central & South West Corp. (3/11)**
Feb. 23 company applied to SEC for authority to issue and sell 606,084 additional shares of its common stock (par $5), to be offered for subscription by stockholders of record Mar. 11 in the ratio of one new share for each 14 shares held. **Proceeds**—To purchase additional shares of common stock of its four principal subsidiaries, who in turn will use the funds to pay for property additions and improvements. **Underwriters** — To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers and Lazard Freres & Co. (jointly); Blyth & Co., Inc., Smith, Barney & Co. and Harriman Ripley & Co., Inc. (jointly).

Chesapeake & Ohio Ry. (3/12)
Bids are expected to be received by the company on March 12 for the purchase from it of $7,950,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Salomon Bros. & Hutzler.

Chicago & Eastern Illinois RR. (3/5)
Bids will be received by the company at 332 So. Michigan Avenue, Chicago 4, Ill., up to noon (CST) on March 5 for the purchase from it of $2,100,000 equipment trust certificates, series J, to be dated March 1, 1953 and to mature in 30 equal semiannual installments from Sept. 1, 1953 to March 1, 1968, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; R. W. Pressprich & Co.; Kidder, Peabody & Co.

Chicago & North Western Ry. (3/5)
Bids will be received by the company at 400 West Madison St., Chicago 6, Ill., up to noon (CST) on March 5 for the purchase from it of $8,400,000 equipment trust certificates to be dated April 1, 1953, and to mature in

15 equal annual instalments from April 1, 1954, to 1968, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

★ Clevite Corp.
Feb. 17 it was announced company plans public sale of 200,000 shares of common stock (following approval of 2-for-1 split on April 6). **Underwriters**—F. Eberstadt & Co., Inc., New York; Prescott & Co., Cleveland, O.

Columbia Gas System, Inc., N. Y.
Oct. 10 it was announced company plans to issue and sell common stock (probably sufficient to raise between $20,000,000 and $25,000,000) and additional debentures early in the Spring of 1953. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: For stock, Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co. and R. W. Pressprich & Co. (jointly); Morgan Stanley & Co. For debentures, Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Consolidated Natural Gas Co.
Feb. 6 it was reported company is considering debt financing, probably a maximum of $35,000,000 to $40,000,000. If competitive, probable bidders may include: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and The First Boston Corp. (jointly); White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly). **Offering**—Tentatively expected in late spring.

Culver Corp., Chicago, Ill.
Nov. 22 it was announced that company proposes to offer to stockholders of record Jan. 13 a total of 23,640 additional shares of common stock on a share-for-share basis. **Price**—At par ($2 per share). **Proceeds**—For investment. **Office**—105 West Madison Street, Chicago, Ill. **Underwriter**—None.

★ Delaware Power & Light Co.
Feb. 24 it was announced stockholders on April 21 will vote on approving a proposal to increase the authorized preferred stock from 200,000 shares to 300,000 shares (par $100). Probable bidders for any new preferred stock financing may include Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers; W. C. Langley & Co. and Union Securities Corp. (jointly); Morgan Stanley & Co. Stuart Cooper, President, said it is possible that common stock may be sold later in the year.

Detroit Edison Co.
Feb. 9 it was announced company plans to issue an unspecified amount of convertible debentures, which may first be offered for subscription by stockholders. **Proceeds**—To retire bank loans and to meet construction costs. **Meeting**—Stockholders on April 14 will vote on authorizing the new debentures. **Underwriter**—None.

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; Harriman Ripley & Co. Inc.; White, Weld & Co. **Bids**—Expected at noon (EST) April 7. **Registration**—Tentatively planned for March 2.

General Public Utilities Corp.
Feb. 11 it was reported company is planning issuance and sale this summer of additional common stock to common stockholders on a 1-for-15 basis. Merrill, Lynch, Pierce, Fenner & Beane acted as clearing agent in last stock offer.

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.

Helicopter Air Service, Inc., Chicago, Ill.
Feb. 9 it was reported company has applied to the CAB for a certificate of convenience covering service from Detroit to Cleveland, and also in Chicago, where the company is now operating a mail pick-up service in suburban towns. **Underwriter**—May be Cruttenden & Co., Chicago, Ill.

★ High Voltage Engineering Co., Cambridge, Mass.
Feb. 18 it was reported company plans early registration of $800,000 4%-6% convertible subordinate debentures due 1967 and 20,000 shares of common stock to be offered in units of a $1,000 debenture and 25 shares of common stock. **Price**—$1,000 per unit. **Business**—Company was organized in 1947 to design, develop and manufacture X-ray machines and other equipment. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston and New York.

Jersey Central Power & Light Co.
Feb. 11 it was reported company plans to issue and sell $8,500,000 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.

Jewel Tea Co., Inc.
Feb. 11 it was announced company plans to offer and sell to common stockholders about 142,000 shares of additional common stock (par $1) on a basis of one new share for each eight shares held. This will follow approval on March 31 of a split up of each present no par common share into two shares of $1 par value. **Underwriters**—Lehman Brothers and Goldman, Sachs & Co., both of New York.

● Kentucky Utilities Co. (4/7)
Jan. 30 it was reported company may issue and sell $10,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lehman Brothers (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc.; Equitable Securities Corp. **Bdis**—Tentatively expected to be received on April 7.

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., Lehman Brothers and A. C. Allyn & Co., Inc. (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.; Equitable Securities Corp.

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.
Feb. 11 it was reported company plans to issue and sell in May about $8,000,000 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. and White, Weld & Co. (jointly); 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. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., Lehman Brothers and Bear, Stearns & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Offering**—Not expected till later in year.

New Jersey Power & Light Co.
Feb. 11 it was announced company plans issue and sale of about $5,500,000 first mortgage bonds due 1983. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Union Securities Corp. and White Weld & Co. (jointly); The First Boston Corp. and Kidder, Peabody & Co. (jointly); Carl M. Loeb, Rhoades & Co.; Equitable Securities Corp.; Kuhn, Loeb & Co., Lehman Brothers and Goldman, Sachs & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane. **Offering**—Probably in May or June.

New Orleans Public Service Inc. (4/14)
Dec. 15 it was reported company plans to sell about $6,000,000 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 up to noon (EST) on April 14.

● New York Central RR. (3/4)
Bids will be received by the company in New York up to noon (EST) on March 4 for the purchase from it of $9,375,000 equipment trust certificates to be dated March 15, 1953, and to mature $625,000 each March 15 from 1954 to 1968, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Northern Natural Gas Co., Omaha, Neb.
Feb. 4 filed an amended application with FPC for authority to construct pipeline facilities to cost an estimated $66,248,000 (compared with previous request covering $69,826,000). This would include about 425 miles of main pipeline. Probable bidders for $40,000,000 of debentures or bonds: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. and Kidder, Peabody & Co. (jointly). Common stock financing will probably be done via rights.

★ Oklahoma Natural Gas Co.
Feb. 24 it was announced that the directors were considering authorizing an offering of a sufficient number of shares of new common stock (par $7.50) to raise $4,000,000. This would follow proposed stock split of present authorized 1,639,884 shares of $15 par value into 3,279,768 shares of $7.50 par value. Proceeds would be used for the company's construction program. Underwriters will be determined by competitive bidding.

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.
Feb. 11 it was reported company plans to issue and sell in June about $12,500,000 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.

Permian Basin Pipeline Co., Chicago, Ill.
Feb. 4 company filed an amended application with FPC for authority to construct a 163-mile pipeline system at an estimated cost of $40,269,000. Probable underwriters for convertible notes and stock; Stone & Webster Securities Corp.; and Glore, Forgan & Co., both of New York. Of the stock of this company, 51% is now owned by Northern Natural Gas 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 Co. of New Mexico (3/18)
Jan. 30 it was reported company plans to issue and sell 30,000 shares of cumulative preferred stock (par $100). **Price**—To be named later. **Proceeds**—For new construction, etc. **Registration**—Expected about Feb. 26. **Underwriter**—Allen & Co., New York.

Public Service Co. of Oklahoma (3/17)
Jan. 30 it was reported company may issue and sell $6,000,000 of first mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; White,

Continued on page 50

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Weld & Co. and Shields & Co. (jointly); Glore, Forgan & Co.; Harriman Ripley & Co., Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly). **Bids**—Tentatively expected to be received on March 17.

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. (3/18)
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. **Underwriters**—Last public stock financing in 1952 was handled by Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co. (jointly). **Bids**—Tentatively expected to be received on March 18.

Resort Airlines, Inc.
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.

Rockland Light & Power Co.
Nov. 12, F. L. Lovett, President, announced company expects to raise about $24,000,000 in the next two years through sale of bonds, and preferred and common stock, viz: $5,500,000 of first mortgage bonds and $5,500,000 prefererd stock in 1953 and $6,000,000 bonds, $6,000,000 preferred stock, and $1,000,000 common stock in 1954. **Proceeds**—For expansion program. **Underwriters** — For bonds and preferred stock may be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; First Boston Corp. and Salomon Bros. & Hutzler (jointly); Stone & Webster Securities Corp.; Lehman Brothers, Bear, Stearns & Co. and A. C. Allyn & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Estabrook & Co. (2) For preferred—Stone & Webster Securities Corp.; Lehman Brothers; W. C. Langley & Co.; Estabrook & Co. and Kidder, Peabody & Co. (jointly). Common stock will probably be offered for subscription by stockholders.

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 California Gas Co.
Jan. 30 this company and Southern Counties Gas Co. applied to California P. U. Commission for authority to construct a 73-mile pipe line and other facilities at an estimated cost of $7,482,194. Of the total, Southern California would spend $5,600,000, and Southern Counties the balance. Bonds would be sold to pay one-half of the cost, and the remainder of the proceeds to come from sale of common stock to Pacific Lighting Corp., the parent. **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders for Southern California bonds: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Union Securities Corp. (jointly); Blyth & Co., Inc. Probable bidders for Southern Counties bonds: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Harris, Hall & Co., Inc. (jointly); Blyth & Co., Inc.; The First Boston Corp.; White, Weld & Company.

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. and Union Securities Corp. (jointly); First Boston Corp.; Lehman Brothers; Morgan Stanley & Co., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Bids**—Tentatively expected to be received at 11 a.m. (EST) on April 15. **Registration**—Planned for March 13.

Southern Counties Gas Co. of California
See Southern California Gas Co. above.

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.

★ **Southwestern States Telephone Co.**
Feb. 18 it was reported early registration is expected of an issue of about 60,000 shares of convertible preferred stock (par $25). **Underwriter** — Central Republic Co., Inc., Chicago, Ill.

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.; Glore, Forgan & Co. (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 to be received up to 11:30 a.m. (EST) on April 13. **Registration**—Tentatively scheduled for March 5.

Texas Power & Light Co.
Dec. 15 it was reported company may sell about $11,000,000 of first mortgage bonds. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp.; Union Securities Corp.; Hemphill, Noyes & Co. and Drexel & Co. (jointly); White, Weld & Co.; Lehman Brothers. **Offering**—Tentatively expected in May.

Texas Utilities Co.
Dec. 15 it was reported that following completion of proposed financing by Dallas Power & Light Co., Texas Electric Service Co. and Texas Power & Light Co., subsidiaries (which see) the parent plans to offer additional common stock to stockholders. **Underwriters** — Union Securities Corp., New York.

Toledo Edison Co.
Oct. 3 it was reported company plans issue and sale of $7,500,000 first mortgage bonds. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp. and Salomon Bros. & Hutzler (jointly); Carl M. Loeb, Rhoades & Co.; Kidder, Peabody & Co.; The First Boston Corp. and Glore, Forgan & Co. (jointly); Union Securities Corp.; Smith, Barney & Co.; White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers. **Offering**—Probably early in 1953.

Trans-Northwest Gas, Inc., Spokane, Wash.
Feb. 4 sought FPC authority to construct and operate a pipeline system to serve eastern Washington and northern Idaho to cost an estimated $19,765,480. **Underwriter** May be Eastman, Dillon & Co., New York.

Transcontinental Gas Pipe Line Corp.
March 14 it was reported company plans issuance and sale this Fall of an issue of convertible preferred stock. **Underwriters**—Probably White, Weld & Co. and Stone & Webster Securities Corp., New York.

United Gas Corp.
Feb. 11 it was reported company may issue and sell in May or June about $20,000,000 of common stock to common stockholders on a 1-for-15 basis and $30,000,000 of debentures. **Proceeds**—For 1953 construction program. **Underwriters**—For stock, none. For debentures, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co., White, Weld & Co. and Equitable Securities Corp. (jointly); The First Boston Corp., Harriman Ripley & Co., Inc. and Goldman, Sachs & Co. (jointly).

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).

Western Light & Telephone Co., Inc.
Feb. 2 it was announced the additional financing will be required during the early part of this year to carry out construction program. Type of financing has not yet been worked out. **Underwriters** — Harris, Hall & Co. (Inc.), Chicago, Ill., and The First Trust Co. of Lincoln, Neb.

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

Sentiment in the investment market blows alternately hot and cold with considerable frequency these days. Only a week ago, after things seemingly had been stalled for a fortnight, Niagara Mohawk Power Corp.'s new issue, offered on a 3.406 yield basis, suddenly "took fire" and things began to look up.

The day before Consolidated Edison Co.'s offering, brought out on a 3.38% yield basis, though carrying a slightly higher rating, gave some indication of becoming a "slow mover."

People who had indicated interest on a 3.40% basis appeared simply to withdraw and stand aside. But the rousing success of the Niagara Mohawk undertaking appeared to completely change the complexion of the situation and the Edison's ran into investor demand which brought quick closing of the books.

Prior to these developments, however, banking groups which had been carrying through other new offerings decided to "cut and run" with the consequence that the issues involved slid off substantially from the original offering prices.

The Consolidated Edison and Niagara Mohawk issues have since commanded slight premiums and the three issues in which the syndicates decided for quick dissolution have enjoyed some measure of recovery from the lows.

But now the Treasury list is acting up again and in a manner to stir new misgivings among those seeking to gauge the market's direction.

Casting Shadows?

Behavior of the Treasury market, particularly the long-end of the list, is generating considerable nervousness at the moment in the belief that action here may foreshadow further adjustment in the high-grade corporate market.

The Treasury has a sizable maturity ahead at mid-June but belief is that this can be taken care of with a combination offering of long- and short-term securities.

However, it has a much larger refinancing task looming in September. With the long 2½s of 1972-67 now quoted around 94½ for an indicated yield of 2.85% there is a growing feeling that the market may be paving the way for a long-term 3% bond.

Revamping Portfolios

The marked shift which has taken place in the investment portfolio of Metropolitan Life Insurance Co. in the last few years probably in indicative of what major institutional investors as a group have been doing.

In the period from 1945 to 1952 the "Met" has just about halved its holdings of U. S. Government bonds, from $3,656,000,000 on the earlier date to $1,845,000,000 at the end of 1952.

In the same period the world's largest corporate enterprise has increased its holdings of corporate obligations about ten-fold or from $385,000,000 in 1945 to $3,756,000,000 at the close of last year.

This Week's Issues

The holiday at the start of the week tended to curtail activity in the new issue market but several undertakings reached fruition, including a large secondary operation.

Maryland Casualty Co. yesterday opened subscriptions, at least bankers did, on 475,000 shares of additional common stock, $1 par. This stock is being offered first to shareholders of record as of yesterday, with the "rights" expiring on March 12.

Today bankers were slated to offer a block of 271,940 shares of $5 par common of Carborundum Co. for the account of certain selling stockholders. None of the proceeds would accrue to the company.

And McKesson & Robbins Inc.'s $15,000,000 of 20-year debentures, expected to carry a 3½% interest rate and be priced at par, was due to reach market with a good reception indicated.

Federal Reserve Cuts Stock Margins to 50%

The Federal Reserve Board on Feb. 20 announced a reduction in margin requirements on stock market transactions from 75% to 50%, effective when the stock exchanges resume trading on Feb. 24.

This action restores the margin requirement on both purchases and short sales to the level prevailing before Jan. 17, 1951. Other regulations of the Federal Reserve Board governing stock transactions remain unchanged.

Federal Reserve officials made no explanation of the action except to say the Board has been considering the move for some time. They added the Board "was not under pressure" and that the Board simply waited for the "right time" to act.

Bankers Underwrite Maryland Cas. Offer

The Maryland Casualty Co. is offering to holders of its common stock the right to subscribe to 442,098 additional shares of common stock at $23 per share on the basis of one share of additional common stock for each 2½ shares of common stock held of record on Feb. 21, 1953. The subscription offer will expire at 3:30 p.m. (EST) on March 12, 1953. The offering is being underwritten by a group headed by Merrill Lynch, Pierce, Fenner & Beane.

Net proceeds from the sale of the stock will be added to the company's general funds and will be used to carry on its expanding business. It is presently intended that the company will invest such proceeds in securities.

Maryland Casualty Co. is one of the oldest and largest multiple-line stock casualty insurance and surety companies in the United States. It is licensed to do business in all states of the United States, the District of Columbia, Alaska, Hawaii, Puerto Rico, the Canal Zone, the Virgin Islands, the Republics of Cuba and Panama, and all provinces of the Dominion of Canada, except Prince Edward Island.

Underwriting income of the company in 1952 aggregated $74,240,133 and net income amounted to $3,843,466, equal after preferred dividends, to $2.96 a common share. In 1951, underwriting income totalled $70,845,932 and net income was $3,137,805, equal to $2.71 a common share.

Frank Shaughnessy Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—C. D. Chamberlain has been added to the staff of Frank C. Shaughnessy & Co., 111 Sutter Street, members of the San Francisco Stock Exchange.

DIVIDEND NOTICES

CRANE CO.

The Board of Directors of Crane Co. has declared a regular quarterly dividend of $.50 per share on the outstanding Common Shares of the Company, payable on March 23, 1953, to Shareholders of record at the close of business on March 6, 1953.

K. L. KARR, Secretary.

ADVANCE ALUMINUM CASTINGS CORP.

Chicago, Illinois

The Board of Directors has declared a regular quarterly dividend of 12½ cents per share on the common stock of the corporation, payable March 10, 1953, to stockholders of record at the close of business on March 2, 1953.

ROY W. WILSON
President

Dividend Notice

THE ARUNDEL CORPORATION BALTIMORE MARYLAND

The Board of Directors of the Arundel Corporation has this day (February 25, 1953) declared thirty cents per share as a quarterly dividend, on the no par value stock of the corporation, issued and outstanding, payable on and after April 1, 1953, to the stockholders of record on the corporation's books at the close of business March 16, 1953.

MARSHALL G. NORRIS,
Secretary.

Allegheny Ludlum Steel Corporation

Pittsburgh, Penna.

At a meeting of the Board of Directors of the Allegheny Ludlum Steel Corporation held today, February 19, 1953, a dividend of fifty cents (50c) per share was declared on the Common Stock of the Corporation, payable March 31, 1953, to Common stockholders of record at the close of business on March 2, 1953.

The Board also declared a dividend of one dollar nine and three-eighths cents ($1.09375) per share on the $4.375 Cumulative Preferred Stock of the Corporation, payable March 15, 1953, to Preferred stockholders of record at the close of business on March 2, 1953.

S. A. McCASKEY, JR.
Secretary

LIQUIDATION NOTICE

Metuchen National Bank, located at Metuchen, in the State of New Jersey, is closing its affairs. All creditors of the Association are therefore hereby notified to present claims to the undersigned, at 85 Rector Street, Metuchen, N. J.

Phil T. Ruegger
Thomas D. Ainslie
Louis H. Meade
Liquidating Committee

Dated: January 20, 1953.

DIVIDEND NOTICES

GEORGE W. HELME COMPANY
9 Rockefeller Plaza, New York, N. Y.

On February 25, 1953, quarterly dividends of 43¾ cents per share on the Preferred Stock and 40 cents per share on the Common Stock were declared, payable April 1, 1953, to stockholders of record at the close of business March 6, 1953.

J. P. McCAULEY, Secretary

HOMESTAKE MINING COMPANY
DIVIDEND NO. 887

The Board of Directors has declared dividend No. 887 of forty cents ($.40) per share of $12.50 par value Capital Stock, payable March 12, 1953 to stockholders of record March 2, 1953.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

JOHN W. HAMILTON, *Secretary.*

February 6, 1953.

SOUTHERN PACIFIC COMPANY
DIVIDEND NO. 141

A QUARTERLY DIVIDEND of Seventy-five Cents ($.75) per share on the Common Stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y., on Monday, March 23, 1953, to stockholders of record at three o'clock P. M., on Monday, March 2, 1953. The stock transfer books will not be closed for the payment of this dividend.

J. A. SIMPSON, Treasurer.

New York, N. Y., February 19, 1953.

The American Tobacco Company
INCORPORATED

111 Fifth Avenue New York 3, N. Y.

194TH PREFERRED DIVIDEND

A quarterly dividend of 1½% ($1.50 a share) has been declared upon the Preferred Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on April 1, 1953, to stockholders of record at the close of business March 10, 1953. Checks will be mailed.

HARRY L. HILYARD, *Treasurer*

February 24, 1953

ALLEN B. DU MONT LABORATORIES, INC.

The Board of Directors of Allen B. Du Mont Laboratories, Inc. this day has declared a dividend of $.25 per share on its outstanding shares of 5% Cumulative Convertible Preferred Stock payable April 1, 1953 to Preferred Stockholders of record at the close of business March 16, 1953.

February 18, 1953 PAUL RAIBOURN, *Treasurer*

DU MONT

In All Phases of Television

The Borden Company

BORDEN'S 1857

ANNUAL MEETING

The annual meeting of stockholders will be held on Wednesday, April 15, 1953, at 11:00 o'clock A.M. (Eastern Standard Time) at 43 Park Avenue, Flemington, Hunterdon County, New Jersey.

Only stockholders of record at the close of business on Thursday, March 5, 1953, will be entitled to vote at said meeting, notwithstanding any subsequent transfers of stock.

The stock transfer books will not be closed.

The Borden Company
DOUGLAS T. ORTON, *Secretary*

DIVIDEND NOTICES

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared quarterly dividend No. 152 of fifty cents (50¢) per share on the common stock payable April 15, 1953, to stockholders of record at the close of business on March 13, 1953.

GERARD J. EGER, Secretary

INTERNATIONAL SALT COMPANY

DIVIDEND NO. 155

A dividend of FIFTY CENTS a share has been declared on the capital stock of this Company, payable April 1, 1953, to stockholders of record at the close of business on March 16, 1953. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN
Exec. Vice Pres. & Sec'y.

IRVING TRUST COMPANY

One Wall Street, New York

February 19, 1953

The Board of Directors has this day declared a quarterly dividend of 25 cents per share on the capital stock of this Company, par $10, payable April 1, 1953, to stockholders of record at the close of business March 3, 1953.

STEPHEN G. KENT, *Secretary*

KENNECOTT COPPER CORPORATION

161 East 42d Street, New York, N. Y.

February 20, 1953

A cash distribution of One Dollar and Twenty-five Cents ($1.25) a share has been declared today by Kennecott Copper Corporation, payable on March 31, 1953, to stockholders of record at the close of business on March 3, 1953.

ROBERT C. SULLIVAN, *Secretary*

Bayuk Cigars Inc.

A dividend of fifteen cents (15¢) per share on the Common Stock of this Corporation was declared payable March 17, 1953, to shareholders of record March 2, 1953. Checks will be mailed.

John A. Snyder
TREASURER

Philadelphia, Pa.
February 20, 1953

PHILLIES

America's No. 1 cigar

DIVIDEND NOTICES

LIBERTY PRODUCTS CORPORATION

Farmingdale, New York

February 24, 1953

The Board of Directors of Liberty Products Corporation declared a regular quarterly dividend of Twenty Cents (20¢) per share on its common stock, payable March 27, 1953 to stockholders of record at the close of business on March 13, 1953.

William G. Holman
Treasurer

MERCK & CO., INC.

RAHWAY, N. J.

Quarterly dividends of 20¢ a share on the common stock, 87½¢ a share on the $3.50 cumulative preferred stock, and $1.00 a share on the $4.00 convertible second preferred stock have been declared, payable on April 1, 1953 to stockholders of record at the close of business March 12, 1953.

JOHN H. GAGE,
February 24, 1953 *Treasurer*

ROBERTSHAW-FULTON CONTROLS COMPANY

Greensburg, Pa.

COMMON STOCK

A regular quarterly dividend of 37½¢ per share on the Common Stock has been declared, payable March 20, 1953 to stockholders of record at the close of business March 10, 1953.

The transfer books will not be closed.

WALTER H. STEFFLER
Secretary & Treasurer

February 17, 1953.

CHEMICALS TEXTILES PLASTICS

CELANESE CORPORATION OF AMERICA

180 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

4½% PREFERRED STOCK, SERIES A

The regular quarterly dividend for the current quarter of $1.12½ per share, payable April 1, 1953, to holders of record at the close of business March 6, 1953.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable April 1, 1953, to holders of record at the close of business March 6, 1953.

COMMON STOCK

50 cents per share, payable March 24, 1953, to holders of record at the close of business March 6, 1953.

R. O. GILBERT
Secretary

February 24, 1953.

DIVIDEND NOTICES

UNITED GAS CORPORATION

SHREVEPORT, LOUISIANA

Dividend Notice

The Board of Directors has this date declared a dividend of thirty-one and one-quarter cents (31¼¢) per share on the Common Stock of the Corporation, payable April 1, 1953, to stockholders of record at the close of business on March 10, 1953.

B. H. WINHAM
February 25, 1953 *Secretary*

Tennessee Gas Transmission Company

DIVIDEND NO. 22

The Board of Directors has declared a quarterly dividend of 35¢ per share on the Common Stock, payable April 1, 1953 to stockholders of record on March 6, 1953.

J. E. IVINS,
Secretary.

TEXAS UTILITIES COMPANY

DIVIDEND NOTICE

The Board of Directors today declared a dividend of 47 cents per share on the Common Stock of the Company, payable April 1, 1953 to stockholders of record at the close of business March 3, 1953.

JOHN HUME
Secretary

February 20, 1953.

Edison

Southern California Edison Company

DIVIDENDS

ORIGINAL PREFERRED STOCK
DIVIDEND NO. 175

CUMULATIVE PREFERRED STOCK
4.32% SERIES
DIVIDEND NO. 24

The Board of Directors has authorized the payment of the following quarterly dividends:

50 cents per share on Original Preferred Stock;

27 cents per share on Cumulative Preferred Stock, 4.32% Series.

The above dividends are payable March 31, 1953, to stockholders of record March 5, 1953. *Checks will be mailed from the Company's office in Los Angeles, March 31, 1953.*

P. C. HALE, *Treasurer*

February 20, 1953

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Standing by itself, the dismissal of the Sarnoff Commission raises doubts as to the future of the drive to curtail excess manpower in the military establishment.

Curtailment of surplus manpower, in the opinion of some members of the Armed Services Committee, represents a very practical if extremely difficult route by which it may be possible to achieve most substantial savings in military spending without curtailing in the least the effectiveness of the military potential of the United States.

For more than a year the Preparedness Subcommittee of the Senate Armed Services Subcommittee had been studying the problem of excess manpower in the Services. This Preparedness Subcommittee was the successor to the "Truman Committee" of War II fame and/or notoriety.

Senator Lyndon Johnson of Texas, the present Democratic floor leader, was Chairman of the Subcommittee during the time the Subcommittee and its staff was wrestling with this manpower problem. The consensus reached was that the United States appears to have an enormous "behind the line" military establishment, way out of proportion to forces of other nations in the ratio between the number of men bringing actual firepower to bear and those supporting them.

The significance of this conclusion is that if the United States forces are so inefficiently organized that they must have such a high ratio of supporting forces to their firepower, then a reform of the system could make possible a large curtailment in uniformed personnel without a reduction in firepower.

More particularly, Committee sources had noted, the cost of a military establishment bears a pretty close relationship to the size of its personnel. Any excess personnel costs not merely their pay, allowances, and personal equipment, but also the vast overhead for cantonments, housing of dependents, training, recreation, post exchanges, chapels, and so on *ad infinitum*.

Whenever the Senate group attempted to get any where with the military, however, it ran into a stone wall. In the military services even more than under the civil service, the distribution of rank, pay, and command becomes more bountiful the larger the establishment. The Subcommittee ran into such difficulty that it even believed it necessary to coerce the Pentagon into setting up a commission to study manpower, by means of an amendment to an appropriation bill. It was this amendment which led to the naming, belatedly last October, of the Sarnoff Commission.

Dismissal Seemed Curt

Another reason for having a commission was that a study of that vast magnitude was beyond the scope of the subcommittee. It was contemplated that the Sarnoff Commission would take about a year to ascertain just how necessary to fighting power are some of the luxuries and alleged necessities of the supporting units.

When last week the Sarnoff Commission was dismissed, the impression was gained that the new Administration thought this was just another of those thousands of Pentagon boards and commissions set up to stall on their many varied problems, whilst providing safe jobs for many persons far from the Korean front.

Many in Congress feel that there are only two main ways by which genuine economy may be achieved without material sacrifice of military potential.

One of these is to reduce the infinite variety of weapons ordered by the military. Require concentration on one or two weapons for each definable mission. Cut out the frills, cancel contracts for all the other pretty variety of weapons, and get volume output going.

On the Hill, Charles E. Wilson is rated as the best man for following this road to economy, if President Eisenhower backs him solidly against 3.5 million military persons who will oppose him solidly.

The other main route to economy is to see if hundreds of thousands of uniformed personnel cannot be dispensed with, without loss of firepower, as aforementioned. It is doubted that Mr. Wilson's experience fits him for the latter job.

Ike Could Have CEA For Nothing

President Eisenhower was reported to have sent letters to the Capitol asking for funds to continue the "Council of Economic Advisers" until June 30. The Congress, which had got pretty well fed up with this agency, gave it funds to run through only March 31.

Under the Employment Act of 1946, setting up the Council, this three-man body, with a clique of so-called economists, is supposed annually to provide for the President an economic report recommending how best to keep the economy going at full tilt with ever-rising wages. The President cribs some of the Council's ideas plus any ideas he may get elsewhere, and sends on his own "Economic Report" message to Congress annually. (And he also issues semi-annual reports.)

Actually, the CEA has to draw upon statistics issued, collected, and interpreted by economists of all other government departments for its primary information, plus statistics issued by private industry.

If Ike wanted an "Economic Report" he could order the Commerce, Labor, Agriculture, and one or two other departments, and the Federal Reserve Board to detail one man each everytime an "Economic Report" was due, and sit down and forecast national trends and set down beautiful collections of statistics for him. One of these individuals could coordinate the whole report.

This could be done without keeping alive, and at considerable cost, the "Council of Economic Advisers." It is the left-wing which wants the Council kept alive at all costs, so that if they return to power perhaps they can by law tie up vast programs of forced spending with the recommendations of the Council—their original aim.

Then the President's own economic staff, as happened with Truman, could tell him what to take and what to discard of the "Economic Report" of the so-called experts. The resulting pieces of paper could sound and be just as profound as those coming from a special agency, but without the cost to the taxpayer.

Housing Industry Confronts Dilemma

Two contradictory trends in the thinking of the private housing industry are evident in the recommended program which the National Association of Home Builders is offering to the Administration, as outlined by NAHB President E. M. Spiegel, in the association's "Washington Letter."

On the one hand, the industry appears to strive with ardor for some return to private enterprise and away from government subsidies.

Thus, NAHB recommends a complete review of public housing and a new and less expensive arrangement for housing those unable to pay economic rent.

This industry favors restoring the Federal National Mortgage Association to its original function of a "backstop" or secondary market rather than being a primary source of mortgage money.

Third, the industry recognizes that interest rates on government-sponsored mortgage loans must rise.

On the other hand, NAHB wants more 30-year mortgage loans at smaller down payments, and would still use FNMA as a source of mortgage money where it is not obtainable otherwise.

Thirty-year money with less and less down simply will not be available unless the government puts it up, in the opinion of many observers outside the building industry. It is said that one of the problems of the industry is that it cannot recognize that seven postwar years of easy mortgage money on long-terms with low down payments was possible because (a) this was made a specific objective of Federal policy, to get housing built even if it meant inflation, and (b) with the Eisenhower Administration AND the Federal Reserve System joined in the objective of suppressing monetary inflation, the days of free and easy mortgage lending are over, probably regardless of the level of interest rates.

Finds "Daffy Dills" in Agriculture

Rep. Paul Shafer (R. Mich.) has found some "daffy dills" in the Production and Marketing Administration of the Department of Agriculture, he revealed.

P&MA is now going to protect the poor, unsuspecting purchasers of both daffodils and dandelion greens with Federal marketing standards, daily proclaimed and published in column after column of the Federal Register.

Signer of the daffodil order is an official earning $13,000 per annum, while the order on dandelion greens comes from an official paid $12,000 per year, Shafer noted.

(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

American Competitive Enterprise Economy, The: Study in economic principles and human well-being (planned as a primer for adult economic education discussion groups)—in a series of pamphlets: The Mystery of Money; Control of the Money Supply; Money, Income and Jobs, The National Income and Its Distribution; Progress and Prosperity; Sustaining Prosperity; Demand, Supply and Prices; Prices, Profits and Wages; Why the Businessman?; How Competitive is the American Economy?; Understanding the Economic System and Its Functions; Spending and Taxing; Taxing, Spending, and Debt Management; Labor and the American Economy; Individual and Group Security; International Trade, Investment and Commercial Policy; The Ethics of Capitalism — Emerson P. Schmidt, R. Buford Brandis, W. Glenn Campbell, and Thomas F. Johnson — Chamber of Commerce of the United States, Washington 6, D. C.—One pamphlet 50c, set of 17 pamphlets, $6 (quantity prices on request).

Governmental Policies Concerning Unemployment, Inflation and Balance of Payments, 1951-52 —United Nations Publication, 1952, II.A.2—Columbia University Press, 2960 Broadway, New York 27, N. Y.—Paper—$1.

Regulations Issued by Switzerland Regarding Its Payments With Various Countries — 5th Supplement — Bank for International Settlements, Basle, Switzerland — Paper Sw. fcs. 9; complete compilation of regulations plus five supplements, Sw. fcs. 50; complete work in two volumes including regulations no longer in force, Sw. fcs. 70.

Wanted: Men—A program for developing Business Leadership through Economics Discussion Groups—Economic Research Department, Chamber of Commerce of the United States, Washington 6, D. C.—On request.