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EDITORIAL

As We See It

Slowly the mills in Washington appear to be grinding out some sort of conclusion about the Council of Economic Advisers and closely related matters. The stage obviously has not yet been reached which would enable the ordinary citizen to determine with anything resembling precision what the ultimate decision of the Administration will be as to the usefulness of such an organization or what function it can best serve. Closely related to all this is the question of the so-called full employment law, or, rather, the philosophy embodied in that act.

There are influential members of the President's party who are on record to the effect that the most important, if not the most urgent, task of this Administration is or will be to prevent a major depression which might well discredit the Republican party in the eyes of the rank and file for a long while to come (as was the case with the so-called Hoover depression in and following 1929) or perhaps even permanently and irretrievably. Mr. Eisenhower during his successful campaign last fall seemed to sense a fear of some such eventuality among the masses, and again and again assured the nation that he would employ all the resources of the Federal Government to prevent such a catastrophe.

Of course, this may or may not imply full agreement with the notion that the Federal Government is at all times the custodian of our prosperity. The President may regard the national government more as an agency in reserve to go into action if and when an emergency arises and a severe depression seems otherwise to be more or less inevitable. About such matters and about

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Business Outlook for Next Several Years

By SUMNER H. SLICHTER*

Lamont University Professor, Harvard University

After reviewing present facts and probable developments in the economy, Prof. Slichter discusses: (1) likelihood of reduced defense spending; (2) the future trend of new capital outlays; (3) the supplanting of a drop in investment outlays by other spending; and (4) the impact of a substantial increase of defense spending on the economy. Contends if cut in defense spending is offset by reduced taxes, and reduction in private investment replaced by higher state and local expenditures, along with higher consumer spending, a high level of production and employment can be maintained in next several years.

I

My concern in these remarks is with the business outlook over the next several years—not over the next few months. I have time for only a few of the most important questions. I have selected for brief discussion the following ones:

Sumner H. Slichter

(1) If the country is able within the next two or three years to reduce defense spending by a few billion dollars a year (say from $5 billion to $10 billion), can we bring about an offsetting rise in private spending or some other kind of spending?

(2) Can the present high rate of investment spending be kept up for two or three years longer?

(3) If investment spending drops, can other types of spending be increased to offset this drop?

(4) If defense spending must be increased during the next several years, how much of an increase can the country stand without experiencing inflation or other bad effects?

I do not pretend to be able to give definitive answers

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*An address by Dr. Slichter before the Central States Group, Investment Bankers Association, Chicago, Ill., March 12, 1953.

Proposed SEC Rule on Officer And Employee Stock Options

SEC disregards fact that stock options granted to officers and employees of American business corporations are intended not only as compensation but also to give optionees a proprietary incentive and to raise equity capital. Conflict between accountancy profession and SEC relating to correct accounting procedure outlined. Extension of time within which to present views to SEC recommended.

The SEC is at it again! In the constant reaching out to enlarge its power hardly a week goes by without the Commission either issuing mimeographed copies of the text of new complex rules it has promulgated or of ones that it is considering adopting and is requesting comments on. Verily indeed the Commission must have a raft of people on its staff who just kill time vying with each other to see which ones can come up with some new way of causing turmoil among those it regulates. In this article we will discuss release No. 4803-X* of the Commission covering a proposed rule dealing with accounting practices with respect to stock options granted officers and employees.

Accountancy Institute View Flaunted

The proposed rule goes entirely counter to the accounting concept advanced by the American Institute of Accountants, which after careful and prolonged study, in its revised bulletin No. 37, held that the date on which an option is granted to an officer or an employee is the date which should determine its value. Under this concept if an officer or employee was given an option to buy stock at the market price obtaining on the

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NEW STOCK MARKET COLUMN—Don't miss "THE MARKET . . . AND YOU," our new stock market column, which appears on page 31.

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.)

GERALD S. COLBY
Analyst, General Partner
duPont, Homsey & Co., Boston, Mass.
Members New York and Boston Stock Exchanges

St. Louis-San Francisco

The choice of the best-liked security must be narrowed down to one offering the greatest number of attributes provided in a well-balanced portfolio of securities. It should have yield from a better than average dividend protected by earnings, growth, and a speculative "kicker." Considering the current uncertainties in the domestic and international outlook, it should also be one that can qualify for immediate purchase, or be suitable for accumulation over a period of time in order to achieve an average cost.

Gerald S. Colby

St. Louis-San Francisco common is my selection as the security I like best to fill the aforementioned qualifications. Currently around 31 per share, the yield from the indicated regular 62½ cent quarterly dividend provides a return of 8.06% on an annual $2.50 basis, and this in turn is protected by net per share approximating $6.37 last year compared to $3.36 in 1951. Net in January of the current term was 50% higher than for the same month a year ago with 38 cents after capital and sinking funds in the till versus 22 cents in the same period a year earlier.

A draftman's compass laid on a map of the United States, with the top of the compass between Kansas City and St. Louis, and one leg extending southwest to Dallas, Texas, is a fast illustration of the nine-state coverage provided by the 5,000 miles of Frisco System track. Territory covered, both east and west, is one of growth, the interchange of freight haul is one of diversification, with agricultural products accounting for 16% of tonnage, animal products 1%, mine products 37%, forest products 6%, and manufactured products 40%. Thus the growth qualification appears to be covered.

About 80% dieselized at the end of last year, it is believed that the road is now 100% dieselized, a factor that will tend to place future operations more in line with the average of southwestern district roads by improving transportation ratio to a lower figure, increasing further revenues per ton mile, which have climbed from 1.020 cents in 1941 to 1.303 cents in 1951.

Frisco is in comfortable financial circumstances, with no near term maturities other than equipments. The first mortgage 4s mature in 1997, the income bonds now convert to common at 40, and the current ratio is 1.8 to 1.

The speculative "kicker" in the Frisco picture is represented by its 50% ownership in New Mexico & Arizona Land, which holds 719,484 acres in five tracts located in the states of New Mexico and Arizona. The common sold as high as 31½ on the American Stock Exchange in 1951 during the period when mineral exploration was receiving publicity. This company manages to pay its way, earns a few pennies per annum, but has thus far been unimportant in mineral recovery. With technological skills improving by leaps and bounds in the mining industry, who can say this Frisco asset lacks possibilities?

Frisco common is currently available at only five times net of last year. Normally only 38% of net is provided in the first half of the year. Thus far in 1953 net has advanced 50%, certainly an auspicious beginning, and in recent trading sessions the common stock has performed better than the average.

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

Food Machinery & Chemical Corp.

I have been a reluctant contributor to this column for the simple reason that I have felt, from an investor's viewpoint, that it is extremely difficult, if not well nigh impossible, to select a security and say, that beginning today, "I like this security best." I believe it must be a continuing process of liking, not beginning now, but extending back, and looking forward to the future. "Liking it" implies in street parlance, that it is a stock that will go up as soon as purchased. For that I would need a crystal ball, rather than an analytical approach. I would be out of my water, and dear reader, you may stop here and not waste you time further if that is the conclusion drawn.

Maurice N. Moes

The security I elected to like years ago, and still feel happily married to for a bright future, is Food Machinery and Chemical Corp. The company has a history of aggressive management dating back to its inception in 1928, that has taken it from its small beginning to the foremost supplier of machinery to the fruit and vegetable handling, canning, freezing and packaging industry, and a major producer of agricultural and industrial chemicals. Additional companies have been taken into the Food Machinery family by the exchange of stock, so that from time to time the increased earning power has been a little slow in catching up with the larger capitalization. The overall picture though has been one of growth for the company and for the owners, the stockholders, in both capital enhancement and return. Last year alone, the Oakes Mfg. Co. was absorbed for 45,000 shares, the Simplex Packaging Machinery Co. for 15,000, and the Buffalo Electro-Chemical Co. for 302,000 shares, so that we now find, with stock splits and dividends, and stock financing, a total of 2,965,000 shares outstanding, from a humble 184,000 in 1932. The following figures reflect the growth:

Temporary conditions in an industry, or the general economy, can momentarily interrupt long-term growth, so that we can see at the present, though sales for the first nine months of 1952 increased about 48% over the 1951 period, there was an increase of only 1% in net income. In per share terms, the result was 2.45 against 3.15.

Besides the greater amount of stock outstanding, 1952 saw a general price decline in chemicals, higher costs, government price controls on machinery, and small profit government contracts. With controls recently removed, the management feels that a better profit margin will be established in that important division.

Until 1943 the primary emphasis was on machinery for the food industry, from the planting and gathering to the processing and packaging. In 1943 the Niagara Chemical Co. was acquired, taking them into the agricultural chemical field. With the absorption of Westvaco Chemical in 1948, they entered the field in a major way. Since then, the history of the company reflects a steady assimilation of companies in both the machinery and chemical divisions, with a resultant growth record in both fields. An increasing population in this country, and the aim of all countries to build up and modernize their food growing and processing industry, emphasize the need for the labor saving and productive machinery of the company. Recent acquisition of Buffalo Electro-Chemical Co. makes the parent one of the largest producers of peroxygen chemicals. During 1952 the company completed its fourth phosphorous furnace and corresponding processing facilities, as well as the Wyoming Soda Ash Project of Intermountain Chemical Corp. (20% owned by National Distillers). Earnings of these projects should commence accruing in 1953. Continual progress is being made in the development and research programs of all divisions. The new acquisitions made in 1952 should add materially to the long-term growth and stability of earnings. In our high cost, high tax, government price controlled economy of recent years, as in common with most companies margin of profit brought down from sales fell to a fair 6% in 1951 from an excellent 10% in 1942. I believe that with the economy under less Federal restraints, and the possibility of lower taxes in the years ahead. Food Machinery will reflect its rate of growth to profitable advantage to the equity holder.

The financial position of the company is strong. The balance sheet for September, 1952, showed a cash increase to $46 million from $27 million the year before, and greater than current liabilities, despite the spending of $40 million in 1951 and 1952 on new plant and equipment. Interest charges and preferred dividends requirements provide considerable leverage for the common, now on a $2 basis.

Capitalization:

Funded debt—$47,000,000.
3.25 cum. conv. pfd.—68,000 shs.
3.75 cum pfd.—106,000 shares.
Common stock—2,965,000 shs.

	Sales	Net Prof.	Net Worth	Amt. Com.	Earnings per Share	Div.
1932	$2,656,180	$24,795	$4,649,517	184,226	$0.40	$0.25
1942	22,594,987	2,217,387	11,991,193	426,000	4.48	1.75
1951	146,060,006	9,745,779	85,018,951	2,266,600	4.01	1.75
*1952	166,520,762	7,246,682	---------	2,965,000	2.45	1.50

*9 months to September, 1952.

This Week's Forum Participants and Their Selections

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Food Machinery and Chemical Corp. — Maurice N. Moes, Erdman & Co., N. Y. City. (Page 2)

Portfolio Planning . . .

An Investment Program for the Business Man

By LAWRENCE R. KAHN
Manager, Investment Research Department,
E. F. Hutton & Company, Members N. Y. Stock Exchange

Investment planning is, or at least should be, a tailor-made proposition. No-one's problems are identical to any else's, nor is the combination of requirements, interests and restrictions the same for one investor as it is for another.

Lawrence R. Kahn

This is a way of saying that each individual should generally, with the aid of competent assistance, plan out their investment portfolio specifically to suit their needs. Under these circumstances, broad investment planning suggestions have, of necessity, to be rather general and should be more indicative in nature than specific. No-one should take a set formula or a set group of suggestions and accept them in toto unless through some fortunate coincidence all the factors which went into making up the portfolio also pertain to the individual's own circumstances.

Specifically, there are a number of points which one must consider carefully and clearcut conclusions to be drawn before the portfolio is set up. First, of course, is how much money is to be invested? Point 2, is the economic position of the investor—namely, is there additional money coming in from other sources; are other sources of capital available; is the person partially, completely, or not at all dependent on the income derived from the investment? Point 3, what is the age of the investor and what are the objectives—namely, preservation of capital, long-term growth on a reasonably conservative basis, or frankly, speculative potentialities on a short- or medium-term basis? Last but not least, the tax status of the individual must be considered. In some cases, this makes little difference—in others, particularly in the higher income brackets, this may be a major factor in determining the choice of securities. There may also be certain special factors which have to be considered but as these can run the whole gamut, from an alien owning American securities to "unusual restrictions," there would be little point in going into these details here.

For Man of Middle Age Or Slightly Younger

For the purpose of this analysis, I have chosen a case that most frequently comes before the investment adviser — namely, the reasonably successful business man of middle age or slightly younger who will still be actively engaging in business for some years but who has now acquired sufficient capital that he wishes to put it to work for him. It is both to build an estate and supply additional income, highly meritorious objectives in view of the present tax rates.

In this case, I have chosen the sum of $50,000, but one could as well apply it to a smaller sum by reducing the amounts of the individual commitments or to a moderately larger one by increasing the amounts. In short, the account is to take care of the requirements of a man whose income from business or salary is sufficient to take care of his living expenses and possibly to provide a certain amount of additional savings. His investments are to permit him to participate in the longer term growth of the country and to build up his capital so that when he is ready to retire, or desires or needs additional capital, he will have a sound investment portfolio. In addition, the advantage of long-term capital gains with their maximum tax charge of 26% as against the materially lighter income tax rates is being given

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Buy	Approximate Price	Amount	Indicated Return
Cash or Equivalent	--	$10,000	$250
100 Allis Chalmers	56	5,600	400
100 American Cyanamid	48	4,800	200
100 Climax Molybdenum	42	4,200	200
100 Federated Department Stores	42	4,200	250
50 B. F. Goodrich	77	3,850	125
200 Long Island Lighting	17	3,400	180
50 Phillips Petroleum	65	3,250	144
100 Western Pacific RR.	67	6,700	300
100 Westinghouse Electric	49	4,900	200
Total		*$50,900	*$2,249

*These securities would cost roughly $50,900 and bring in an indicated return of $2,249 or 4.4%.

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A Three by Nine Analysis Of Some Unlisted Stocks

By HAROLD J. KING, Ph.D.

Using the triple yardstick of impressive dividend records, sound growth prospects, and high liquidity, Dr. King analyzes nine actively traded unlisted common stocks.

Few are the stocks among the many, which can offer impressive dividend records, sound growth prospects, and high liquidity. Considering this trio of desirable elements as a unit, let's look at nine selected over-the-counter issues and analyze them in terms of the "mystical" qualities of the number three.

Harold J. King

Who will doubt when dividend time rolls around, that directors sometimes are inclined to obscure their achievement records a bit through the use of stock distributions, splits, and the like? Fortunately, most ambiguities caused by such—as well as those stemming from liberality-conservatism differences in the calculation of profits—may be largely wiped away, by analyzing dividends on a tri-annual basis.

On this basis, there is set forth in the accompanying table the dividend records and projections for nine common stocks. That each of these issues is highly liquid is indicated by the number of over-the-counter dealers interested in them, as reported by the National Quotation Bureau.

Additional pertinent details, concerning each of the companies shown in the Table, are noted below.

Anheuser-Busch—This "spirit" of St. Louis antedated Lindbergh's famous plane by more than six decades. Consecutive dividends date from the time the nation discarded a certain socio-economic experiment. Who has never heard of Budweiser, or Michelob? Shipments increased steadily from 3,000,000 barrels in '46, to 5,479,000 in '51 (pressing on a capacity of 5½ million barrels). Impressive steps to rectify this capacity limitation are being taken by the company. A new $7 million brewery in San Fernando Valley (Los Angeles County) is to boost the figure to 7 million barrels. An increase of 41,600 square feet in warehouse space at the Newark Brewery is also in the picture.

This equity affords the investor an opportunity to get into big league baseball, without buying a pasteboard. The company is taking over the St. Louis Cardinals, to the tune of $4 million. Ownership in this $129 million (Sept. 30, 1952) company is still a rather exclusive affair, the Anheuser and Busch families holding about 80% of the stock. Funded debt, $15 million; Preferred stock, none.

Art Metal Construction Co. — This manufacturer of metal furniture, filing cabinets, safes, grille work, partitions, and the like, traces its history to 1884. The present company was incorporated in New York, in 1900, at which time production activities were concentrated in Jamestown, N. Y. This $27 million concern is operating sans funded debt and preferred stock. (12-31-52.)

Buda Co. — This producer of diesel and gasoline engines, along with miscellaneous railroad equipment such as lifting jacks, magnet-type rail detectors, switches, etc., is now supplying Reo Motors (for its truck tractors) with super-charged diesel engines capable of developing 150 h.p., at a governed speed of 2,400 r. p. m.

Net sales of $41 million (year ended 7-31-52), up a third over the preceding year, were enjoyed by this $21 million (7-31-52) outfit. Funded debt, $3½ million—Preferred stock, none.

Carborundum Co.— The principal business of the Company is the production and sale of crude silicon carbide and crude aluminum oxide and the manufacture and sale of a wide range of products fabricated from these manufactured abrasives. Its numerous products include bonded and coated abrasives, abrasive grains, high temperature refractories, non-metallic electric heating elements, electric resistors, and metal additives. The Company's products are marketed under such trade names as "Carborundum," "Aloxite," and "Globar." The bonded and coated products are employed in the shaping and finishing, by grinding, sharpening and polishing, of metals, stone, wood, and other materials in a wide range of industries, including automotive, machinery and machine tool, electrical and agricultural equipment, iron and steel, woodworking, transportation equipment, shoe and leather, plastics, textiles, stone, granite, marble and glass.

December 31, 1952 statements show total assets of $63 million, funded debt at $10½ million, and no preferred stock outstanding. Net sales for calendar '52 amounted to $70 million.

Grinnell Corp.—Founded in 1850 Grinnell has adopted itself to the atomic environment, with a $230 million contract for mechanical construction on the plant at the AEC center near Portsmouth, Ohio. The company makes and installs automatic sprinkler systems, industrial piping systems, and industrial humidification systems. It also manufacturers plumbing and heating materials, valves, cast and malleable iron fittings, and specialties. Delaware incorporation in 1923. No funded debt, or preferred stock. (12-31-51.)

Harrisburg Steel Corp. — Located at its namesake, in Pennsylvania, this company, incorporated in 1899, manufactures carbon and alloy steels, slabs, forging and seamless steel products. Earnings for calendar '52 amounted to $4.51 on 202,800 common shares. No preferred, or funded debt. (12-31-51.)

Remington Arms Co.—Now one century and a quarter in age, this leading producer of sporting firearms, small arms, ammunitions, targets and traps, was incorporated in Delaware, in 1920. Its current sales are running about $80 million annually. As of 12-31-51, no funded debt. Preferred outstanding, 36,802 4½% cumulative shares (par $100). Common shares outstanding 7,493,140 (of which E. I. duPont de Nemours & Co. held 60%).

Southern Advance Bag & Paper Co. — Incorporated in Maine, in 1927, this company manufactures sulphate pulp, kraft paper, and paper bags. Most of its operations are carried on in the company town of Hodge, Louisiana. Sales are running about $20 million annually, earnings on common about $1.70. Total assets (6-28-52) $15 million. No preferred, or funded debt.

Warren Brothers Co.—A leading contractor and manufacturer in the paving industry, this company was incorporated in West Virginia, in 1900. It also makes a good deal of the road equipment required in its operations. Earnings on 235 thousand common shares amounted to $2.29 for the eight months ending August 31, 1952 ($3.44 on an annual basis). Term loan outstanding 12-31-51, $350,000. Preferred shares outstanding, 8-31-52, 40,665 ($2.50 cumulative—par $50).

Tri-Annual Dividend Records and Projections

Corporation—	Consecutive divids. for (years)	Average annual dividends adjusted for stock divids. and splits a 1945-6	b 1947-9	c 1950-52	Anticipated annual avge. divid. 1953-5 If 6 year trend is maintained *	If 9 year trend is maintained †	Recent asking price (approx.)
Anheuser-Busch, Inc.	21	$0.92	$1.07	$1.20	$1.33	$1.34	26⅛
Art Metal Const. Corp.	17	1.00	2.25	2.33	2.41	3.00	34¾
Buda Co.	14	0.55	0.88	0.93	0.98	1.12	15⅜
Carborundum Co.	25	0.78	0.47	1.11	1.75	1.27	34
Grinnell Corp.	18	1.33	2.17	2.92	3.67	3.72	65
Harrisburg Steel Corp.	14	1.10	1.08	1.93	2.78	2.35	34½
Remington Arms Co.	17	0.22	0.31	0.47	0.63	0.59	9¼
So. Advance Bag & Paper Co.	12	0.49	1.29	1.42	1.55	1.88	26
Warren Brothers Co.	10	1.00	0.87	1.30	1.73	1.45	20¾

*Equivalent of c plus Increment of c over b. †Equivalent of c plus half Increment of c over a.

Can We Do Business With Malenkov?

By A. WILFRED MAY*

Mr. May assumes formal change of regime to Three Masters in the Kremlin will entail no change in long-continued economic policies. Maintains we SHOULD NOT try to enlarge trade with the Russians, because actually they are only interested in strategic end near-strategic goods to build up war potential to destroy us; and have confined trade to state-directed policies, with deals on barter basis. We CANNOT trade because Kremlin has persistently showed hostility to anything but autarchial trade by itself and satellites. Citing businessmen's practical difficulties, asserts "impossibility of silk curtain in trade with iron curtain in politics." Warns of serious implications of swallowing Kremlin's trade propaganda. Suggests opportunities elsewhere for constructive expansion of West's foreign trade.

I trust that there can be no quarrel with my basic assumption that the Russians' "trade" policy over the past quarter-century will not be essentially altered by reason of the post-Stalin change of regime to Three Masters in the Kremlin.

A. Wilfred May

In fact, there is little doubt that this monolithic "committee" has actually been running Kremlin-things for quite some time now. In the economic field at least, we are witnessing the same old double talk. Only a few hours ago Premier Malenkov in his inaugural address to the Supreme Soviet reiterated the old protestation that the Soviet Government was, **without change**, carrying on the tried and tested policy of peace, of international collaboration, and of **development of business connections with all countries.** This at the same moment that his representative at the ECE session in Geneva is indulging in the usual violent "U. S. monopoly" forensics.

Political Realism the Key

We must discuss this question of trade-with-the-Russions with **realism!** My opponent here has pleaded for increased trade against a background of "neighborliness" and "cultural patterns." But he forgets that in this luxurious cultural citadel of Boston's Back Bay you do not shoot down your neighbor's plane nor proclaim that his extinction is inevitable.

We must recognize the unchallengeable fact that, above all, the USSR is not at all interested in trade *per se*, but as a strategic weapon to further her grand-scale *political* goals. More and more over the years have Russia's trade moves become dictated by the state; and altered, or even stopped altogether, to conform to the political aims of the particular moment.

In their behavior at the International Economic Conference in Moscow last April, as always, they have persistently acted as political wolves masquerading in economists' sheeps' clothing.

Part of Our Overall Program for Survival

Controlling the export of goods to the Soviet Union and her satellites is merely part of the larger framework of the free world's total program of creating military defenses versus aggression, of building the economic strength and unity of the free nations. Hence, the question whether to trade or not to trade is not simply an idealistic question, but is inextricably involved in a broad range of political, military, economic, diplomatic, and psychological considerations.

In the words of W. Averell Harriman, former Ambassador to Moscow and Mutual Security Administrator, who became sadly disillusioned at first-hand: "If we lived in a dream world of peace, there is no doubt that we should encourage all trade. But—actually—we are confronted by the ruthlessly aggressive designs of a nation bent on world conquest (whose success would, of course, mean no trade at all). That nation ever since V-J Day has altered and distorted its foreign trade at every opportunity to further those designs."

At the recent Party Congress in the Kremlin all the speakers, including Stalin and Malenkov, reiterated round-the-clock the monolithic policy of destroying **all** non-Russian governments; or **at** least, of giving the capitalist economies shoves toward that destination. Should we help our enemy along?

Shall we help the Soviet monster to expand beyond his present gain of domination over 800 million humans, or one-third of the world's population? Or specifically, in the military sphere, reaching for some mirage of trade, shall we supply the means of killing our own boys in Korea?

Supply Our Enemy?

Bear in mind that 75% of the war goods used against our boys by the North Koreans has been going there through Red China via British ships. A despatch from Macao published on page one of yesterday's New York "Times" showed how shipments from Russia and the satellites have been avoiding hindrance by Nationalist Chinese ships and American planes by using the Red-held former pirate hideout of Lafsami Island in the Ladrones as a secret transfer point.

And Mr. Vishinsky, the then Soviet Foreign Minister, himself dispelled any possibility of doubt concerning the Moscow-to-Korea aid, as follows at the March United Nations session in New York: "The Soviet Union has never concealed the fact that it

* Mr. May's argument in debate with Scott Nearing before the Ford Hall Forum, Boston, Mass., March 15, 1953.

sold and continues to sell armaments to its ally, China."

Questions "Can" as Well as "Should" We Trade

Since the topic of our debate was publicised for some months as "Can We Do Business With Stalin?", in view of a certain obituary notice, and to avoid my thereby getting the decision by default, the topic was changed to substitute Malenkov for Stalin. But this was the only change. "Should" has not replaced "can" in our question about doing business with the Russians. And, as a matter of fact, realistic disillusionment over the "can" possibility makes the "should" wholly academic.

The Kremlin has demonstrated time and again that it is only interested in acquiring strategic or near-strategic materials in trading. Despite all their advance protestations, their behavior at last April's International Economic Conference in Moscow unmistakably showed that they will not take the goods that Western Europe can offer. They showed it again in their renegotiations following the termination of the three-year trade treaty with Norway which expired in January, 1952. Attempts at renewal proved abortive except for a few commodities, and on a strictly barter basis, because the Russians were only interested in strategic materials, as molybdenum, aluminum, and steel alloys.

The Soviet's offers to buy consumer goods which the West wants to sell are invariably *tied-in* with capital equipment or raw materials to build up her war machine. Such "package deals" are intended to lure unsuspecting business-hungry countries to exchange permanent serious losses for small apparent bargains. Let this audience at least not be lured.

In displaying any interest in non-strategic goods, the Russian has insisted on bilateral deals and for hard currencies. **"You must barter with the Tartar."**

Certainly after V-J Day the United States earnestly and sincerely desired East-West trade revival in conjunction with the recovery of Europe. But the Soviet quickly and unexpectedly showed its intentions in the opposite direction; in using economic along with political pressure to gain control over Eastern Europe. This was shown in such ways as insistence on excessive reparations demands and creation of joint-trading companies in the satellites' basic industries who were forced to deliver goods and commodities to the Kremlin on its own terms. The Eastern European countries have actually been forbidden to offer raw materials on the normal prewar basis.

Over the past 30 years the Soviet Union has been incessantly plugging to build up a closed area under its own control. As Mr. Harriman reported (in his 2nd Report to the Congress on the Mutual Defense Assistance Control Act of 1951, of January, 1953): "The drop [in East-West trade] has been mainly attributable to the Soviet policy of attempting to achieve economic independence from the free world and using Soviet-bloc trade to create or increase economic tensions and difficulties in the free world. The Soviet bloc calculates trade advantages not in terms of the welfare of its subject peoples, but in terms of its military potential or political advance. It hopes to terminate such trade as quickly as possible and to do so in such manner and at such times as will be most disruptive of the economic well-being of the free nations."

Actions Louder Than Words

The Soviet has shown by every act since the War that it is not only uninterested in trade with the free world, but that it is vigorously hostile to it. It has shunned the several organizations existing within the UN, or cooperating with it, whose primary function is to stimulate international trade, as the ECE, the International Monetary Fund and the Bank. Moscow didn't even bother to answer the ECE's invitation of last fall to discuss ways of furthering East-West trade. She has consistently shunned the other machinery set up to further trade expansion through lowering tariff barriers or facilitating clearing of accounts, such as the GATT and the EPU. When the opportunity was presented to combine with other countries in a non-partisan effort to raise living standards and revive trade at the initiation of the European Recovery Program, Mr. Molotov took a walk and his bosses have ever since stayed away, standing by, waiting for their predictions of Western European collapse to come true—secure in their belief that Soviet non-cooperation in this honest effort to overcome the ravages of war would speed the collapse.

The Soviet economic bosses similarly shunned the Havana Conference, which represented another whole-souled effort to remove administrative and legal barriers to trade.

Really Moving Toward Autarchy

Despite the Moscow and pro-Moscow professions of wanting trade, as a strategic attempt to drive a wedge into the free nations' unity by appealing to the natural urge for more business, the Soviet's real aim is to achieve autarchy at the expense of trade. The industrialization of the smaller countries of the Soviet sphere is being carried out in a manner calculated to achieve eventual autarchy for the Soviet bloc at the expense of international trade. The trade patterns of the satellites are being altered not merely to reflect greater industrialization and independence from Western Europe, but toward ever greater dependence on the USSR itself. For example, the reorientation of Czechoslovakia's industrial expansion has limited light industry, which formerly provided the bulk of Czech exports to the West, in favor of expanding heavy industry which provides the bulk of exports to Russia. And remember that in the recent Czech trials the main charge against Rudolph Slansky was that he promoted trade with the West.

Practical Business Difficulties

How can America do business with the Soviet bloc in non-strategic materials if they literally cannot enter and leave the countries of those with whom they are supposed to do business? Apart from the difficulties of inspection and reconciling the known tendency of non-matching of deliveries with specifications and samples, there are, of course, the forbidding examples of complete extinction or permanent detention (as with Oatis). Isn't it a bit difficult to approach a customer with a revolver?

Surely there cannot be a silk curtain in trade while there is an iron curtain in politics.

So I trust that I have convinced you that (1) we **should** not do business with Malenkov; and (2) we **cannot** do business even if we would.

Constructive Steps in Other Directions

For the economic well-being of ourselves and our Western allies, there are affirmative steps in other directions that can and should be taken. Reduction of our trade barriers, along with their putting of their own houses in order through curtailment of inflation, can help—with possible acceleration from active cooperation between the Churchill-Eisenhower administrations.

And a good fillip can be given to the solution of West Europe's trade problems by whole-souled effort to develop new markets in South America, Mexico, the Middle East, Africa, and the parts of Asia outside the Communist orbit.

The Broad Implications

Far more important than winning a rostrum-battle over this "Can We Do Business . . ." question, is the dispelling of public confusion which could threaten our very survival. For dissension between our Allies and ourselves over the need or ability to increase trade with Moscow, and thus helping the Kremlin's desperate attempts to distort legitimate differences of opinion on trade, would ideally implement the Kremlin's determined political and propaganda warfare.

With Draper, Sears

(Special to THE FINANCIAL CHRONICLE)

AUGUSTA, Maine—J. Fuller Ingraham has become associated with Draper, Sears & Co. of Boston, members of the New York and Boston Stock Exchanges. Mr. Ingraham was formerly an officer of Ingraham, Millet & Company.

With Renyx, Field

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO.—Richard W. Johnston has joined the staff of Renyx, Field & Co., Inc., 810 East Colfax Avenue.

The State of Trade and Industry

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

Total output of goods for the country-at-large in the period ended on Wednesday of last week continued to hold close to the near-record level of recent weeks when production reached the highest point since the final quarter of 1943 at which time the all-time high was attained. Compared with the year before output held at a moderately higher level.

With respect to national employment, claims for unemployment insurance were near the lowest level in seven years, while new claims declined to the lowest level thus far this year.

Non-farm employment in February climbed to 55,558,000, a new high for the month. This was 500,000 above the January total, and 1,900,000 more than a year ago. The number of persons now engaged in non-agricultural work, according to Secretary Weeks of the United States Department of Commerce, "is about 10,000,000 higher than at the peak of World War II and 5,000,000 greater than in the months preceding the Korean conflict."

Steel business during the next six months looks like money in the bank, "The Iron Age," national metalworking weekly, states in its summary of the steel trade this week. Demand is surprisingly firm and raw materials adequate; expansion programs are coming along nicely and chances for solving the seventh round wage question without a strike look good.

On top of this the industry has won a signal victory in its fight for clarification of control policy after June 30, this trade weekly notes. This will be simply done by two orders, the first of which will cancel all non-defense allocation authority as of June 30 and the second will establish "Defense Materials System" as "little CMP" to guarantee materials for defense and atomic energy programs.

Some steel producers are starting to book third quarter business on the assumption that business will be "back to normal"—except for setasides on military and atomic energy business which are expected to amount to about 12% of total shipments, it adds.

Order books are expected to fill in relation to intensity of demand for products; driving demand for such items as hot- and cold-rolled sheets and large bars will likely fill them up first.

Although some controls proponents are fighting a rear guard action to get requirements for so-called defense supporting or essential industries included in the program of setasides assuring military priority, they are given little chance to succeed. Under similar set-ups in the past, a wide range of purely civilian industries have advanced compelling arguments to prove that they are defense supporting or essential, this trade weekly states.

Mills generally are assuming controls will be limited to military and atomic energy programs. They plan to accept orders up to the point where enough will be left to meet expected requirements for these rated end uses, using tonnages they had set aside under CMP as a guide. Belief is that DMS will establish military and atomic energy setasides on a straight tonnage basis rather than the percentage basis used in the past.

Tracing sources of overwhelming demand leads most often to

Continued on page 40

Should Taft-Hartley Act Outlaw "Polecat" Strikes?

By CLARENCE E. BONNETT
New Orleans, La.

Author, defining a "polecat" strike as one carried on to force workers in plant to join a union, holds such strikes are not outlawed by Taft-Hartley Act where a plant is not already unionized. Sets forth reasons why such strikes should be outlawed.

The Taft-Hartley Act may be amended during the present session of Congress, but how? As Congress is considering amendments, it should deal specifically with one of the greatest abuses of unionism not clearly covered by the present Act. That abuse is connected with strikes. Social sanction has been given quite generally to the local strike to increase wages or better the working conditions of the worker. Strikes, however, are conducted often for other purposes, many of which are clearly anti-social. Strikes to force the payment of graft to union officials are generally condemned by law as extortion. Jurisdictional strikes are "unfair labor practices" under the Taft-Hartley Act, and "emergency strikes" may be enjoined under certain conditions for 80 days through provisions of the same Act. But the Wagner Act lent its special aid to a type of strike—the "polecat" strike—and the Taft-Hartley Act does not clearly outlaw this type.


Dr. C. E. Bonnett

The "polecat" strike is characterized as one called on an employer against the wishes of his employees. It acquired this name in Chicago years ago when a business agent called the workers off a building against their wishes and for an ulterior purpose. Asked by an onlooker if the strike were a "wildcat" one, a "striker" hotly replied, "No, it's a polecat strike."

Most strikes called to force workers in a shop or plant to join a union are polecat strikes; they are also called "organization" strikes. Solicitation by union organizers may have got one or more employees to sign an application for membership. Then a polecat strike is called, a picket line is set up, and intimidation of the nonstrikers begins. The "pickets" resort to violence upon the nonstrikers if "peaceful" intimidation fails. The "struck" shop or plant is boycotted, and the pickets attempt to prevent any shipments into or out of the establishment. Thus both employer and his workers are coerced into "unionizing" the work place. There is no appeal to reason; the sole appeal is to force.

Polecat strikes may be called by one "dual" union on another, and the rival union workers are treated as "scabs," since the strike is called to force a change in union affiliation. The Taft-Hartley Act prohibits the "dual" union polecat strike if called against a certified union, but offers no protection to the workers who prefer "no union."

The Wagner Act, although fraudently proclaiming that it was created to protect the right of workers to "self organization," actually became in practice an instrument in the hands of the professional union organizer to coerce workers to join his union. Administered orginally by a Board prejudiced in favor of the CIO the Act functioned to foster that type of unionism as a compulsory state union. The AFL had to fight bitterly against the Board and the "established" CIO state unionism.

Prior to the Wagner Act, a union was a private organization, not a branch of the government. Even then it sought "to set itself up as a separate and distinct government agency and to control those who have refused to join its ranks and to consent to its government, and to deny them the personal liberties which are guaranteed to every citizen by the Constitution and the laws of the land." So said the Anthracite Coal Strike Commission 50 years ago. The Taft-Hartley Act has not made all the necessary provisions to protect the right of the worker not to join one of these government-sponsored unions.

Unionism fostered by the government is too powerful a machine to be left in irresponsible hands. With every grant of privilege or power by the government should go a corresponding responsibility. The waterfront scandals show how this great power has been used by irresponsible union officials for their own self aggrandizement.

The polecat strike is neither new nor exceptional. For instance, the bituminous coal strike of 1897 was a polecat strike, for, according to the late President Gompers of the AFL, not even three percent of the miners were union members when the strike was called. So the strike became a "war" where violence was used in shutting down the mines. Likewise, some of the noted "labor" cases grew out of polecat strikes; the Exchange Bakery, the Duplex Printing Press, the Bedford, the Apex Hosiery, and the Shinner cases are all illustrations. Recently, Judge Guy Miller of Detroit held that "organizational (polecat) picketing"—where there is no bona fide strike but merely a drive to organize workers in a shop or establishment — was unlawful. He declared also that:

"If the contract is legal and beyond the reach of injunctive relief, then the power of organized labor in the United States is sufficient to reduce every employer, from the largest to the smallest, to a condition of subservience to its will or of being crushed and destroyed."

These polecat strikes are often made effective by "flying squadrons" of organized goons to intimidate and assault workers who are unwilling to strike. In coal mining, the squads move in on a nonunion mine and picket it, intimidating anyone who approaches the entrance to the mine. The squad does not stop with intimidating the nonstrikers; both workers' houses and mine property have been dynamited in specific cases. The ethics of this procedure has thus been stated by a high union official before a Congressional committee: "The right to be nonunion does not exist." Congress has already been overliberal in protecting and conferring new rights on unionists who deny that rights for others exist. It is high time for Congress to protect the most essential right of the nonunionist—the right to work, which means the right to live.

Halsey, Stuart Group Offer Equip. Tr. Ctfs.

An offering of $7,950,000 Chesapeake & Ohio Ry. 3¼% serial equipment trust certificates, maturing semi-annually Oct. 1, 1953 to April 1, 1968, inclusive, was made on March 13 by Halsey, Stuart & Co. Inc. and associates. The certificates were priced to yield from 2.35% to 3.35%, according to maturity.

These certificates are to be secured by new standard-gauge railroad equipment, estimated to cost $10,022,886, consisting of 29 1,500 hp. diesel electric road switching locomotives; 16 1,000 hp. diesel electric switching locomotives; 4 2,250 hp. diesel electric passenger locomotives; 2 1,600 hp. diesel electric road switching locomotives; and 272 50-ton box cars. Issuance of the certificates is subject to authorization by the Interstate Commerce Commission.

Other members of the underwriting group include: R. W. Pressprich & Co.; L. F. Rothschild & Co.; Blair, Rollins & Co., Inc.; Baxter, Williams & Co.; Freeman & Co.; Gregory & Son. Inc.; Ira Haupt & Co.; The Illinois Co.; Wm. E. Pollock & Co., Inc.; McCormick & Co.; McMaster Hutchinson & Co.; Mullaney, Wells & Co.; and F. S. Yantis & Co. Inc.

Midwest Exch. Member

CHICAGO, Ill.—The Executive Committee of the Midwest Stock Exchange has elected to membership Philip L. Carret, Granberry, Marache & Co., New York.

New Haven for Investors

By IRA U. COBLEIGH
Author of "Expanding Your Income"

A new look at this progressive carrier, and the assortment of vehicles it offers for long-haul investment.

The splashy market performance of Southern, Seaboard, and Texas Pacific in recent months, plus the increase in the Pennsylvania dividend, just announced, set a pleasant background for our current consideration of well managed rails in general, and New Haven in particular.


Ira U. Cobleigh

New Haven, in this century, has been a volatile and, at times, a heartbreaking financial performer. Back around 1913 it was the whim of New Haven management to apply financial osmosis toward the collection, by one corporate creature, of the total transport facilities of Southern New England—traction, water and rail. Hundreds of miles of trolley mileage and franchises were bought at nosebleed price levels, just as the burgeoning private motor car industry was lurking in the economic stage wings. New Haven bought a boatload of transportation obsolescence—and for fancy prices; and blew up its capitalization to unwieldy proportions in the process.

A score of years later, on Oct. 23, 1935, the New Haven, wallowing in a sea of unpayable interest, on a staggering funded debt, entered the Bankruptcy Court. Financial surgery was the order of the day—surgery so incisive that the then existing preferred and common stock were, in due course, forever removed from the balance sheet.

On July 1, 1947, after a suitable convalescence in the Federal Court, New Haven emerged, a going concern headed by a rugged Yankee capitalist of the old school, Frederic C. Dumaine. He applied to railway management an icy efficiency which decapitated vice-presidents, lopped off several thousands of employees, and set in motion extensive sale of real estate not related to railway operation. Altogether in the period 1948-52, about 5,000 employees were sloughed off (present number about 19,350), $10.5 million in real estate was sold, and debt reduced by $50 million. Mr. Dumaine (who passed away last year) was a great respecter of balance sheets, and his favorite item was cash! His son Frederic C. (Buck) Dumaine, Jr., is now President, and, like his father, has no aversion to an aggressive policy of conservation of cash, and the reduction of debts.

On the operating side, the improved efficiency created by management here, is highly visible. For example, on the main line between New York and Boston, the four-hour express used to be an extra fare train. Now there are a number of four-hour trains, all at standard rates. Passenger traffic has picked up and is now highly competitive with the time, cost, and convenience, of air travel between these points. Another thing, on branch lines, the bane of many roads, New Haven has found a cost solution and an actual traffic builder in the Budd diesel car—a two-man unit that carries 80 people. By the end of 1953, New Haven will be running 40 of these. So instead of being sunk by light density passenger traffic, New Haven is in many cases building it up—and at a profit. Roughly 30% of 1952 gross came from passengers.

The big slice of revenue comes, of course, from freight (around 57% of gross—1952). Here again imagination is being deployed into action. Operating on the old political principle "if you can't lick em', join 'em," New Haven is now doing a whacking business in carrying truck trailers on tracks. Simply by observing the truck congestion on U. S. Route No. 1, the idea occurred to top brass that a trailer loaded on a flat car, and whisked through the night from Boston to New York, would lessen competition, and make money as well. Eliminating night driving on the road, with a correspondingly improved safety factor, lowering insurance costs, with less wear on the trailer, and no wear at all on the truck (which for the 228 miles in question is not needed at all) — all these argued for the success of the idea. Well, the thing worked out. New Haven carried 35,000 trailers last year, and should carry 45,000 this year, with 100 new flat cars due for delivery by August. Running time between Boston and New York is now 6½ hours. For 1952 this traffic alone turned in $500,000 net (before taxes).

Then, of course, dieselization has been a major program on the New Haven and much improvement in terminal facilities and yard consolidation is evident both in Boston and New York. Further, 560 new pieces of rolling equipment have been added since 1948, partly financed by equipment trust obligations—now outstanding in the amount of $36,453,000. Everywhere you look on the New Haven you see the evidence of a cost-conscious, yet progressive management.

About finances, cash position has been elegantly maintained and certain developments suggest more cash realizations ahead. Jointly with New York Central, New Haven owns an impressive hunk of Park Avenue real estate. Both roads now seem inclined to sell this off, and stick to railroading. Well, New Haven's slice of these holdings is probably worth today between $32 and $35 million. It's nice to have something like this to look forward to, no matter which of the New Haven securities you may own. You really have quite a choice here, if you want in.

Nearest the cash register is the $76.8 million of First and Refunding 4's due 2007, listed on the NYSE where they sell @ 73¾. This is a pretty good bond, preceded in lien only by $14 million of the Harlem River 4½s and about $4 million of Providence Terminal bonds (which are due for early retirement). These 1st & Refunding 4's appear to be gaining in investment stature each year and the yield at current prices is rewarding.

After these come $62,760,000 of Income 4½'s due 2022, traded flat, with interest payable May first. These are attractive yield-wise, and because of the sinking fund which has been nibbling away at the outstanding total. Now around 66½.

Next on your New Haven show case of securities comes the 5% preferred, currently earning its dividend nearly three times over. This sells at around 61 and has the built in gimmick of $8 back dividends accrued—a sum which the road could quite easily pay off (it has the cash) in the next year or so.

And finally there is the common with 544,542 shares now listed on the N. Y. Stock Exchange, but with 1,073,852 total to be outstanding (when 528,910 shares are distributed to certificateholders). Figures on the total common showed $3.85 per share (after funds) for 1952—$6 million of net earnings in the aggregate. A slight squabble about directors recently caused a little scrambling for the common, which sent it to a high of $34 recently. This week at around $26 the equity is more favorably situated for purchase.

There you have it—a panorama of securities from a good bond down to a speculative but not unglamorous common; and if you like a parlay you've got a beauty here which I waited till now to talk about. The 4½% Income Bonds are convertible into 10 shares of preferred; and the preferred, in turn, convertible into common share for share! These Income Bonds give you a real old fashioned fielder's choice—if you'll pardon a baseball term.

Now it is true that New Haven, with its 1,800 miles of track, serving Southern New England, does not offer the long hauls of a Seaboard or a Southern Pacific; neither does it have the steel, ore, wheat or lumber that fatten the tills of other roads. But it does originate a lot of West-bound freight (on which its percentage of total haul is good); it has a real bunch of railroaders (and not coupon clippers) running the show; its earnings are improving; its debt is being whittled, and its securities, across the board, appear on the upgrade. Perhaps if you seek a new haven for your investment dollars, you'll start analyzing the values in the assorted securities of New Haven!

From Washington Ahead of the News

By CARLISLE BARGERON

There is something terribly pathetic about a country that stages a vast atomic explosion out in the Nevada wilds so it can become more frightened at the possibility of war with Russia, a second rate power under any standards. This, if not the main purpose of the explosion on Yucca Flat, the 22nd such explosion, is very likely to be the only effect. Nowhere in Europe are people seriously concerned; there won't be a single action there to step up defense production. In Russia only a slight lifting of eyebrows was caused.

Carlisle Bargeron

Of all the countries of the so-called Free World, only one other has gone in for the production of atomic bombs and that one, Britain, only recently and nothing like on the scale with which we have been proceeding.

In this country the Yucca Flat explosion was another tremendous event, covered by hordes of newspapermen and by television, all transported to the scene free by the Military—an event designed to make your blood curl, to give you a feeling of futility, of helplessness. Houses were even constructed and fitted with mannequins, the husband, the dutiful wife and the trusting child, sitting unsuspectingly at the fireside or asleep in bed—and then along comes this dreadful enemy against whom, if necessary, we must spend our whole substance.

You never heard such an outcry in all your life as when Mr. Truman, after leaving the White House, expressed doubts that the Russians had an atomic bomb. It was as if he was seeking to destroy our civilization by debunking a great belief under which we live and under which it is necessary for us to live. Notwithstanding that no one had used the Russian bomb scare more than he, I think he was now speaking his real mind and certainly he was in as much position as anyone else to know. A check-up disclosed that in his statements on the subject he had not said Russia had exploded an atomic bomb but that there had been nuclear explosions. His Press Secretary, the late Joe Short, it developed, translated nuclear into bomb on one occasion. Mr. Truman didn't seek to correct it and there is no doubt in my mind that he wanted the country to think Russia has atomic bombs. But now out of office, he has his doubts. I know plenty of other competent authorities who feel the same way.

Unless, however, we are to live in fear of Russia we can't justify the military establishment we are supporting or the aid to Europe and without this spending there are fears we will have a depression, and if we continue the spending we are going to have something, so we are betwixt the devil and the deep blue sea.

The Republicans have not the slightest chance in the world to make a material reduction in expenditures unless they do it in the military and foreign aid. The military and the global minds are fighting against this with every ounce of resistance at their command.

It was not a passing coincidence that the Yucca Flat explosion was staged just at the time when the annual military appropriations are before Congress. Usually an unidentified submarine appears off the Pacific Coast. This time, along with the Yucca Flat demonstration, three unidentified planes were sighted over Alaska. It's such an old story that you would think the American people would be completely fed up with it.

Frankly, I had thought we would have an end of this sort of stuff with a new Administration. Apparently that is not to be the case.

If you want to see real jubilation these days you have only to visit the Democrats in Congress. They are as confident they will be back in control two years hence as they can be. They are cackling about the new Administration's seeming inability to come to grips with the budget. "They are finding it impossible to reduce the budget just as we knew they would," the Democrats are chortling, and their propaganda is having an effect out in the country. Personally, I think it is much too soon to say what can be done. I think the Republicans are making a mistake by expressing doubts as to what they can accomplish. It is a lead pipe cinch that if they don't effect a drastic reduction they will become the greatest laughing stocks we have seen in a long time.

Two With Langill Co.

CHICAGO, Ill.—Langill & Co., 134 South La Salle Street, members of the Midwest Stock Exchange, and over-the-counter specialists for many years, announce that Thomas M. Langill, son of Banford B. Langill, and Peter J. Feil, son of Peter V. Feil, have become associated with the firm's sales staff. Their connection with Langill & Co. was previously reported in the "Financial Chronicle" of March 12.

W. A. Wright Opens

PINEHURST, N. C.—William A. Wright is engaging in the investment business from offices at Ridgecrest Farm.

Bruns, Nordeman Admits

Spencer W. Frank, member of the New York Stock Exchange, on March 19 will become a partner in Bruns, Nordeman & Co., 60 Beaver Street, New York City, members of the New York Stock Exchange. Mr. Frank has recently been active as an individual floor broker. Prior thereto he was a partner in Faroll & Company.

Davenport Admits

RICHMOND, Va.—Davenport & Co., 1113 East Main Street, members of the New York and Richmond Stock Exchanges, on April 1 will admit Henry Lee Valentine II and Beverley B. Munford III to partnership in the firm.

Dealer-Broker Investment Recommendations & Literature

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

Canada—Current review and outlook for 1953—Ross, Knowles & Co., 330 Bay Street, Toronto, Ont., Canada.

New York City Bank Stocks—Ten-year survey of 17 stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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

Portfolio—Recommendations to improve potentialities—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Public Utility Common Stocks—Selected list—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

The Exchange Magazine—Monthly magazine issued by the New York Stock Exchange—$1.00 per year—Department C, The Exchange Magazine, 20 Broad Street, New York 5, N. Y.

United States Government Securities and the Money Market—Review of 1952 and outlook for 1953—Bankers Trust Company, 16 Wall Street, New York 15, N. Y.

Uranium—The Magic Metal—Booklet discussing highlights on the metal and its applications—Technical Mine Consultants, Ltd., 44 King Street, West Toronto, Ont., Canada.

What's Ahead?—Ten reports a year by Edward R. Dewey, co-author of "Cycles, The Science of Prediction," sent to those contributing $10 a year to Foundation for the Study of Cycles, 9 East 77th Street, New York 21, N. Y.—Also included is a chart of stock market cycles projected to 1990—ask for chart C. 312.

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American Hawaiian Steamship—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y. Also available are memoranda on **Climax Molybdenum, Corn Products Co., and Missouri Pacific Railroad.**

Beneficial Loan Corporation—Annual report—Beneficial Loan Corporation, Wilmington, Del.

Bidd Manufacturing Company—Circular—Varnedoe, Chisholm & Co., Inc., Savannah Bank & Trust Building, Savannah, Ga.

Brunner—Report—De Pasquale Co., 55 William Street, New York 5, N. Y.

Climax Molybdenum Co.—Memorandum—Smith, Barney & Co. 14 Wall Street, New York 5, N. Y.

Consolidated Rock Products Co.—Bulletin—Price, McNeal & Co., 165 Broadway, New York 6, N. Y.

Continental Casualty Company—Analysis—William Blair & Company, 135 South La Salle Street, Chicago 3, Ill. Also available is an analysis of **Continental Assurance Company.**

Cribben and Sexton Company—Analysis—Shillinglaw, Bolger & Co., 120 South La Salle Street, Chicago 3, Ill.

Cross Company—Data—Bond, Richman & Co., 37 Wall Street, New York 5, N. Y.

L. A. Darling Co.—Information—Moreland & Co., Penobscot Building, Detroit 26, Mich.

T. Eaton Company—Article in current issue of "Investments"—Dominion Securities Corpn. Limited, 50 King Street West, Toronto, Ont., Canada. Also included in the current issue are investment suggestions in Canadian common stocks and government, provincial, municipal and corporate bonds

Emhart Manufacturing Co.—Analysis—Eddy Brothers & Co., 33 Lewis Street, Hartford 3, Conn.

Erie Forge & Steel Corporation—Bulletin—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

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

Guaranty Trust Company of New York — Analysis — Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y. Also available is an analysis of the **National City Bank of New York.**

Hiram Walker-Gooderham & Worts—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Home Insurance Company—Bulletin—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Kendall Co.—Memorandum—Glore, Forgan & Co., 135 South La Salle Street, Chicago 3, Ill.

Lane-Wells Company — 1952 annual report and brochure — Lane-Wells Company, 5610 South Soto Street, Los Angeles 58, Calif.

MacMillan Petroleum Corp.—Memorandum—Lester, Ryons & Co., 623 South Hope Street, Los Angeles 17, Calif.

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

New British Dominion Oil Company Limited—Bulletin—W. Keyser Manly, 11 West 42nd Street, New York 18, N. Y.

New York Central—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y. Also available is a detailed review of the **Chicago Corporation.**

Northwestern Public Service Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Puget Sound Power & Light Company—Reappraisal—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Purolator Products, Inc.—Memorandum—B. G. Phillips & Co., 44 Wall Street, New York 5, N. Y.

Radio Corporation of America—1952 annual report—Radio Corporation of America, 30 Rockefeller Plaza, New York 20, N. Y.

Republic Natural Gas Company — Revised Report — Eppler, Guerin & Turner, Fidelity Union Life Building, Dallas 1, Tex.

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

St. Regis Paper—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Texas Company—Annual Report—The Texas Company, 135 East 42nd Street, New York 17, N. Y.

Timken Detroit Axle Company—Analysis—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

Whiting Corporation—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Suspends Trading on American Stock Exchange In Adolph Goebel Stock

SEC issues order prohibiting transactions in Adolph Goebel stock on American Stock Exchange on ground erroneous financial statement to stockholders covering year ended Nov. 1, 1952 was published by company.

On March 13, the Securities and Exchange Commission issued an order suspending immediately for ten days transactions in the common stock of Adolph Goebel, Inc. The American Stock Exchange, on which the Goebel shares are listed, ordered trading in the stock suspended "until further notice" on the same day, and just previous to the SEC announcement. According to an SEC spokesman, the action has the effect of making it unlawful under Section 15 (c) (2) of the Securities and Exchange Act of 1934 and the SEC rule X15C2-2 for any broker or dealer "to make use of the mails or any means or instrumentalities of interstate commerce to effect any transaction in, or to induce a purchase or sale" of the stock "over-the-counter" during the period of suspension.

Officials of the American Stock Exchange and the SEC are said to have conferred on the matter and decided on the suspension after Herman J. Dobkin & Co., Goebel's accountants, reported that last year's financial statement and the records on which it was based gave inaccurate figures.

The financial reports listed the firm's net loss for the 53 weeks ended Nov. 1, as $437,070. This figure was understated by at least $300,000 and the net current asset position was overstated by at least that amount, it was reported.

A correct report is now being prepared and will be distributed to stockholders and filed with the American Stock Exchange "as soon as possible," it was stated.

According to SEC officials, the move under the Securities Exchange Act of 1934, has been taken on less than a half-dozen occasions. The purpose of the suspension order is to give the Commission an opportunity to examine all aspects of the financial statements of the company. In other cases where Commission investigations have not been completed within ten days, suspensions have been extended for an additional ten days.

COMING EVENTS

In Investment Field

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 America 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.

May 15, 1953 (Baltimore, Md.)
Baltimore Security Traders Association 18th Annual Spring Outing at the Country Club of Maryland.

June 5, 1953 (New York City)
Bond Club of New York Annual Field Day at Sleepy Hollow Country Club.

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

June 27, 1953 (Chicago, Ill.)
Chicago Bond Traders Club Annual Spring Outing at the Nordic Country Club.

Sept. 16-19, 1953 (Sun Valley, Ida.)
National Security Traders Association 20th Annual Convention.

Oct. 14-16 (Louisville, Ky.)
Association of Stock Exchange Firms Board of Governors Meeting.

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

David Dodge Returns To J. A. Hogle & Co.

DENVER, Colo.—J. A. Hogle & Co., Equitable Building, is pleased to advise that David C. Dodge is again back at his desk as Customer's Man, after having served two years as Lieutenant in the U. S. Navy in Washington, D. C.

New Davies Branch

SAN FRANCISCO, Calif. — Davies & Co., members of the New York and San Francisco Stock Exchanges, have opened a local San Francisco office at 557 Buckingham Way under the direction of Ernest E. Charleston.

With Security Associates

(Special to THE FINANCIAL CHRONICLE)

WINTER PARK, Fla. — Gail Borden II is now affiliated with Security Associates, 137-39 East New England Avenue.

Stock Market Prospects

By HARRY D. COMER*

Partner, Paine, Webber, Jackson & Curtis
Members, New York Stock Exchange

Stock market analyst, asserting present is not time of year to expect a market upswing, concludes, however, that though there will be a rally from last winter lows, buyers of stocks who do not purchase now will be able to do so at current or lower prices during second quarter. Lists factors of strength in stock market, as compared with the "flamboyance of 1929," which place market on a more solid base, and explores market's economic background. Holds probability of coming events will bolster stock market, and seasonal decline in second quarter of this year may be less than normal. Furnishes list of best stock groups.

I

Seasonal Pattern for 2nd Quarter

At the outset, I would like to indicate what would happen in the stock market over the next three or four months if prices perform on a purely seasonal basis. Since 1939, when World War II started, there has been a rather consistent pattern in this period each year. The consistency is not as good as that never failing "year-end rally" with which you are all familiar and which starts around or just before Christmas time. However, the pattern in the second quarter has been consistent enough to warrant considerable attention at this time by both traders and investors.

Harry D. Comer

In a nutshell, the present is not a good time of year in which to expect the market to get started on a sustained upswing. The cold fact is that lows established by the market in February have a habit of being tested closely or even broken in the period April to June. That has been the experience in most of the years since 1939 (of course, here I am referring to the market as a whole; my calculations are based upon the performance of Standard & Poor's 50 industrials).

Last year the February low was followed by a sizable rally which was practically all given up by early May. Again in 1951 the February low was penetrated by 3% late in June, despite a fairly good spring rally in the interim.

Why Should the Market Tend to Hesitate in the Second Quarter?

Although we do not like to quarrel with the market, we might at least like to try to explain any recurring trends. The most plausible reason, I think, is that Boards of Directors in the main, as well as investors, continue to think in terms of calendar years. And in times of stress and strain, such as we have been going through during the war and the continuing cold war, it is difficult to formulate a clear view of the prospects for dividend payments until the year is fairly well under way. As you all know, there is a growing tendency for companies to pay conservative dividends quarterly and then to pay extras at the year-end. This may be a fairly satisfactory explanation of the seasonal pattern to which I have referred.

On the basis of this pattern, we have a sort of "normal expectancy" against which to check future economic and political developments and against which to check our own expectations concerning those future developments.

On the market's record alone, however, there is a basis for these two conclusions: (1) **That there will be some rally from the late winter lows in the market,** and (2) **There is a strong likelihood that potential buyers of stocks who do not purchase now will be able to do so about as cheaply or at somewhat lower prices during the second quarter.** A practical corollary of that theorem would be this: It might be wise for traders to accept trading profits when they become worthwhile over the next couple of months.

II

Some New Factors

The present stock market has none of the flamboyance of 1929. The present market has a very much solider base. True, industrial stock prices now are slightly higher than in 1929 (Standard & Poor's 50 stock index). Meanwhile, however, national income has trebled and earnings on these industrial stocks have just about doubled.

More dramatic is a comparison of market activity in these two years. Last year the value of trading on the New York Stock Exchange was only 15% of the value of stocks listed. That compared with 150% turnover in 1929, or a relative rate 10 times as high in 1929. Again it is worth nothing that the value of stocks turned over last year was less than 1/10 of the national income. That contrasts severely with 1929 when the value of trading was almost twice the national income. Figures for brokers' loans, short positions and other indicators of speculative activity are small now in comparison with 1929. These figures all add up to the fact that investment rather than speculative considerations predominate today.

A recent article in "Fortune" magazine written by Irwin Friend, a former official of the SEC, shows that the total market value of all outstanding stock in U. S. corporations is about $230 billion, of which $140 billion is stock traded on exchanges. Excluding stock held by one corporation as a permanent investment in another (and hence not normally part of the market supply) the total stock is reduced to $190 billion. Of that sum, $175 billion is common and $15 billion is preferred.

Apart from stock owned directly by individuals, the largest shareholdings at the end of 1952 were in the hands of insurance and investment companies, universities, foundations and other charitable organizations, self-insured corporate pension funds, and banks and other companies. The total of all these represents about $20 billion.

Another major block consists of stock in personal trusts owned by individuals but administered by trustees. On the basis of very rough and not thoroughly reliable data, it appears that these trusts held about $26 billion at the end of 1952. The importance of this class of stock holdings lies in the fact that although owned by individuals, **they are like institutional holdings** because discretionary powers are vested in a comparatively small group of financial institutions and the investment policies followed by these institutions may be quite different from those of individual investors.

Most of the remaining stocks, representing something over 75% of the total (70% of listed stock) are owned and administered directly by the millions of individual investors. Last year the Brookings Institution in a study prepared for the New York Stock Exchange estimated that there were 6.5 million individuals owning stock traded on Exchanges or in over-the-counter markets.

That **mutual funds** have become an **increasingly important factor** in the stock market is shown in the following. These companies last year engaged in security transactions equal to about 35% of their combined net assets, according to a study by Standard & Poor's Corp., indicating total trading in 1952 of $1,400 million. The total value of turnover of stocks on the New York Stock Exchange in 1952 was about $14,720 million. On that basis the **equivalent of 9.5%** of the dollar value of stock transactions on the Big Board originated with mutual funds on either the **buying** or the **selling side.**

III

Economic Background

Usually, there is not much profit in exploring the general economic background, but we all have to do it because it gives an apparent reasonableness to our conclusions—a dignity or plausibility to our expressions of opinion.

The difficulty is that with the same set of data, different economists frequently come to exactly opposite conclusions about the future. As David Friday once said, "The trouble with **logic** is that it works just as well when you are going in the wrong direction as when you are right."

Take the present case of business boom and prosperity. One group of economists says the fact that things are booming is of itself a bearish indication for the future because there is only one way that industrial production can go and that is downward. Another group accepts conditions of prosperity as proof that underlying policies are sound and that the boom will continue. As in the stock market itself, "timing" is the big problem in economic forecasting.

Adherents to the old business cycle theory that a boom is inevitably followed by a bust have had some pretty rough sledding in recent years during which we have been living under a so-called "managed economy." These same experts are now surer than ever that we face disaster. They say that the boom is now the longest in history having lasted some 12 years and therefore it simply must be close to an end. Similar reasoning has been put forth each year since 1945 by these same economists and to no avail.

Right here it should be pointed out that economics cannot be separated from politics under our present American system. Here's a sample of what I mean. The economics of our present budgetary situation is such that Federal tax reduction ought to be postponed. However, politics virtually demands some tax reduction this year (or, at the latest, in 1954, which is an election year). The

Continued on page 32

Shareholdings, End of 1952

	Billions
Fire, casualty, etc. insurance companies	$4.2
Life insuranec companies	2.3
Open-end investment companies	3.7
Closed-end investment companies	1.3
Universities, foundations, churches, etc.	5.1
Corporate pension funds	1.9
Mutual and commercial banks	0.5
Other companies	1.0
Total	$20.0*

*Of this total, $3.5 billion represented preferred stocks.

*An address by Mr. Comer at the Paine, Webber, Jackson & Curtis Western Sales Managers Conference, Chicago, Illinois, March 14, 1953.

S. & P. Index, 50 Industrial Stocks

	Feb. Low	—Low, April-June—	
1939	118.3	98.8	Apr. 8
1940	116.3	86.7	June 10
1941	92.4	90.7	May 1
1942	84.4	75.2	Apr. 28
1943	105.1	110.9	Apr. 9
1944	113.8	114.9	Apr. 24
1945	131.7	133.3	Apr. 6
1946	161.1	172.1	June 20
1947	147.4	133.5	May 17
1948	135.6	148.5	Apr. 1
1949	141.2	131.8	June 13
1950	166.1	169.7	Apr. 1
1951	218.6	211.9	June 29
1952	230.3	230.8	May 1
1953	(255.6)	?	?
Average (14 yrs.)	138.6	136.3	
		(—1.6%)	

(NOTE: Half of time, 2nd quarter low came in April.)

Stalin and Malenkov

By ROGER W. BABSON

Mr. Babson sees possibility of "palace revolution" in Russia, but holds uncertainty will rule until some man of proven power emerges in Moscow. Says Malenkov is less moderate than was Stalin, but he will not show his hand until he is sure of his power. Therefore, he contends, our defense preparations will continue, and a cooling-off period will be experienced in the stock market.

I personally did not know Mr. Stalin but I knew the Tolstoy family who were very well acquainted with him. They have many times told me that he had very little to say and that he felt there was no one in Russia who could fill his shoes. All of this means that there will be considerable of an inner conflict amongst the leaders, even though they outwardly acknowledge Malenkov as the new Dictator. At the present writing it is impossible to say how long Malenkov will be able to hang on to his job. I, however, am assured that there is no danger of the people starting a revolution. If one comes, it will be a "palace revolution," started by the Government or Army heads.

Roger W. Babson

Of course, there have been many signs of internal strife behind the Iron Curtain. Violence, a characteristic of Russian politics in evidence long before the rise of Communism, has marked the struggle for personal power. The purges in the satellite countries, the elimination of the Moscow doctors, have given strong evidence that Stalin's illness was well known by the ruling groups in the Soviet Union. Now, despite Moscow's desperate efforts to tighten the manacles upon the satellite countries and the entire Soviet Bloc, factions favoring Titoism may be encouraged. Freedom-lovers in Czechslovakia and Poland must already be filled with new courage and hope.

Meanwhile, uncertainty will rule until some man of **proven** power emerges in Moscow. Until the new dictator shows that he can hold on to his job, there is no sense in speculating on what the new policies and their effects upon the rest of the world will be. I do say this, however: While Stalin is being eulogized publicly, one of the coldest and cruelest struggles for power in the history of the world will be going on behind the scenes. The new dictator will find himself in a vacuum into which will rush all the elements of violence that Stalin has managed to hold in abeyance. The tempation to unify his people and take their minds off their woes by provoking war will be tremendous. World capitals will be filled with uneasiness. Malenkov is a less moderate man than was Stalin. However, he will not "show his hand" until he is sure of his power, or until he is forced to take action in order to unite the masses behind him.

President Eisenhower is admirably equipped to make propitious decisions during the stormy days ahead. He knows how easily war could stem from the situation which we will be witnessing over the period immediately ahead. England has, of course, been more conciliatory toward Russia than we have, but this attitude may help ease the friction between Russia and the United States during the difficult times which lie ahead. Restraint and extreme caution must be used if we are to avoid extension of the war. The Soviet Union, under its precarious new leadership, might decide suddenly to resort to full-scale war to unite its people. Hence, it may be wise to lie low along the international fronts until the situation becomes definitely clearer.

As I analyze the probabilities of the near term, I would say that there is a 60-40 chance of our being able to develop a workable diplomatic program which will enable us to get by without spreading the war. Above all, it would be extremely unwise for our people to be misled by early rumors. Don't rush to take radical action. Watch the situation calmly, and look for the underlying trends rather than the day-to-day switches in the international weather vane. Those owning businesses should keep a firm rein over their inventories and costs, but should not be stampeded into foolish or rash moves which they may later regret.

All of the above indicates that there will be a cooling off period and, on the whole, the near-term prospects for peace look better. If the American people agree with me, the price of the war stocks may fall off, which would mean a decline in the Industrial Average. Later, the situation will have to be reviewed in the light of Malenkov's actions.

Missouri Brevities

The proposed "Mahaffie Act" plan for the reorganization of **Missouri Pacific Railroad Co.** is receiving strong support from security holders, according to T. C. Davis, Chairman of the Board. In a letter, dated Feb. 27, addressed to security holders he said, "This is to inform you that in this relatively short period of time we have received over 138% of the assurances of assent necessary to our petition to the Court for permission to file our 20b plan with the Interstate Commerce Commission.

"Since our announcement of the plan at a public meeting held at the Chamber of Commerce of the State of New York on Jan. 29, the response of security holders has been most gratifying. We believe that getting an ample margin over the necessary assurances of assent indicates that many are tired out by the 20 years of unsuccessful efforts to reorganize the Missouri Pacific and are willing to give the 20b plan proposed by us a chance.

"The assurances given are not necessarily binding on the security holder."

The filing of the petition with the Court will mark the third step in the six step program outlined in the Chairman's letter of Jan. 29.

* * *

Prospects for the largest quarter in company history in pair volume are indicated in shipments by the **International Shoe Co.** expected to reach approximately 16,000,000 pairs for the three-month period through February.

Edgar E. Rand, President, said that pair sales of International's four general line sales divisions, from the start of the spring selling season in October through mid-February, show an increase of about 22%.

He cautioned in his report, however, that "although we are confidently expecting a good year, and perhaps one of the best in our history, we cannot say that a 20% or 25% increase in unit volume will be the pattern for the entire year." He pointed out that sales since the first of January are somewhat less than they were a year ago although the company still has a good backlog of unfilled orders.

* * *

Western Auto Supply Co. (Mo.) reports sales for the month of February of $13,301,000, an increase of 31½% over the $10,114,000 sales for the same month last year. For the first two months of 1953, sales totaled $24,281,000, a gain of 24.8% over the $19,452,000 figure for the same period in 1952.

* * *

For the 12 months ended Jan. 31, 1953, net income of **Missouri-Kansas-Texas RR.**, after income taxes, amounted to $7,602,836, as against $3,992,214 for the preceding 12 months' period. Gross revenues were $85,313,447 vs. $78,250,662.

For the year ended Dec. 31, 1952 earnings per share on 808,965 common shares outstanding (disregarding preferred dividend arrears) were $3.56, as against a deficit of 61 cents per common share for the year 1951.

* * *

Stockholders of **Union Wire Rope Corporation** will be asked at the annual meeting to be held March 24 to increase the authorized common to 600,000 shares from the present 250,000 shares, which are outstanding. The purpose of the request is to pave the way for a 2-for-1 split and the sale of 100,000 shares of stock.

M. G. Ensinger, President, said a registration statement covering the proposed offering of stock is now being prepared for filing with the SEC. Some of the stock may be sold privately and some may be offered to stockholders.

* * *

Whitaker Cable Corporation in its annual report for 1952 showed net income, including a non-recurring gain on the sale of property, amounted to $180,624, equal to $1.44 a common share, compared with $188,228, or $1.50 a share, in 1951.

Net sales were $4,141,896, against $3,977,174. Sales of regular company products were lower in 1952 and sales price reduction and rising production costs narrowed the profit margin on such items. However, the volume of defense contract work, which amounted to about $1 million, was higher and this classification stabilized the over-all sales and profit margin.

* * *

The **St. Joseph Lead Co.** reports that sales for 1952, including Bunker Hill lead and zinc on a commission basis, amounted to $105 million, in comparison with $111 million in 1951. Earnings were equivalent to $3.55 per share on the 2,716,222 shares presently outstanding. The increase in the number of shares is due to the 10% stock dividend paid on June 10, 1952, which reflects the increased capital investments made by the stockholders in recent years and for the Defense Program projects. The 1951 earnings were equivalent to $5 per share on a similar number of shares. Stockholders received dividends of $3 per share in 1952.

In 1952, about $5,300,000 was spent by St. Joe in capital improvements, in comparison with $3,800,000 in the previous year. Authorization by the board of trustees has been given for approximately $4,500,000 in 1953, of which $3,000,000 will be for the completion by the latter half of 1953 of the Indian Creek, Mo. lead project. In the last six years, total expenditures have amounted to approximately $22,000,000.

Public Utility Securities

By OWEN ELY

Brooklyn Union Gas Company

Brooklyn Union Gas Company has had some rather erratic share earnings in recent years. Due to the rapid rise in the cost of coal and coke in the early postwar period, earnings dropped sharply—from $2.73 in 1944 to a deficit of 29 cents in 1947. The company then received several overdue rate increases, and earnings jumped to $4.32 in 1949, remaining around this level for three years (in 1951 $2.22 was earned after adjustment for a 2-for-1 split-up in 1952).

In 1952, however, the company again encountered some earnings difficulties in connection with its change-over to natural gas. The conversion job was well-organized and required only six or seven months to complete. It cost nearly $21 million, in addition to which over $13 million of coke ovens and affiliated gas manufacturing plant was retired, both amounts being amortized over a 10-year period.

The cost of the additional maintenance and servicing resulted in a decline in the 1952 share earnings to $1.79 from the $2.22 reported previously. Reasons for the decline as outlined by President Cuthrell were the following: (1) load-building efforts, such as promoting sale of appliances, had to be abandoned during the conversion period. (2) Savings in manpower after conversion were less than anticipated. (3) Leaks in old mains occurred, and joints had to be tamped. (4) Many consumers' meters had to be repaired because they tended to operate too fast with natural gas, and refunds had to be made to customers, all of which added to labor cost. (5) Some conversion work was done improperly and had to be done over.

These extra costs may continue into 1953 and possibly 1954, after which prospects seem good for a rising trend in earnings. Share earnings in 1953 are expected to show some improvement but no exact estimate has been made available. Improvements in future earnings are anticipated due to:

(1) Gradual reduction in personnel, which by the end of 1953 may be around 3,800 vs. 4,500 at the end of 1950. (This is accomplished by nonreplacement of retiring employees.)

(2) The company is beginning a special campaign to increase residential house-heating. There are perhaps 250,000 one- and two-family houses in the area served and only 34,000 of these have gas heating. The company hopes to increase the amount by 50,000 over a five-year period and the 10,000 goal for 1953 is being exceeded to date. The gas rate for house-heating was reduced 10% last August, and is expected to remain at this level. It is estimated that the cost of heating the average small home is about $172 a year for both coal and gas; with oil the cost is $143 but additional costs such as electricity, repairs and servicing bring the total cost to $185. The company estimates that eventually it should be able to double the present residential load without increasing its payroll cost. In addition to its aggressive campaign to convert oil and coal burners to gas, the company is helping dealers in many ways to sell new appliances such as a refrigerator which provides ice cubes automatically, a combination stove and dishwasher, etc.

(3) Utilities in the New York area since December have been obtaining additional natural gas from Transcontinental Gas Pipe Line under the "E" rate, this representing gas originally assigned to New England (the Algonquin Pipe Line is still not operating). It is possible that this arrangement will be made permanent. By 1955-56 the company hopes to be receiving as much as 150 million c.f. natural gas daily, obtaining added gas through the new Narrows Crossing or from other sources. The company has adequate standby manufacturing capacity (plus available refinery gas) to take care of a peak load of almost 200 million c.f. a day compared with an estimated peak demand next winter of 160 million c.f.

The cost of natural gas to Brooklyn Union may be increased some 6 cents per mcf. on March 18, when Transcontinental can initiate its proposed rate increase under bond (until the FPC issues an order). However, it is considered quite possible that compensatory fuel adjustment clauses may be permitted in future by the New York PSC, as a move has already been made in that direction.

Brooklyn Union's conversion cost was financed through short-term bank loans, which were later refunded by serial 3.4% notes. Very little financing should be required over the next two or three years, since construction needs (estimated at $4 million in 1953) can probably be taken care of out of internal cash or temporary bank loans.

CORRECTION—Last week's column (March 12, page 35) was devoted to the subject of "growth companies" in the utility industry and included a table showing various companies in different parts of the country which, on the basis of statistical data, were considered to be in the growth category. Owing to a mechanical mishap, however, the word "low" was omitted from the heading in the second column of the tabulation. The heading, therefore, should have read as follows: "% Increase in Price Over 1936-1951 **Low**."

Two With Noyes in Elgin

(Special to THE FINANCIAL CHRONICLE)

ELGIN, Ill.—Sigler L. Boeman and Frederick C. Dressel have become associated with David A. Noyes & Co., Tower Building. Both were formerly with Reynolds & Co.

Charles H. Mallory

Charles H. Mallory, partner in the New York Stock Exchange firm of Mallory, Adee & Co., New York City, passed away at his home in Maine at the age of sixty.

Baker, Simonds Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Frederick N. Kratzet has been added to the staff of Baker, Simonds & Co., Buhl Building, members of the Detroit Stock Exchange.

Two With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Floyd O. Davis and Mary V. McArdle are now connected with Waddell & Reed, Inc., 1012 Baltimore Avenue.

Marjorie Allen on Third World Tour

Pictured above at bon voyage luncheon at the Downtown Athletic Club, New York, is Miss Marjorie E. Allen, Field Representative of Allen & Company, 30 Broad Street, New York City, who is now on her third world tour for the investment banking firm. From left: Harold Allen, one of Miss Allen's three brothers who comprise the firm; Murray Lavin, General Manager of Allen & Co.; Miss Allen, and Seymour Dribben, Vice-President of Chemical Bank & Trust Company.

L. F. Rothschild to Admit P. A. Cohn

Peter A. Cohn, member of the New York Stock Exchange, on April 1 will become a partner in L. F. Rothschild & Co., 120 Broadway, New York City, members of the New York Stock Exchange. Mr. Cohn is a partner in Spencer B. Koch & Co., which is being dissolved March 31.

Prugh, Combest With Barrett Herrick & Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Earl L. Combest, Byron E. Prugh, M. J. Coen, James H. Matthews and Frank C. Westbrook, Jr. are becoming associated with Barrett Herrick & Co., Inc. of New York City. All were formerly with Prugh, Combest & Land, Inc., of Which Messrs. Combest, Prugh and Coen were officers.

Eugene T. Burns Joins Fusz-Schmelzle & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Eugene T. Burns has become associated with Fusz-Schmelzle & Co., Boatmen's Bank Building, members of the Midwest Stock Exchange. Mr. Burns was formerly in the trading department of Morfeld, Moss & Hartnett, and prior thereto of Metropolitan St. Louis Co.

F. J. Herr With Cent. & S. W. Corp.

Frederick J. Herr, Jr. has become associated with the Central and South West Corporation as Assistant to the President, with offices in Chicago. He has specialized in Public Utility Underwriting for Lehman Brothers following his release at the end of World War II from five years active duty as a Lt. Commander with the U. S. Navy. Prior to that time he had been with the Lehman Corporation.

W. H. Hohag, Jr., V.-P. Of Banff Oil Ltd.

Banff Oil Ltd., with head office at 809 Eighth Avenue West, Calgary, Canada, have announced the election of Walton H. Hohag, Jr. as Vice-President, director and general manager effective March 17. Mr. Hohag until recently was a director, Vice-President and manager of exploration of Socony-Vacuum Exploration Co.

Eugene Kelly With Goodbody & Co.

Goodbody & Co., 115 Broadway, New York City, member of the leading stock and commodity exchanges, announces that Eugene E. Kelly, Jr. is now associated with the firm in its municipal bond department. Mr. Kelly was formerly with the Harris Trust & Savings Bank.

Joins L. A. Huey Company

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb. — Joseph L. Souder is now connected with L. A. Huey Co., Patterson Building.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

A secondary distribution of 1,500 shares of capital stock (par $100) of **J. P. Morgan & Co. Incorporated** was offered on March 17 by the First Boston Corp. at $302 per share, with a dealer's concession of $6 per share. The offering was oversubscribed and the books closed.

* * *

At a meeting of the Board of Directors of **The National City Bank of New York**, held on March 17, Frank Sauter and Carl E. Schwendler, formerly Assistant Cashiers, were appointed Assistant Vice-Presidents and William L. Norris was appointed an Assistant Cashier. Mr. Sauter joined National City in 1929 and is associated with the bank's Commercial Credit Department. Mr. Schwendler has also been with the bank since 1929 and is presently head of the Travelers Letter of Credit Department. Mr. Norris, who was formerly on the official staff of the Rio de Janeiro Branch, has been assigned to the bank's Overseas Division at Head Office in New York.

* * *

The Board of Directors of the **Pennsylvania Exchange Bank of New York** announced that William M. Scott has been elected President and Director of the bank. Its quarters are located at 20 West 48th Street and 8th Avenue at 38th Street.

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The election of William L. Pfeiffer to the Board of Directors of **Commercial State Bank and Trust Company of New York** (formerly **Modern Industrial Bank**) was announced on March 18 by Jacob Leichtman, President. Mr. Pfeiffer, former Deputy State Comptroller, Member of Congress and presently Chairman of the Republican State Committee, is President of W. L. Pfeiffer & Co., Inc., President of Lake George Lochlea, Inc., and a director of United Cigar-Whelan Stores Corp. During World War II, he was State Chairman of War Bond Payroll Deduction Plan, a member of the Federal Surplus Property Commission for New York State and was cited by the United States Treasury Department for outstanding and meritorious service in the sale of War Bonds.

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Rowland R. McElvare, Senior Executive Vice-President and Trustee of **The Bank for Savings in the City of New York**, is retiring at the end of the month. On March 10, Mr. McElvare was guest of DeCoursey Fales, President, and the other officers of the bank at an informal dinner at which he was presented with a gold watch inscribed in commemoration of the occasion. Mr. McElvare is also Secretary of the Board and a member of the Executive Committee of The Bank for Savings. He is a director of the **Public National Bank and Trust Company** and has been active in the Savings Banks Association of the State of New York, and the American Bankers Association of which he is a past President of the Savings and Mortgage Division, and a member of the faculty of the Graduate School of Banking. Prior to joining The Bank for Savings in 1929 as Vice-President, he was a senior officer of the **National Bank of Commerce in New York.**

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Charles Diehl, President of **Empire City Savings Bank of New York** announces that at a meeting of the Bank's Board of Trustees, George L. Butler, formerly Secretary, was elected Treasurer; and Frederick H. Morris, formerly Assistant Secretary, was elected Secretary, effective March 16.

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D. J. Mastellon of Scarsdale has been elected a Vice-President of **The County Trust Company of White Plains N. Y.** He will continue to head the credit department in White Plains. Formerly with **The Chemical Bank and Trust Company in New York.** Mr. Mastellon joined The County Trust Company in 1947 and was elected an Assistant Vice-President the same year. He is a member of the Robert Morris Associates, a nationwide credit organization. Mr. Mastellon attended City College of New York and the American Institute of Banking and is a graduate of The Graduate School of Banking at Rutgers University. He was recently honored by having his thesis, prepared for the Graduate School of Banking, permanently placed in the libraries of the American Institute of Banking and Rutgers University.

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The Central National Bank of Yonkers, N. Y., which on Jan. 16 increased its capital from $400,000 to $500,000, has further increased the amount (as of Feb. 25) to $600,000 by the sale of $100,000 of new stock. The earlier increase came about through a stock dividend of $100,000 as noted in these columns Feb. 5, page 600.

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As of March 6 the capital of the **First National Bank & Trust Co. of Amityville, Long Island, N. Y.**, was increased from $150,000 to $225,000; part of the increase, viz. $30,000 resulted from a stock dividend, while the sale of new stock yielded an additional $45,000.

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Reporting a capital of $200,000 as of Feb. 6, the **Audubon National Bank of Audubon, N. J.**, increased the amount from $100,000 on that date to $200,000 by a $100,000 stock dividend.

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A stock dividend of $200,000 has brought about an increase in the capital of the **Hillside National Bank of Hillside, N. J.**, from $200,000 to $400,000 the enlarged capital having become operative as of Feb. 4.

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Announcement was made on March 13 that the directors of the **Liberty Title and Trust Company** and the **Real Estate Trust Company, both of Philadelphia**, have informally agreed that their respective banks should be combined by a merger or consolidation. A plan to effect the combination will be submitted for the formal approval of the directors and stockholders and the regulatory authorities. A circular letter issued by Charles S. Krumrine, President of Liberty Title and Trust, and Frank C. Roberts, Jr., President of the Real Estate Trust, states that it is contemplated that the combined bank will be formed under the name **"Liberty Real Estate Bank & Trust Company."** All of the present offices of the respective banks will be maintained. On the basis of Dec. 31, 1952 statements, the combined bank will have resources of approximately $87,600,000, capital of $3,000,000, surplus of $3,000,000, and undivided profits and reserves in excess of $1,000,000. It is proposed that the combined bank's capital of $3,000,000 will be divided into 300,000 shares of capital stock, with a par value of $10 per share. One hundred fifty thousand of such shares will be distributed to the stockholders of Liberty and the remaining 150,000 shares will be distributed to the stockholders of Real Estate Trust. Each of the stockholders of Real Estate Trust, which now has 30,000 shares of $50 par value outstanding, will receive five shares of the combined bank for each share of Real Estate Trust which he now holds. Liberty presently has 20,000 shares of $50 par value authorized and outstanding and a meeting of its stockholders was scheduled for March 18, for the purpose of increasing its authorized stock to 25,000 shares in order to distribute a 25% stock dividend, thus increasing the outstanding capital stock to 25,000 shares. The circular adds:

"It is contemplated that this stock dividend will be distributed during the latter part of April. Assuming the distribution of such stock dividend, each of Liberty's stockholders will receive six shares of the combined bank for each share of Liberty he then holds. If, for any reason, the 25% stock dividend is not distributed by Liberty, each of its stockholders will receive seven and a half shares of the combined bank for each share of Liberty he then holds."

Mr. Roberts is scheduled to become Chairman of the combined bank, with Mr. Krumrine President.

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A stock dividend of $300,000 has resulted in raising the capital of the **Punxsutawney National Bank of Punxsutawney, Pa.**, from $200,000 to $500,000, the enlarged capital having become effective Jan. 23, according to a recent Bulletin of the office of the Comptroller of the Currency.

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The capital of the **Marion National Bank of Marion, Ind.**, is now reported as $500,000, a stock dividend of $100,000 having raised it to that amount from $400,000 as of Jan. 23.

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A capital of $500,000 was reported by the **First National Bank of Belleville, Ill.**, the amount having been increased from $300,000 as of Jan. 27, by a stock dividend of $200,000.

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The appointment of Emil W. Amardeil as Vice-President at the **Whitney National Bank of New Orleans**, was announced by the directors on March 4, according to the New Orleans "Times-Picayune" of March 5, which further said: "The board also announced J. Luis Banos has been promoted to the position of Foreign Department Manager. Mr. Amardeil was formerly manager of the Foreign Banking Department and Mr. Banos was Assistant manager."

* * *

The consolidation is announced effective Feb. 23, of the **Citizens National Trust & Savings Bank of Riverside, Calif.**, with common stock of $2,500,000; **The First National Bank of Corona, Calif.**, with common stock of $100,000; and the **Citizens Bank of Corona**, with common stock of $100,000. The consolidation was effected under the charter of **The Citizens National Trust & Savings Bank of Riverside** and under the title of **"Citizens National Trust & Savings Bank of Riverside."** The Comptroller of the Currency reports that at the effective date of consolidation the consolidated bank would have capital stock of $2,800,000, divided into 140,000 shares of common stock of the par value of $20 each; surplus of $2,800,000; and undivided profits of not less than $700,000.

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Henry T. Mudd, Vice-President and General Manager of the Cyprus Mines Corporation, was elected a director of **California Bank, Los Angeles**, at a meeting of the board March 9, Frank L. King, President of the bank announced. A graduate of Stanford University and the Massachusetts Institute of Technology, Mr. Mudd is Vice-President and director of the Cyprus Oil Co., Chairman of the Board of McClintock Manufacturing Co., etc.

Earle Gatchell to Be Hayden, Stone Partner

Earle Gatchell

Earle Gatchell will be admitted to partnership in Hayden, Stone & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, as of April 1. Mr. Gatchell is Manager of the firm's dealer and correspondent department.

D. Ray. Kenney With Seligman, Lubetkin

Seligman, Lubetkin & Co., 30 Pine Street, New York City, members of the New York Stock Exchange, announce that D. Raymond Kenney, formerly of D. Raymond Kenney & Co., dissolved, is now associated with them. He will continue to specialize in inactive, out-of-town bank and insurance stocks with special emphasis on the purchase or sale of control of such situations.

D. Raymond Kenney

The Charles Co. Formed

BROOKLYN, N. Y.—Charles W. Badalamenti is engaging in an investment business from offices at 1578 West Sixth Street, under the firm name of The Charles Co. Mr. Badalamenti's activity in the investment business was previously reported in the "Chronicle" of Feb. 26.

The Canadian Dollar

By LOUIS RASMINSKY*
Executive Assistant to the Governors, Bank of Canada

Pointing out Canadian dollar is a currency unit distinct from U. S. dollar, official of Canadian central bank explains rise in Canadian dollar's exchange rate is due to sharp demand for Canadian goods and services, leading to a favorable balance-of-payments position. Cites recent expansion of Canada's economy, and contends inflow of foreign capital into Canada is offset by a capital outflow. Lays Canada's prosperity to a free economy and sound fiscal and monetary policies.

During the past year or so Canada and the Canadian dollar have come in for a good deal of favorable publicity in the United States. The editors of some of your leading newspapers and periodicals seem to have entered into a friendly competition with each other to see who could produce the most glowing account of our present prosperity and future greatness, who could pay the deepest tribute to our reputed wisdom and thrift. This warm and enthusiastic discovery of Canada is, of course, highly gratifying. It is also a bit frightening.

Louis Rasminsky

For one thing it puts a Canadian who is asked to talk to an American audience on a subject such as mine somewhat ill at ease. The Canadian senses that his audience half expects to see someone appear on the platform equipped with the traditional cloak and wand of the magician, and proceed to pull a budgetary surplus out of the air, then defy the laws of gravity by making the Canadian dollar rise above the American dollar; and finally, for an encore, strike the lectern with his magic wand and transform it into a large stockpile of uranium. Such expectations can, of course, only lead to grievous disappointment.

There is another reason, too, why a Canadian feels some awkwardness at talking to an American audience at this time. Canadians take great pride in the economic development of their country during the past few years and have considerable confidence in the future. Normally, the main purpose of a Canadian talking to Americans is to communicate some of the enthusiam he himself feels about his country. However, there is nothing which seems less necessary at the moment. I shall, therefore, resist the temptation to rhapsodize, and shall give you instead a sober and prosaic account of some of the recent developments connected with the Canadian dollar. You will appreciate that in following this course I am displaying the truly Canadian characteristics of caution and sobriety.

*An address by Mr. Rasminsky in a series at the Town Hall entitled "Canada—Nation on the March," New York City, March 10, 1953.

Rise in Exchange Value of Canadian Dollar

I suppose that no recent event has done more to focus American attention on Canada than the rise in the foreign exchange value of the Canadian dollar in the past year or so. Before October, 1950, when the Canadian Government decided to unpeg the currency and allow its value to be determined in the free market, you could buy a Canadian dollar for 90 cents in American money. That was the official price of the Canadian dollar, our official exchange rate. The freeing of the Canadian dollar was followed by a steady rise in its value on the foreign exchange markets of the world. By February or March of last year it had risen to parity with the American dollar and during the past year or so, though there have naturally been some ups and downs, the Canadian dollar has been consistently quoted at a higher price than your currency. Today you have to pay about $1.02 American to get a Canadian dollar.

In a few minutes I am going to try to explain what significance should be attached to the rise in the value of the Canadian dollar after the freeing of the exchange rate in October 1950. But before doing that, I would like to say something about what significance should *not* be attached to it. First of all I would like to dispose of the fallacy that the current rate of exchange reflects in some mysterious but literal way the relative economic strengths of our respective countries. The fact that the Canadian dollar is now quoted at $1.02 American leads people to speak of it as being at a premium of 2% over the American dollar. This is convenient and probably inevitable. But the Canadian dollar is a separate and distinct currency unit from the American dollar. It happens to be called by the same name. But its value is determined by different forces, and more frequently than not the Canadian dollar has been quoted at a different price than the American dollar on the exchange markets of the world. It would be a mistake to think, because the Canadian and the American currency units both happen to be called dollars, that there is some necessary relationship between them, whether at par or at some other rate, which should be regarded at normal.

The significant thing about the Canadian dollar is that in the past couple of years it has risen substantially in price, and not that it is quoted at a premium over the American dollar. The fact that the Canadian dollar is currently quoted in the exchange markets at $1.02 American does not mean that Canadians are 2% more intelligent or 2% more virtuous, and certainly not 2% richer than Americans.

Now why has the Canadian dollar become a more expensive commodity in the past year or two? In a free exchange market, such as we have in Canada, the foreign currency price of the Canadian dollar is determined by supply and demand, just like any other price. If the foreign demand for Canadian dollars increases relative to our demand for foreign currencies, the Canadian dollar exchange rate is bid up to a higher level. This is exactly what has happened during the past year or two. Foreign demand for Canadian dollars increased sharply because foreigners wanted to step up their buying of goods and services from us, and because they wanted to invest more money in Canadian resource development and in Canadian long-term security offerings. On the other side of the market, Canadian demand for foreign currencies, whether to pay for goods and services or make investments abroad, rose only slightly. The result was a bidding up of the exchange rate to a point where additional supplies of Canadian dollars were tempted onto the market.

You will appreciate that this little sketch of how our exchange market has worked in the past year or so is drastically oversimplified. So far as it goes, I think it is reasonably accurate—but I realize that it does not go very far. It is broadly accurate to say that our dollar went up because foreigners substantially increased their purchases of Canadian goods and services and their long-term investments in Canada, while our demand for foreign currencies lagged behind. But *why* have foreigners recently bought more and invested more in Canada—and why has Canadian demand for foreign goods, services and investments lagged behind? In order to answer these questions, it is necessary to examine some of the changes which have been taking place recently in the Canadian economy, and to understand their connection with our foreign payments position.

Canada's Expanding Economy

The rise in the Canadian dollar has occurred at a time when the Canadian economy has been expanding very rapidly. I know that later speakers in this series are going to describe in detail the recent development of our productive resources and I do not intend to poach on their preserves. But before considering the connection between these developments and the value of the Canadian dollar, I want to give a few facts and figures to indicate the general magnitude of the expansion that has occurred.

During the past six years, the natural rate of increase of the Canadian population has been high and our numbers have been further enhanced by the accession of Newfoundland and by large net immigration. Our national output in 1952, in terms of physical volume, was roughly one quarter larger than in 1946 and almost double what it was just before the war. Another significant measure of Canada's economic growth is the proportion of our output devoted to capital investment—that is, additions to plant and equipment, new construction, development of new resources and similar increases in productive capacity. Since the war we have been making very large outlays on new capital investment; they total about $25 billion since 1946, and have been rising from year to year until in 1952 almost a quarter of our total output went to enlarge our future capacity. This proportion is very high in comparison with most other countries and even higher than the corresponding figures for the United States. A substantial part of this investment in Canada has gone into the development of natural resources—particularly oil and gas, iron ore, pulp and paper and a wide range of metals. But we have also been steadily expanding our industrial capacity and our power and transport facilities. Our economy is going through a period of rapid but balanced growth on many fronts rather than a violent, narrowly-based boom.

Canadian Expansion and the Balance-of-Payments

Has the expansion of our economy during the past few years automatically strengthened our balance of international payments and so raised the foreign exchange value of the Canadian dollar? Surprisingly enough, I think the answer is no: the Canadian dollar has risen not so much because of, *as in spite of*, the fact that our productive capacity is expanding at an extremely rapid rate. In most past periods of rapid economic growth Canada has had a weak balance of payments on current account, buying more goods and services from abroad than she sold, and paying for the balance out of large receipts of investment capital from outside Canada. Indeed, that is the usual situation for a new and growing country. Without the additional goods and services which inflows of foreign capital make possible, a young country would have to depend entirely on its own output to meet its needs. The more of its output it used to build new factories, power plants, oil refineries, and so on, the less would be available to meet the current consumption requirements of its people. Every growing country has to strike a balance between the rate of economic development it wants and the current standard of living its people want: access to foreign capital enables such a country either to expand faster, or to live better while it is expanding, than would otherwise be possible.

It is a rather astonishing fact, therefore, that both in the year just ended, and over the postwar period as a whole, Canada has devoted a very high proportion of its output to the expansion of its productive capacity *without*, on balance, importing capital from outside the country. The words "on balance" are important: for it must be remembered that capital flows out of Canada as well as into it, though the outflows normally take a somewhat different form than the inflows. In 1952, for instance, we received over five hundred million dollars of long-term capital, mainly from

Continued on page 15

Stock Market and Real Estate Boom Or Disastrous Deflation Ahead?

By ROY E. WENZLICK*
Real Estate Analyst, St. Louis, Mo.

Though pointing out in 1953 "we are going to have more of the same," real estate and financial analyst says two things new Administration should watch are "an irrational and rather explosive boom in stock market," and, in opposite direction, a possible "disastrous deflation." Predicts rising interest rates, with shrinking profits, and looks for complete elimination of controls by April. Considers real estate boom is passing.

As an introduction, I am going to say for 1953 we are going to have some more of the same. In other words, it seems to me that there is no chance for a collapse in 1953. Now I know many forecasters are saying, look out for the last half of the year. In my opinion, the fact that so many forecasters are saying that is going to prevent it from happening. In other words, the thing that everybody expects to happen rarely happens.

Roy Wenzlick

That is true in many fields of investment. It is certainly true on the stock market. It is impossible to have a collapse of the market if that collapse is expected in advance. Every collapse we have ever had in the stock market has been an unexpected collapse. But when a movement of any sort is expected long enough in advance, people start discounting it long before it occurs, and as a result, you have no sharp movement at the time at all.

So I think the fact that so many people are expecting the last half of the year to be rather poor may be one reason why the last half of the year may stand up pretty well, and to me it seems rather inconceivable that 1953 would not be a pretty good year for business.

Let's look at some specific reasons and some of the particular problems that we have at the present time. In the first place, we have been increasing the amount we have been spending on defense at a rather rapid rate. In the year 1951 in the United States, we spent $38 billion on defense. In 1952, the year we have just come through, that had increased to $50 billion. Now in 1953, the year that we are just getting into, our defense expenditure are going to run some place between $55 and $60 billion, and the chances are that 1954 will see a somewhat similar amount, probably just about the same sized expenditure.

This year, the big increase over last year, in itself will be quite stimulating. On the other hand, by the time we get to 1954, while we are going to have expenditures of about the same size, we won't have the advantage that we have had in the years of the past of a rapid increase. In other words, there is quite a difference between a level of high expenditures and a constantly increasing rate of high expenditures. So this year we are not only getting the effect of the very high level of defense spending but also getting the effect of the fact that that is going to be higher than the level in the past.

*Abstracted from an address by Mr. Wenzlick at the 8th Annual Meeting of the Builders and Realtors, sponsored by the Society for Savings of Cleveland, Cleveland, O., Jan. 28, 1953.

Two Developments to Watch

I think that Mr. Eisenhower and his Administration have two things that they are going to have to watch during 1953 and possibly 1954. The first think would be the possibility of an irrational and rather explosive boom on the stock market. I have been in many parts of the United States since the election. I have also been in Canada since the election. I have never seen as complete a change in thinking in a relatively short time as we have experienced. I believe that the United States has made a tremendous change to the right. We have gotten far more conservative in that short period, and the very fact that we have, has increased the optimism of many investors to the point where I think there is a slight possibility of a rather explosive boom, and I think a boom of that sort would be disastrous.

In other words, I think it is not inconceivable that the stock market might do as it did from about 1928 up to October, 1929. We might just go into an explosive boom. If we do, the collapse that would come later would be very much more severe.

I think the Administration is watching that possibility. I do know some economists who are thoughtful, careful economists, who believe that that sort of a boom is quite probable in this period ahead. However, I might tell you quite frankly that I am not buying any stocks on today's market. I don't believe the probability is that great. I think it can be controlled.

Now the other possibility that the Eisenhower Administration is going to face during the next four years is just exactly the opposite, the possibility of a disastrous deflation. Let's see just how that sort of a depression might work out.

In the first place, we can go through the entire field of economic data of all the factors that we chart, on general business, on the stock market, production, income per capita, real estate values, almost anything you want to chart, and all of these factors are very close to, if not at, the all-time peak. Now when things are down quite low, there is only one way they can go, and that is up; but, on the other hand, after they have been going up year after year and they are at all-time peaks, the chance of a downward movement, of course, is far greater than it is when the figures are much lower.

Then the second factor that I think is quite important is that interest rates have been rising now for some time, particularly during the past six months, and I think interest rates are going to continue to rise. Rising interest rates, as a rule, would tend to stop a boom. Those of us that might not watch the interest-rate picture quite so closely as others might not realize that even in riskless investments, like 90-day Treasury bills of the United States Government, the interest those Treasury bills pay has increased by one-third in a period now of about three or four or five months. That is quite an increase in pure interest.

Now when you are talking about mortgage interest, you are talking about something that is built up. Starting out with the amount that a man would pay in pure interest on a riskless investment that was liquid, a mortgage interest rate in addition holds a loading for the risk involved in mortgages, particularly in mortgages made at the high peak of today's prices, and then, too, it has necessarily a loading for the lack of liquidity. When you invest your money in a real estate mortgage, it is invested and it stays invested for a long time. Then, the last factor, of course, in a mortgage interest rate is the fact that it costs something to collect the money and to keep it constantly invested.

Expect Higher Interest Rates

Interest rates are going up, and as a rule in the past, a rising interest rate has been the best thing to curb a boom. They should have gone up long ago. They have been held down at artificially low levels.

You might be interested in knowing that in Canada interest rates on homes are at 6% or higher. Even in the United States on the West Coast, in many areas, on smaller homes, mortgages interest rates are now running 6% or more, and on larger homes 5%.

Another fact that I think is quite important is that profits are falling. Some of you, the older ones here in the audience, will remember the period of the late twenties when profits were falling and prices still going up on many things. Many economists of that period referred to those years as the period of "profitless prosperity."

Now it seems to me that we are getting into some sort of a similar squeeze at the present time, that profits are shrinking; and as we go on, that shrinkage will continue, and as it does, it is going to tend to limit new productive capacity.

We have another factor that we haven't had current for a long time: this is the first time for a great many years that we have faced a world-wide weakness in commodity prices. Throughout the world, commodities have been weak in the period we have just come through. In most cases, the prices on most basic commodities have been falling.

The next factor is that in the period ahead, particularly by 1955, defense expenditures are going to be falling. They will still be at a pretty high rate, but they are going to be falling. A falling rate is quite different than the acceleration we have constantly had.

Another factor that affects the situation at the present time which we are going to have to guard against is this same thing that I brought out a year ago, the rate of new family formation in the United States. If you go across our chart, you will find in the past 13 years there has only been one year in which the number of marriages was lower than it is at the present time, in spite of the fact that the population of the United States is a great deal higher than it was 13 years ago. Then if you go on in the future, you will find that the number of females reaching marriageable age is going to continue to drop until 1957, and by that time it will be 31 years since we have had as few persons reaching marriageable age as we will have in that year. Then we start with a very rapid acceleration of the number of persons reaching marriageable age, and in the middle sixties and the late sixties we are going to have the most rapid increase that we have ever had at any time in the past.

The Real Estate Boom

I believe a year ago I predicted that would be the period of the next big real estate boom, and that the real estate boom coming at that time would be at least as great and probably greater than the boom we have just come through.

Now, there is nothing in that last factor that the Eisenhower Administration or anybody else can do anything about. Our present low rate of family formation is due to the very low birth rate that we had during the depression period. The very rapid increase we are going to get there in the sixties is due to the high birth rate of the war period.

Now with this situation, these two possibilities before Mr. Eisenhower, what are we going to do in 1953 and 1954?

In the first place, I think we have attained a certain momentum in the United States and we can't change our direction too quickly. I think the present Administration is thoroughly aware of that point. I think it is going to apply the brakes very slowly and very carefully.

The first thing that will happen, I think, is that all price controls will pass out by April — all of them, in my opinion, including rent control, and I am very happy about that.

I have also said a number of times on this platform that in my opinion the best and the only cure for high prices is high prices, and that rent and price control always continues and perpetuates the very condition that it tries to correct. In other words, whenever you set the price on anything below the level that that price would otherwise be, you immediately take some production out of the market. The reason the price was going up was because the demand exceeded the supply, and in order to solve the problem you shrink the supply and you always intensify the shortage.

Now that certainly had an effect in the housing field. We often ignore the fact that rent control has prevented houses being for rent. Look at the United States census for 1940 and for 1950. You will find the total number of houses rented and for rent in the United States in both years. Then you can take the total number of new housing accommodations we have built and add that to the '40 figure to find out the number we should have had in '50. You will find this: In 1950 we had one and a half million fewer places either rented or for rent than we had in 1940, in spite of the fact that we built or converted eight and a half million units in that period!

I think the answer lies largely in the fact that the individual owners who owned properties that were formerly rented out, because of rent control insisted they would not rent those buildings, and people who couldn't get building for rent bought them during that period.

In 1927, in an absolutely free market, when we had no FHA, no public housing, 43.9% of all the housing in the United States that was built in that year was built in units actually for rent. This last year, of all the housing we have built, if you exclude public housing and if you exclude the large projects insured by the FHA where there was practically no equity and where they wouldn't have gone ahead had it not been for the insurance, about 3% of our housing was built for rent. You can't artificially control the price and get production, and I think the Eisenhower Administration is thoroughly familiar with that fact. I think all types of price control will be dropped in April.

I think we are going to control our boom as it should be controlled, in the Treasury Department and in the Federal Reserve System. You know everybody has gotten the blame for increasing prices in the period we have just come through except the real cause of the increase; the real cause has been the policies of the Federal Government. In other words, during this entire period we have increased currency and credit in circulation faster than we have increased goods and services, and whenever that happens, prices go up and you can't hold them down artificially with price control. Now, in the period ahead, through the Treasury Department and through the Federal Reserve, I think we are going to keep a rather tight rein on credit, and if we do that, we are not going to have the difficulty that we have had constantly of the dollar going down in value.

If you start out in 1850 and say the dollar of 1850 was worth 100 cents, then your dollar today is worth a little more than 19 cents. In other words, in the past 100 years, the American dollar has lost four-fifths of its purchasing power. Now, if we make our base 1935-39, the period just preceding the war and we say one dollar was worth one dollar then, at the present time it would be worth only 52 cents.

In my opinion, in the period ahead the dollar is going to increase in value. I think your 52-cent dollar is going to go up, probably to 55, 56, 57 cents, something like that, and then after a period of maybe four or five years, I think the dollar is going to do down in value again.

That being the case, if you can play the real estate market for short swings, I might advise selling real estate at the present time, getting out, getting into dollars, because I think dollars are going to increase in value. But, on the other hand, as a rule you can't play the real estate market in that fashion. You have to play it for the long swings and, in my opinion, in the sixties and seventies real estate values are going to be higher than they are now, and I think considerably higher.

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The Canadian Dollar

the United States, either for direct investment in Canada or for the purchase of new securities issued by Canadian corporations and public bodies. Much of this capital inflow went into the large-scale development of our oil and iron ore resources; much of it also went into the expansion of base-metal mining operations and additions to plant capacity in manufacturing industry. These capital inflows have played an important part in helping to develop our resources. Joined to the money has been enterprise, imagination and know-how — a willingness to take risks and the long view — and in some cases an ability on the part of American corporations to put up equity money for new enterprises requiring larger sums for their development than could be handled by the smaller Canadian companies.

Valuable and important as these long-term capital inflows were, however, it still remains true that in the year 1952 they were more than fully offset by capital outflows of various kinds, mainly of a short-term character, so that on balance Canada was actually exporting capital on a small scale. During 1952 these capital outflows took such forms as the repurchase by Canadians of Canadian securities held abroad, the building up of foreign currency abroad on the part of Canadians, and various other types of short-term capital outflows connected with foreign commerce. It is interesting to note in passing that these outflows occurred mainly in response to the rise in the exchange rate: the higher the rate went, the stronger the incentives for these adjusting short-term capital movements. Indeed, this was probably the principal mechanism by which demand for, and supply of, Canadian dollars were brought into balance during this period in an exchange market where the rate was free to move in response to the normal play of economic forces without official intervention except to ensure orderly conditions.

I have said that for the postwar period as a whole the sums Canadians invested, loaned or repaid abroad more than offset the total inflow of capital into Canada from other countries. In other words, since the end of the war the savings needed to finance Canada's economic development have been provided from within the country itself. In certain years, such as 1946 and 1947, Canada was on balance a substantial net exporter of capital, mainly because of the very large official cedits we extended to the United Kingdom and the countries of Western Europe to help them get on their feet after the war. In other years, such as 1950 and early 1951, Canada was on balance a heavy importer of capital from abroad, paying for goods and services we bought from other countries out of net receipts of foreign capital as well as out of our current foreign exchange earnings. As I have already indicated, this pattern of a current deficit covered by foreign investment is more characteristic of past periods of dynamic expansion than is the current surplus we achieved in 1952.

Growth of Foreign Capital In Canada

Over the years, foreign investment in Canada has grown to very large proportions: at the end of 1951 the total was estimated at over $9½ billion, of which $7¼ billion was American owned. In the six prewar years ending 1939, our interest and dividend payments to foreign investors were equivalent, on the average, to 22% of our gross earnings from exports of goods and services. Since the war, this proportion has fallen to an average of about 9%. In other words, our ability to pay a return on the foreign capital invested in Canada has grown more rapidly than the return we have been called upon to pay. There are two main reasons for this, both of which suggest that these large amounts of foreign capital have been put to good use in Canada. Our capacity to pay has grown rapidly because so much of the capital we invested was used to build up our export capacity, directly or indirectly, in industries in which we could compete effectively on world markets. And the foreign exchange return we have been called upon to make to foreign investors has increased slowly because many of them preferred to reinvest a portion of their Canadian earnings in further expansion of their Canadian enterprises.

I should now like to turn once again to the reasons for the recent strength of the Canadian dollar. I have pointed out that during 1952 this strength was not, in fact, based on any net inflow of capital from outside Canada. On the contrary, we lived well within our current international income, spending about $150 million less on imports of goods and services from other countries than we earned from exports of goods and services. I have also pointed out that we managed to do this in spite of the large proportion of our output we were devoting to expansion of productive capacity rather than to current consumption. During this same period, we have managed to devote very substantial resources to our own defense program and to contributions of defense equipment to our allies, without asking for or receiving mutual aid from our American friends. How is it that we have lived within our international earnings and continued to have a strong dollar in spite of these heavy demands on our economy?

I suppose the answer lies partly in good luck and partly, one would like to think, in the hard work and good management of Canadians. The high level of employment and income in the United States and other countries has been fortunate for us, because it has enabled us to enjoy a very brisk demand for our exports, especially the basic foodstuffs and essential raw materials we produce cheaply and abundantly. We have also been lucky in our last two grain crops, which have been exceptionally large, and which have come at a time when there was a ready overseas market. Finally, we have been lucky in that the prices of the things we import have fallen substantially, on average, while the prices of the things we export have declined only slightly.

Canada Has a Free Economy

One would like to think, however, that Canadians have also had something to do with the strength of our balance of payments position in 1952 and indeed over the postwar period as a whole. In recent years we have progressively moved towards more liberal economic arrangements until to-day we have no foreign exchange controls, no direct restrictions on imports, and a level of tariffs which has been steadily reduced since the middle 'thirties. The aim of government policy, as stated in December 1951, by the Minister of Finance, is to rely "on the general handling of our domestic economic situation to keep us in reasonable balance with the outside world and to maintain the Canadian dollar over the years at an appropriate relationship with foreign currencies."

The main instruments for the general handling of our domestic situation have, in the absence of direct controls, been fiscal and monetary policies. In every year since the war, we have achieved a budgetary surplus, notwithstanding the enormous growth of public expenditures on defense and on such social security measures as family allowances and old age pensions. When the economy was subjected to the world-wide forces of inflation following the outbreak of war in Korea, reliance was placed on strict fiscal and monetary policies to keep inflation in check and safeguard our balance of payments position. The purpose has been to avoid encouraging inefficient high-cost production and to keep the economy flexible so that business men could make their own adjustments to changing situations.

I hope that what I have said has contributed to your understanding of the recent strength of the Canadian dollar. The strength of your own currency is often associated with the size of the American economy and its great productivity, with your high standard of living, and the fact that you can produce so many things more cheaply than others.

Continued on page 16

Continued from page 15

The Canadian Dollar

Our situation differs in many important respects from yours.

We are, after all, a nation of less than 15 million people living on the southern fringes of a vast sub-arctic area. It is true that we have valuable and substantial natural resources, but they are not nearly so varied or accessible as yours. Man for man, our working force is not nearly so well provided with machinery and capital equipment as yours. Consequently, you still outproduce us substantially on a per capita basis: in 1952, our national output per head was about $1,600, while yours was about $2,200. And on account of the sparseness of our population and the difficult physical characteristics of our country, the overhead costs involved in simply keeping the economy going weigh proportionately more heavily on us than they do on you. There is therefore an even greater difference than the figures I have just referred to would suggest between the output really available to Canadians and Americans to dispose of as they choose.

The relative smallness of our domestic market and the rather specialized character of our resources make us much more dependent on foreign trade than the United States. If we were foolish enough to try to be self-sufficient, we could only do so with the greatest difficulty and at the cost of a very heavy reduction in our standard of living. Instead, we have learned to make the most of our situation by concentrating on the production for export of the things we can produce most efficiently and using the proceeds to buy from other countries the things we would find it very expensive to produce ourselves. This is reflected in the fact that we exported over 24% of our national output in 1952 and spent a corresponding percentage of our national outlay on imported goods and services. The comparable figures for the United States were only 5% for exports and 4% for imports. Our economy is therefore much more susceptible to developments than is yours.

There is another important respect in which the United States is in a stronger position than Canada. Your country is the world's largest net creditor, with very extensive foreign investments—amounting at the end of 1951 to $37 billion—and enormous gold reserves of $23 billion. Moreover, the United States has for many years consistently sold more to others countries than she has bought from them. This means that you don't have to worry about finding the foreign exchange to pay for your imports or meet your other obligations toward foreigners when you are considering what policies to adopt in world affairs. Canada, on the other hand, is a large net international debtor, in the sense that large sums of foreign capital are invested in our country. Canada does not normally have a large overall surplus in her international current transactions. In framing our policies, therefore, we must always take our balance of payments position into account.

Because of our great dependence on foreign trade we are vitally affected by developments outside Canada. We have very important economic ties not only with the United States but also with the United Kingdom and other sterling area countries and with Western Europe. We are vitally interested in the maintenance of a high level of economic activity in the United States and elsewhere and in the pursuit of liberal commercial and financial policies on the part of the major trading nations. This is not only because we are ourselves dependent on export markets but also because we attach great importance to the benefits of specialization and the efficient use of resources which all countries derive from a liberal system of international trade. Though trade between our two countries is by no means free of restriction it reached the very impressive figure of well over $5 billion last year. We bought goods from your country worth $3 billion, and you bought goods from us worth $2.3 billion. We are, in fact, each other's best customer. This large two way trade enables each of our countries not only to enjoy a profitable market for its exports but also to obtain valuable imports more cheaply than it could produce them itself.

It will be obvious to you from what I have said about the importance of foreign trade to Canada that we Canadians realize that our prosperity is intimately bound up with the prosperity of other people. Since the end of the war, financial assistance on an unprecedented scale from the United States (and on a much smaller but proportionate scale from Canada) has helped in the recovery of our friends abroad and has helped maintain world trade at higher levels than would otherwise have been possible. The process of achieving balance through massive injections of financial aid and by means of import restrictions and discrimination obviously cannot go on for ever, and our friends abroad are anxious to stand on their own feet and to balance their accounts through their own competitive efforts—that is through increasing their dollar earnings. We in Canada would like to see them do this, not only because of our interests as a trading nation, but also because there is ample evidence that the alternative — of achieving balance through import restrictions — weakens the economic structure of the free world, and is damaging both to the restricting countries and to those whose exports are restricted. To achieve balance through an increase in dollar earnings requires that the countries now short of dollars pursue policies which make their export goods available at competitive prices. It also requires that American commercial policies be of a character which permits competition to result in foreign countries increasing their earnings of the dollars they need to pay for your exports. The responsibility for maintaining a high level of world trade, and with it the efficient use of economic resources from which we all benefit, is clearly one which is shared by all countries. This fact has been increasingly recognized, and it may well be the case that the chances of making substantial progress towards more liberal trading arrangements are now more promising than they have been for many years. I believe that a fresh and constructive effort along these lines would be warmly supported by your Canadian friends. At all events I think you can be sure of one thing — that Canadians will continue to try to manage their affairs in such a way as to deserve the esteem and confidence of which this Town Hall series is so neighborly an expression.

Boyd, Schmidt Dirs. Of Blyth & Co., Inc.

T. Henry Boyd

Reginald M. Schmidt

Blyth & Co., Inc., 14 Wall Street, New York City, announced today (March 19) that T. Henry Boyd, Vice-President, and Reginald M. Schmidt, Vice-President have been elected to its board of directors. Both Mr. Boyd and Mr. Schmidt are engaged in the municipal department of the corporation.

T. H. Van Hoozer With Uhlmann & Latshaw

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Thomas H. Van Hoozer has become associated with Uhlmann & Latshaw, 111 West 10th Street, members of the New York and Midwest Stock Exchanges. Mr. Van Hoozer was formerly Vice-President of Prugh, Combest & Land, Inc.

Erickson Perkins Admits

ROCHESTER, N. Y.—Erickson Perkins & Co., Powers Building, members of the New York Stock Exchange, on April 1 will admit Lawrence J. Wagner to partnership.

NYSE Reveals Lower Profit Made in 1952

Net profit was $157,012 as compared with $326,982 in 1951. Loss ascribed to higher operating expenses.

The Annual Report of the New York Stock Exchange for the year 1952, released on March 17, indicated a net profit for the year of $157,012, which compares with a net profit of $326,982 in the year previous.

G. Keith Funston

G. Keith Funston, President of the New York Stock Exchange, stated that there was a slight gain in the Exchange's gross income in 1952—$9,163,199 against $9,162,704 in 1951. However, total expenses increased to $8,239,811 from $7,912,515. The higher expenses reflected the fact that the Exchange took over nationwide operation of the ticker system, which boosted telephone and telegraph expenses to $443,483 from $112,081. This added expense, however, was more than offset by an increase in ticker income to $1,040,851 from $431,204.

"Barriers which in recent years have blocked the Exchange from keeping pace with the growth of the country," Mr. Funston said, "have been a matter of deep concern to us at the Exchange—and they should concern the public, industry and the government."

To cope with these problems, Mr. Funston pointed out, six major studies of Stock Exchange operations were made during the year. These analyses will be translated into action during 1953, he declared.

"Our ultimate aim," Mr. Funston asserted, "cannot be repeated too often: Public ownership of the means of production; a nation of share owners; a nation in whose material wealth every citizen has a vested interest through equity ownership."

The ideal of public ownership of industry, the Stock Exchange President added, "is not an endorsement of socialism or nationalization but the hope that all the people — factory workers, housewives, farmers, lawyers — can own a share in a business enterprise. That is democratic capitalism. It is our job to help make it work."

Mr. Funston said that public opinion surveys have shown that the Exchange has made great progress in informing the public about some of the basic elements of the investment process—such as what a share of stock represents, the risks and rewards of share ownership, the Stock Exchange as a national market place.

"I do not mean to imply that we have communicated our story to the country at large," he added. "Far from it. The lack of information is great; our task is a big and continuing one. There are large and important segments of the population we have not touched. I do say, though, that progress — good progress — has been made."

Trading volume on the Stock Exchange, the report disclosed, fell 24% to 337,805,179 shares last year from 443,504,076 in 1951, and compared with 524,799,621 shares in 1950. With 2,788,183,108 shares listed at the year-end—the highest on record—the ratio of volume to listed shares dropped to 13%—one of the smallest in the Exchange's history—from 18% in 1951 and 23% in 1950.

Bond volume fell to $772,875,640, face value, from $824,002,920 in the preceding year and $1,112,425,170 in 1950. The total of listed bond issues increased to 958 at the year-end from 918 at the end of 1951, as 71 bond issues with a face value of $2,674,000,000 were added.

"A rise in the number of listed bonds to the largest total since May, 1946," Mr. Funston commented, "reflected largely the effect of present Federal tax policies. A pernicious effect of present taxes, particularly the excess profits tax, makes it profitable for a corporation to raise money by borrowing rather than through the sale of equity shares."

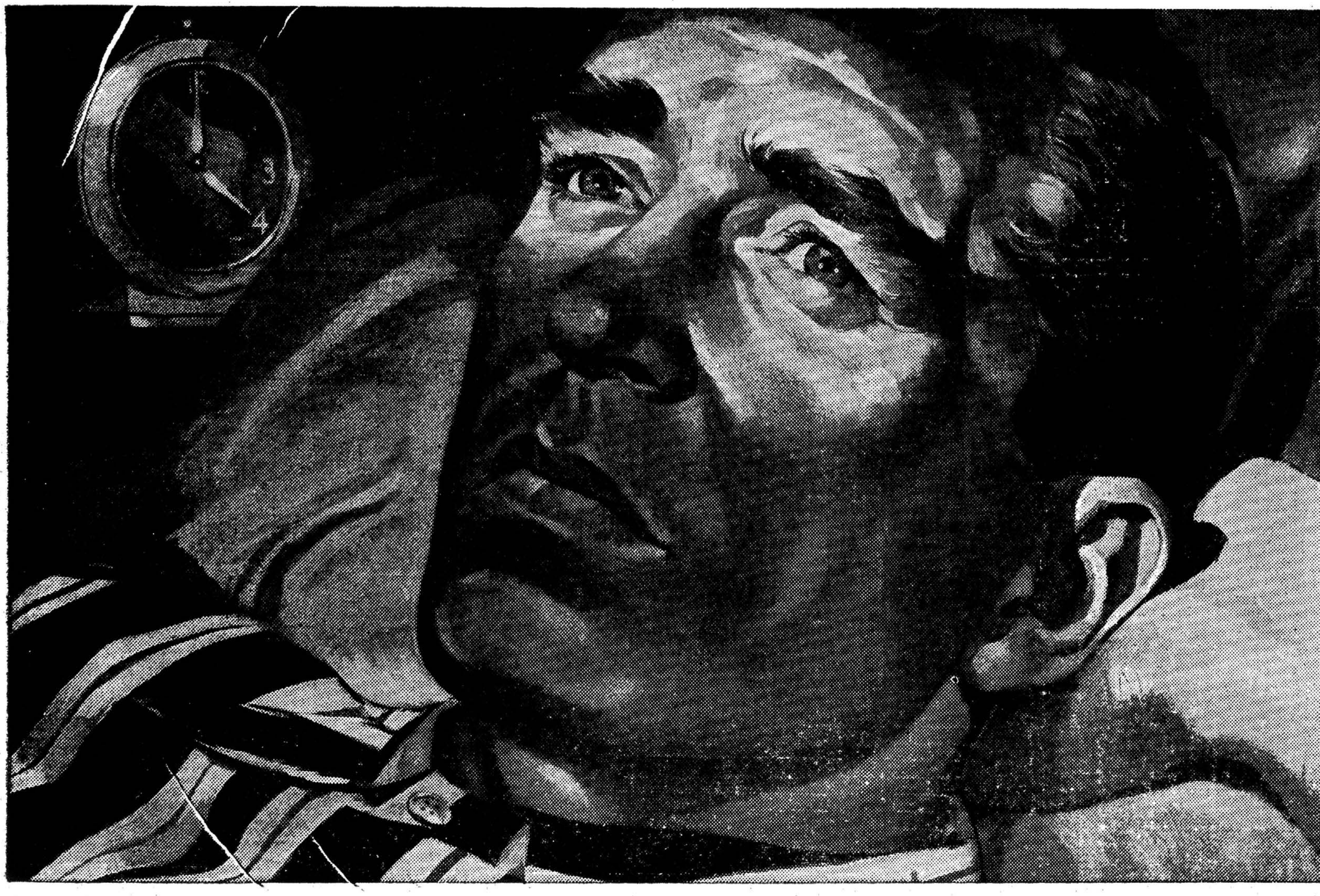
Dividends paid on common stocks listed on the Exchange increased 1.8% over the previous year's total. 91% of all listed common stocks paid dividends last year; based on year-end prices and 1952 disbursements, the average yield of these stocks was 6%. This compared with 6.5% a year earlier.

Mr. Funston noted an increasing willingness by listed companies to cooperate with the educational efforts of the Exchange. Seventeen companies, he said, agreed to publish quarterly earnings in lieu of less frequent reports made formerly. At the year-end 88% of all listed companies were on a quarterly reporting basis.

With Barham & Co.

(Special to THE FINANCIAL CHRONICLE)

CORAL GABLES, Fla.—George G. Schorr is now affiliated with Barham and Co., 2207 Ponce de Leon Boulevard.



British Concern Over U. S. Outlook

By PAUL EINZIG

Dr. Einzig, commenting on British fear that the long period of postwar prosperity in U. S. may come to an end, when no longer supported by defense outlays, contends recession might be delayed, if U. S. assumes a larger share in the Atlantic defense production program.

LONDON, Eng.—There is evidence of a growing concern in Britain over the possibilities of a severe trade recession in the United States. There is nothing in the immediate situation which is regarded as a justification for fears. What is widely felt is that if the rearmament drive is completed within the next year or two the United States might easily experience the long-deferred postwar slump. These fears are by no means new. Ever since the end of the war they became evident from time to time. Most people are inclined to take it for granted that history is bound to repeat itself. Because there was a long period of depression following on the Napoleonic Wars, the Franco-Prussian War and the first World War it is assumed that wars are bound to be followed by depressions. The absence of a major depression in the United States after 1945 puzzles many people on both sides of the Iron Curtain. It is true there was a moderate trade recession in 1949. Had it not been for the Korean War and the rearmament drive that began in 1950 there might have been another recession, possibly more pronounced. The view is widely held that Korean rearmament have only deferred the "inevitable."

Dr. Paul Einzig

Beyond doubt the continuation of a boom of varying degrees for 13 years almost without interruption is an unusual state of affairs. But it is not so remarkable if we remember that the first six years of it resulted from the World War, the next two years can be accounted for by reconstruction, and the last three years by the Korean War and rearmament. The question is whether in the absence of these influences there would necessarily have been a major slump and a prolonged business depression. The war in Korea might come to an end any moment and expenditure on rearmament is also expected to decline before very long.

There remains, however, the expansionary monetary policy aiming at a gradual increase of the national income. What everybody would like to know is whether this in itself will be capable of preventing a slump when its operation is not reinforced by requirements of war, rearmament or reconstruction. The rise in prices in the United States as elsewhere has been rather steep during recent years, and for this reason alone a reaction is widely anticipated. The new Administration has not yet indicated the nature of its monetary policy. The circumstances are such that should a deflationary drive be decided upon, it could be made most effective, but might easily get out of control. On the other hand it is equally within the power of the Washington Administration to continue to pursue the postwar policy of moderate inflation. Owing to the large gold reserve and the unprecedented economic strength of the country, it is in a position to pursue prolonged moderate inflation with comparative impunity.

Nevertheless, viewed from this side of the Atlantic it appears that consumers' demand for durable and semi-durable goods in the United States which has been largely responsible for the boom is liable to decline. In many directions saturation point is being approached. This assumption is causing much concern since the decline of this demand is liable to coincide with the decline of the rearmament expenditure. In many quarters hopes are entertained that industrial activity would be kept up as a result of large-scale development of backward countries by the United States. There is no reason to expect, however, that either the United States Government or the American investor would be prepared to finance such developments on a sufficiently large scale to make a fundamental difference to the situation. World conditions are not such as to encourage large-scale investment abroad except in Canada and possibly in some Latin American countries. The conceivable extent of total American expenditure on the development of the resources of other countries is not likely to be more than a fraction of the figure representing the decline of arms expenditure and of private demand for durable and semi-durable goods.

There remain the possibilities of large-scale investment within the United States. Nobody doubts the immensity of the scope of such investment. Should, however, the fears of a decline of domestic demand for permanent and semi-permanent goods materialize, it would reduce the immediate scope for capital investment in domestic industries. In the absence of demand for financial resources by producers and consumers an expansionary monetary policy would be as ineffective as it was during the 'thirties.

The solution appears to be indicated in the recently published report of the Committee for Economic Development in the United States. Although this report aims primarily at dealing with Britain's problem in fact it incidently indicates what America can do to ease the British problem. The Report suggests that the United States might have to assume a larger share of the Atlantic defense production program, on the ground that this would permit British industry to divert some of its capacity from military production to exports.

What is equally important is that it would maintain American industrial activity which might otherwise undergo a sharp recession.

The solution suggested by the CED Report would be in conformity with the spirit of the principle of equal sacrifice in the interest of the common cause. It is true on the face of it Britain's share might appear to become unduly low. This depends, however, on the basis of comparison. Owing to the size and population and natural sources of the Commonwealth, American opinion is entitled to expect a substantial contribution. This is impossible, however, unless and until the balance of payments position is fundamentally improved. Any attempt at excessive participation in the defense effort without regard to this consideration is bound to avenge itself. From this point of view the lesson of 1951 should be born in mind. For the time being it is inevitable that the United States should assume a disproportionate share of the burden. This would serve a dual purpose. It would give Britain a breathing space to regain economic strength and it would enable American industries to continue to operate without facing a severe business recession.

A Computation of U. S. Foreign Aid

By DR. MAX WINKLER

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

Dr. Winkler estimates that in 11-year period since the enactment of Lend-Lease, American aid has cost the American taxpayer a net amount of over $71.5 billion, exclusive of investments in World Bank and Export-Import Bank. Of $82.5 billion lent, only $10.8 billion or about 13% has been repaid.

Exclusive of investments in the International Bank of Reconstruction and Development, the International Monetary Fund, and the Export-Import Bank, United States aid to the rest of the world since the enactment of the Lend-Lease Bill late in 1940, have cost the American taxpayer for the 11-year period (1941-51), close to $82.5 billion. (See table below.)

Dr. Max Winkler

Of the total advanced, $10,800,000,000 or about 13% has been repaid or returned, resulting in NET foreign aid of $71,600,000,000.

The fact that many of the recipient countries have been in default on obligations sold to and owned by American investors, institutions and individuals, has not interfered with American generosity. Eleven[1] countries came within this category. Of these, seven are in Europe (Russia, Germany, France, Austria, Poland, Yugoslavia and Czechoslovakia); one is in Asia (China), and three are in Latin America (Bolivia, Ecuador and Costa Rica).

Great Britain ranks first in regard to the extent of aid received, with almost $36 billion, or well over 43½% of the total aid granted. About 16½% has been repaid or returned. The Soviet Union is a distant second with about $11¼ billion of which less than three-tenths of one per cent have been repaid. France is third, followed by Germany, China (Nationalist), Italy, Japan, Greece and the Netherlands.

The Union of South Africa has proved the most desirable debtor repaying almost 99% of the amount of aid received. Australia and New Zealand are close seconds with 98½%, followed by Canada with 96%. On the other hand, no repayment of any kind has been made by the new State of Israel, virtually nothing has been repaid by Ireland; the same being true of Yugoslavia, Russia and Poland.

Aid to Latin America during the period under review totaled $1,406,000,000, or less than 1¾% of the total advanced. Since America's prestige has come to be judged throughout the world by the amount of dollars advanced or given, the nations south of the Rio Grande do not seem to hold the United States in very high esteem which is rather unfortunate and which the new Administration might endeavor to correct.

1 Danzig now part of Poland, and Estonia now part of Russia, bring the total up to thirteen.

U. S. AID AND STATUS OF RECIPIENTS' DEBT

Arranged according to size, U. S. aid is distributed as follows (in million dollars):

		—REPAYMENT—		
	Gross Aid	Amt.	In % of tol.	*Status of Debt
United Kingdom	$35,913	$5,882	16.4	None
U. S. S. R.	11,242	33	.3	Repudiated
France	6,986	1,098	15.7	None
Germany	3,539	98	2.8	Being Settled
(Nationalist) China	3,114	185	5.9	Default
Italy	2,631	116	4.4	Settled
Japan	2,474	289	11.8	Settled
Greece	1,403	48	3.4	Default
Netherlands	1,266	138	10.9	Fully Serviced
Australia	925	911	98.5	Fully Serviced
Austria	837	39	4.6	Default
Philippines	831	18	2.2	Fully Serviced
Belgium-Luxembourg	829	249	30.0	Fully Serviced
India	791	613	77.5	None
Korea	488	13	2.7	None
Poland	465	2	.4	Default
Yugoslavia	428	1	.2	Default
Turkey	378	24	6.3	None
Norway	312	36	11.5	Fully Serviced
New Zealand	256	252	98.5	None
Denmark	252	11	4.4	Int. Paid
Czechoslovakia	222	25	11.2	Default
Canada	175	168	96.0	Fully Serviced
Indonesia	156	5	3.2	None
Finland	145	35	24.1	Fully Serviced
Ireland	139	**	--	Fully Serviced
Sweden	108	7	6.5	None
Union of So. Africa	95	94	98.9	None
Israel	68	--	--	Fully Serviced
Trieste	44	2	4.5	None
Saudi Arabia	37	5	13.5	None
Iran	34	10	29.4	None
Portugal	34	2	5.9	None
Latin American	1,406	376	26.7	----
All others	4,407	51	1.2	----

* Includes only publicly sold dollar bonds; ** Less than $500,000.

Connecticut Brevities

At their annual meeting on April 23, 1953, stockholders of **Colts Manufacturing Company** will vote on a recommendation of the Board of Directors to change the par value of the common stock from $25 to $10 and to issue five shares of $10 par stock for each share of $25 stock. The present 80,000 shares will thus become 400,000 shares.

* * *

Shareholders of **Windham County National Bank** of Danielson and of **The Hartford-Connecticut Trust Company** have voted to merge the two banks. The former will be operated as the Windham County branch of the latter. This will bring to 14 the number of branches operated. Stockholders of Windham County National will receive 1.4 shares of Hartford-Connecticut Trust for each share owned. Hartford-Connecticut recently offered its stockholders rights to buy one new share for each eight owned of record Jan. 22 at $50 a share.

* * *

Hartford Rayon, wholly-owned subsidiary of **Bigelow-Sanford Carpet Company**, has resumed production at its plant in Rocky Hill after an extended shut down for expansion and modernization. The first unit, which is presently in operation, has an annual capacity of 10 million pounds of staple rayon for the textile trade. A second unit of 8 million pounds a year capacity for the carpet industry is expected to be in production in May.

* * *

Stockholders of **Niles-Bement-Pond Company** will vote April 8 at their annual meeting on a recommendation of the Board of Directors to increase the authorized common stock from 1,000,000 to 1,500,000 shares. There are no present plans for use of the additional shares, but they would be available for acquisition of any business which the directors might deem desirable. There are presently outstanding 868,285 shares, on which earnings for 1952 were equal to $5.20 a share against $3.21 the previous year.

* * *

The annual report of **Southern New England Telephone Company** shows net income at $2.08 per share compared to $1.99 in 1951 on a smaller number of shares. During the year the company spent about $28 million and present estimates call for expenditures totaling $33 million for plant expansion. Some 43,000 new telephones were added in 1952 bringing the total to 855,000, half of which have been added in the past 11 years. The company's program of conversion to 100% dial operation, begun in 1922, will be completed in 1953. There are presently 32,400 stockholders, of whom 20,000 have acquired their shares during the past four years.

* * *

General Dynamics Corporation has recently acquired from Rotol, Ltd., of England, the Western Hemisphere rights to manufacture and sell a controllable pitch propeller that it is hoped will revolutionize many fields of marine propulsion and will be adaptable to use with gas turbine engines. The propeller, patterened after those used by aircraft, will enable small craft to maneuver and stop more efficiently.

* * *

Bush Manufacturing Company is constructing a new addition to its plant in West Hartford which will add 15,200 square feet of floor space. The expansion became necessary as a result of the addition of a new heating line and an increase in the demand for air conditioning and commercial refrigeration equipment.

* * *

American Hardware Corporation has announced a new three-phase program to improve the company's position in the hardware industry. The first step will involve construction of a new plant at Clarksdale, Miss., for manufacture of door checks, panic fixtures and hose clamps. The second phase of the plan involves consolidation of practically all of the company's other manufacturing operations in a single plant in New Britain. The third step will be consolidation of all New Britain general administrative and office functions.

* * *

The annual report of **Dictaphone Corporation** shows that net income for 1952 dropped slightly to $8.91 from $9.25 the previous year, the drop being more than accounted for by a decrease in dividends received from the English subsidiary.

Bankers Place Notes Of Associates Inv. Co.

Associates Investment Co., South Bend, Ind., has sold $10,000,000 of 3¾% senior term notes due March 1, 1973. They were placed privately by Salomon Bros. & Hutzler with life insurance companies and pension funds. Robert L. Oare, Chairman of the Board, said the notes provide for a 50% sinking fund beginning in the 11th year.

The issue is the third in a series of three $10,000,000 loans to be placed by the automobile finance company since Feb. 10 and completes the current $30,000,000 program of senior debt financing. The three issues have an average maturity of 12¼ years with an average yield of 3.58%, Mr. Oare said.

Funded debt of Associates Investment Co. now amounts to $132,500,000. Total assets of the company and subsidiaries on Dec. 31 were $517,000,000.

Hall Heads NY Fund Division in Campaign

Organizational planning was stepped up in the exchanges field for The Greater New York Fund's 1953 campaign with the acceptance by Herbert S. Hall, partner of Morgan Stanley and Company, of the exchanges group chairmanship. The announcement was made by the Fund's private firms division Chairman Benjamin Strong, President of the United States Trust Company of New York.

Herbert S. Hall

The Greater New York Fund's campaign, which begins April 27, will help 423 voluntary hospitals and health and welfare services in New York City. Last year, more than 3,000,000 persons benefited from services of the Fund's participating agencies.

Mr. Hall will be responsible for solicitation of gifts from private firms and partnerships in the exchanges field. This area includes the Cotton and Commodity Exchanges; American Stock Exchange; government and municipal security dealers; investment advisors; investment bankers; Stock Exchange floor brokers; Stock Exchange firms and unlisted brokers.

A resident of Short Hills, New Jersey, Mr. Hall was graduated from Princeton University in 1928. His previous business affiliations include the Guaranty Company of New York, Field, Glore and Company, and W. E. Hutton and Company.

New York Stock Exch. Weekly Firm Changes

The New York Stock Exchange has announced the following changes:

Spencer B. Koch & Co. will be dissolved March 21st.

Robert C. MacCorkle, member of the Exchange will withdraw from partnership in George D. B. Bonbright & Co. March 31st.

Edward T. English will retire from partnership in Kaufmann, Alsberg & Co., March 31st.

Transfer of the Exchange membership of the late Stephen A. Tanburn to Robert A. McCurdy will be considered by the Exchange March 26th.

To Be Parker, Robinson Co.

MAPLEWOOD, N. J.—Adrian Ralph Kristeller, member of the New York Stock Exchange, will retire from partnership in Parker, Robinson & Kristeller, 7 Highland Place, on March 31st and on April 1st the firm name will be changed to Parker, Robinson & Company.

With Merrill Lynch Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Wilfred D. Wamsley is with Merrill Lynch, Pierce, Fenner & Beane, 301 Montgomery Street.

Treasury Refunding Prospects

Bankers Trust Company and Aubrey G. Lanston & Co. discuss outlook for money market in light of forthcoming Treasury refunding operations.

The Bankers Trust Co. and Aubrey G. Lanston & Co., of New York City, both dealing in U. S. Government securities, have issued papers relating to the outlook for the money market in relation to the forthcoming Treasury refunding operations. According to the Bankers Trust Co., Treasury refunding is not expected to upset the money markets or produce any changes in long- or short-term interest rates, as a whole, for 1953, and adds that "whether the authorities will take further and more restrictive credit action depends largely upon the future course of business and credit needs."

"Debt management can make its greatest contribution to monetary stability under current conditions by working for a better balance in the maturity distribution of the Federal debt, reducing the size and frequency of refinancing operations, and fitting the terms of Treasury borrowings to the needs of the economy and the conditions of the market place." The Bankers Trust review notes that a modest beginning was made in 1952, but that further and much more intensive efforts are needed.

However, the Bank states that a refunding program is not subject to rigid standards of procedure. Rather, "refunding is among the most difficult and delicate undertakings in the realm of debt management, requiring flexible action and sensitive response to changing conditions in the money and capital markets."

"The problem faced by the Treasury is to make real inroads upon the floating debt without provoking serious repercussions in the economy or the market place. This seems to rule out fast, aggressive action in favor of a more gradual and measured approach. The consequences of many years of short-term refinancing cannot be undone in one stroke. Instead, a soundly conceived refunding program is a long-range undertaking, whereby the Treasury presses for extension of maturities, but with sufficient flexibility to adapt itself to fluctuations in the money and capital markets and to shifts in economic trends."

The Bank notes that the Treasury's refunding problems will be further complicated in 1953 by the need to raise several billion dollars in new money. "This, together with considerations of economic stability, diminishes the likelihood of a refunding policy so energetic as to upset the markets, curtail the supply of funds for private investment, and create protracted upward pressure upon bond yields."

According to the review, "the Treasury could sell a limited amount of long-term bonds if the yield were made sufficiently attractive to institutional investors, and it is expected that such an offering will be made later this year. At the present time, however, a large offering would probably place a strain upon the market, especially since private demands for capital are still running high. Higher rates on long-term government bonds might simply result in an upward adjustment of rates on corporate and other securities, thus nullifying any anticipated competitive advantage of Treasury issues. If private investment requirements should slacken after the middle of the year, however, the Treasury will have a better opportunity to tap the market for long-term funds."

Mellon vs. Humphrey

Aubrey G. Lanston & Co., Inc. makes a comparison between the Treasury refunding problem executed by Secy. Andrew Mellon following World War I and that confronting Secretary of the Treasury George M. Humphrey. In the analysis of the situation it is noted that the Mellon refunding program was carried out at a time when inflation was shaken out of the economy and its success was due in part to the superlative understanding of financing technique and a desire not to interfere with the business or investment markets. It is maintained that the forthcoming funding program can be developed successfully providing a "sound dollar" is preserved. The Lanston analysis points out that continued failure to reduce the public debt in periods of good business would be "the gravest threat to the value of Treasury securities and other fixed-income obligations and a sound dollar."

Announces Committee Apptmts. by NASD

Joseph E. Welch Roy W. Doolittle

WASHINGTON, D. C.—Carle Stolle, G. A. Saxton & Co., Inc., New York City, Chairman of the Board of Governors of the National Association of Securities Dealers, Inc., announces the following committee appointments:

Investment Companies Committee

Chairman: Joseph E. Welch, Executive Vice-President, Wellington Fund, Inc., Philadelphia.

Members: Ward L. Bishop, President of American Fund Distributors, Inc., Los Angeles; Hugh W. Long, President of Hugh W. Long & Co., Inc., Elizabeth, N. J.; Harry I. Prankard, II, partner in Lord, Abbett & Co., New York; William F. Shelley, partner in Vance, Sanders & Co., Boston; and S. L. Sholley, partner in Keystone Company of Boston.

Investment Companies Dealers Committee

Chairman: Roy W. Doolittle, partner in Doolittle & Co., Buffalo, N. Y.

Members: Eugene P. Barry, partner in Shields & Co., New York; James F. Burns, Jr., partner in Harris, Upham & Co., New York; J. Lester Erickson, Vice-President of Wm. R. Staats Co., Los Angeles; Albert W. Tweedy, partner in H. C. Wainwright & Co., Boston; and Adolph Woolner, partner in Bache & Co., New York.

Large Scale Production of Air-Conditioned Autos in Offing

By P. J. KENT*
Executive Engineer—Electrical,
Chrysler Corporation, Detroit, Mich.

Predicting that within 10 years, one out of 10 autos will be equipped with air-conditioning, Mr. Kent traces development of automobile air-conditioning in last 15 years and concludes the market for air-cooled cars is expanding. Stresses health and comfort value of air-conditioned driving.

Automobile Cooling Systems are coming into their own. Vehicle Manufacturers who have done so much over the years with safety, better riding quality, economy and durability, are preparing to meet the growing demand for the extension of automobile comfort provided in the cooling of car interiors.

P. J. Kent

In the last decade or more, several car manufacturers have been working on the development of an efficient and dependable Cooling System. Chrysler Corporation, for instance, offered a fine system even in 1939.

But the intervening World War, material shortages and the job of filling the demand for automobiles since the war took all their attention.

In the interim, companies outside the Vehicle Manufacturers and their immediate subsidiaries carried on the pioneering effort. Their work, resulting in the offering of Cooling Systems direct to the public or through the automobile dealer, has stimulated the demand for this important adjunct to the automobile.

Many car makers are now preparing to offer car Cooling Systems which have been engineered and developed within their own organizations and which will be manufactured in whole or in part in their own plants or in the plants of subsidiary companies.

In this comparatively new field, the Vehicle Manufacturer is faced with many new problems and decisions. This paper will deal with some of these problems, although of course, the author makes no claim to having all of the answers.

How Broad Is the Market and How Fast Can It Be Developed?

This is a very important question and the answer or the estimate which each manufacturer comes up with will have a very important bearing on the manufacturing space to be allowed, the type of tooling to be provided, the appropriation for advertising and sales promotion, etc.

We know that approximately 3,000 cars were equipped with car cooling before World War II and we estimate the number equipped since the war to be about 7,500. It must be appreciated however that these installations were sold under conditions as outlined in my introductory remarks without the benefit of national advertising or other strong promotion. Many people have the feeling that there will be a limited market only in the Southwestern states where temperatures range above 100 degrees F. over a considerable period of time. We believe this is a very false impression which comes about in part because most of the systems sold since World War II were produced by small companies located in the Southwest and with their limited facilities it was quite natural that they should primarily explore the market close to their base of operations.

Experience with residential room coolers should give a pretty good clue to where the market exists for car cooling systems and it is no secret that the best market for room coolers is in the section near New York City.

I believe it is fair to say that geographically we have a good demand in practically all parts of the United States.

In the export field a considerable part of our automobile market lies in countries which are quite warm during a good part of the year. It is also true that the people who buy the cars which we export, are relatively wealthier than the people who buy them in the United States. I would therefore estimate a fairly good export market for car cooling.

In the early stages price will undoubtedly be the big factor in determining sales, assuming we are free of material controls. If the system is installed when the car is new it can be sold as a part of the vehicle on a time payment basis which should ease the situation.

What kind of people will want car cooling in their automobiles? Certainly many people in the hotter or warmer parts of the world. Salesmen, doctors or others who spend a good part of their daylight hours on the road and particularly where the cost can be charged off as a business expense. Anyone driving an automobile in the hot dry or warm humid parts of the world after once driving a cooled car will have the desire to own one. I believe there will be a good market from people who suffer from hay fever, asthma, and other respiratory diseases.

It is always dangerous to predict, yet I believe, barring all-out war or depression, we should expect, within five to ten years, that one out of every ten new cars sold will be equipped with a passenger compartment cooling system.

Type of Tooling and Tool Amortization

The manner in which each manufacturer estimates his market, will of course have a considerable bearing on the type of tooling and the rate of amortization.

If he is very conservative he will keep tooling to a minimum by buying parts on the outside which are already tooled, doing a certain amount of hand work rather than create expensive dies, etc. He may find it advantageous to use more expensive materials which can be more economically fabricated in low production.

If he is optimistic about the market he will of course want to make as many parts as possible in his own plant and take advantage of more efficient tooling to keep the cost of each part low. Time element will also enter into many decisions about the type of process or tooling to use.

If he goes into car cooling with doubts about the extent and permanence of the market he will likely wish to amortize the tooling as quickly as possible.

Needless to say, the answers to the above questions will have a great deal to do with the price of the equipment and in turn the price will be a real factor in determining the market.

From a strictly competitive point of view price should not be too important in the choice of a car cooling system since in the early stages each manufacturer's equipment will only be adaptable to his own cars. However, it will still be very important when the prospective owner considers the over-all price of the car and cooling equipment.

Cooling System Performance Requirements

The engineer's decision on just how much and what kind of performance to build into the car cooling system may very well determine the success or failure of the whole venture.

Our investigations of cooling systems which have been available in the past led to the conclusion that they could be improved. In drawing up our specifications at Chrysler we decided we should have one and one-half tons ice melting capacity at 25 miles per hour and after extensive tests have revised this figure to one and one-quarter tons. This capacity is required for low speed operation and to get a quick cooldown after the car is started. We also decided that it was essential to have about 25% outside air entering the evaporator unit for distribution into the passenger compartment to keep the car body free of objectionable odors due mainly to people smoking in the car. Outside air is also necessary to create a slight pressure in the car body to prevent infiltration of hot air and dust through the various leaks in the body structure. As a result, we have what is felt to be the highest capacity air conditioning system yet disclosed for use in passenger automobiles.

We debated at some length on the controls which would be necessary for maximum passenger comfort and finally decided that the only control which should be readily available to the driver would be a very simple switch on the instrument board to cut off or give one of three speeds to the evaporator blower, thus controlling the velocity of cool air movement in the car. We have dampers accessible from the trunk compartment to close the outside air ducts in the winter time. We also have an automatic valve in the evaporator unit which controls the minimum temperature of the system. A manual setting or adjustment for the automatic valve is accessible from the trunk compartment. Once this valve is adjusted it should require little further attention.

Design Problems

The trend of automobile design in recent years has been to provide more space for the passengers and at the same time reduce the over-all size of the vehicle. At the same time the machinery and accessory equipment trend has been toward more complicated mechanisms which occupy more space.

This situation presents a very great problem to the engineer who has to fit an automobile cooling system into the remaining space, particularly in a company such as the Chrysler Corporation where we must work with numerous body types and with both V and vertical in-line engines. Needless to say, it called for much assistance and cooperation from the engine, the body and front end sheet metal designers with our electrical design department, also the engineers of our Fluid Dynamics Laboratory and the Airtemp Division with our Electrical Section, heating and air conditioning laboratory who have had the responsibility of coordinating the work.

It is highly desirable that the cooling equipment be kept as compact and light in weight as possible without sacrificing its performance.

As time was not available to develop and tool a compressor to fit our specific requirements, we had to select one which was already tooled and of proven performance and durability. This meant a fairly large slow-speed unit which added to our compressor drive problem. With the trend toward lower hoods there is a definite need for a smaller light weight compressor which can be safely driven at higher speeds, preferably somewhere between the engine and generator speed. Some means of controlling the compressor speed independent of the engine speed would also be desirable.

Another major problem was to find a location and a means of cooling a condenser large enough to provide for our 1¼ ton cooling capacity at 25 miles per hour without interfering with engine cooling.

The solution was found by splitting the condenser in two parts connected in series. About one-third is located in the conventional method in front of the car radiator. This takes care of the idling and low speed load. The remaining two-thirds of the condenser is mounted where the radiator dust pan is normally located. Air entering the radiator grill passes down and through the lower condenser in a volume which increases with car speed.

The evaporator unit is of necessity quite bulky but fits into that trunk space which is of least value for packing luggage.

By locating the return air grills at the outer end of the package shelf, it was fairly simple to connect them with the outside air inlets and the blower intake.

The blower exhaust grill is located at the center of the package shelf and directs the cool air in a thin strata along the roof of the car body, creating a minimum draft on the back of the passengers' heads. This natural distribution has proved very adequate and satisfactory even with five passengers in the car.

Education of Factory and Service Personnel

Since the installation and servicing of a mechanical vapor compression refrigeration system is new to the personnel of automobile factories, we decided to organize a school where the system and its various components could be studied in detail.

A class room in the Chrysler Institute of Engineering was set aside for this purpose. The engineers who had participated in the development of the system were utilized as instructors. Each plant manager and chief engineer of the plants where the cooling system would be installed were invited to send representatives to the school. These representatives included engineers, plant foremen, inspectors, service representatives and in some cases, representatives from sales and advertising.

In addition, our engineers worked with each plant in making and testing their pilot installations.

Service manuals and probably a series of projector slides will be used for training service men in the dealers' shops, supplemented by direct instructions through factory service representatives.

It is not planned to make any field installations for the first year, however; as the dealers become familiar with the equipment and its servicing some of the larger dealers may plan to install the cooling systems in their own shops.

It is obviously impossible to cover in a paper of this length many of the problems which the vehicle manufacturer has to meet and undoubtedly there will be many more now unknown which will arise as the volume of installations increases.

I have endeavored to cover a few of the highlights which are the result of a 13-year research and development program by Chrysler Corporation engineers. I hope they may prove of interest.

*A talk by Mr. Kent before the Society of Automotive Engineers, Detroit, Mich., March 5, 1953.

Lee Higginson Offers P. R. Mallory Pfd. Stk.

Lee Higginson Corp. headed an underwriting group which offered for public sale yesterday (March 18) 150,000 shares of P. R. Mallory & Co., Inc. 4½% cumulative convertible preferred stock, at par ($50 per share), plus accrued dividends from date of issue.

The stock is convertible at par into common stock at $50 per share, subject to adjustments in certain events. Cumulative dividends are payable quarterly on the first days of February, May, August and November in each year.

The stock is redeemable, at the option of the company, in whole or in part, otherwise than for the sinking fund, at $52.50 per share on or before Dec. 31, 1957, with such redemption price decreasing 50 cents per share on Jan. 1 in each of the years 1958, 1963, 1968, 1973, and 1978, together in each case with accrued dividends.

Proceeds from the sale of the stock will be added initially to the general funds of the company and will be available for general corporate purposes. Part of the proceeds may be used to pay any short-term bank loans that may be outstanding at the time.

The stock is also entitled to a fixed sinking fund beginning in Dec. 1955, sufficient to retire in each year 4,500 shares. Redemption price retirement under the sinking fund is $50 per share, plus accrued dividends, of 4,500 shares. The sinking fund may be anticipated and credit may be taken for shares converted into common stock. Shares of the new preferred redeemed at the option of the company, or through the sinking fund, or purchased and surrendered into the sinking fund, or converted into common stock shall be permanently retired and cancelled and not reissued.

P. R. Mallory & Co., Inc., including its subsidiaries, is one of the leading producers of a diversified line of certain component parts for use in the electrical and electronic industries and in the metallurgical field. The company owns four plants in Indianapolis and one each in Tarrytown, N. Y.; Frankfort, Ind.; Tipton, Ind. and Chicago, Ill. Over the years it has enlarged and expanded its operations to include products having a wide range of applications in the aircraft, automotive, communications, electrical, electronic, household appliance, metal, public utility, radio, television, transportation and general industrial fields.

Net sales of the company for the year ended Dec. 31, 1952 amounted to $53,443,117; a net profits, after taxes and other charges, were $1,897,773 and earnings per share of common stock were $3.12.

Common dividends are currently being paid at the rate of $1.40 per share annually.

With John M. Barbour

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Courtenay B. Goode has become associated with John M. Barbour & Co., Citizens Bank Building.

With Pasadena Corp.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—George W. Woerner has joined the staff of Pasadena Corporation, 234 East Colorado Street. He was previously with Investment Securities Company of California.

A Colorful Brochure and the 1952 Annual Report will be sent on request

LANE-WELLS COMPANY

SUMMARY OF ANNUAL REPORT FOR 1952

REACHING a new high for the twentieth consecutive year in the Company's history, 1952 consolidated gross income was $24,247,021, an increase of 15% over the $21,008,507 reported for 1951. Income from domestic operations increased 9%, from Venezuelan operations 48%, and Canadian income 65%.

Consolidated net income for 1952, after taxes and minority interest, was $2,406,424, or $3.34 per share. This compares with $2,276,789, or $3.16 per share in 1951. Net current assets increased from $2,731,353 to $3,704,358. Net investment in plant, property and equipment increased $1,335,319, to a total of $9,374,371.

New field stations were opened during 1952 in Freer, Monahans, McCamey and Winters, Texas; Henderson, Kentucky; Glendive, Montana; and Williston, North Dakota. In Venezuela a new location was opened in Quiriquiri. The Canadian company opened new stations in Swift Current, Saskatchewan; and Virden, Manitoba. At the close of the year 85 service and sales stations were in operation, including 72 in the United States, 8 in Venezuela and 5 in Canada.

New or additional shop and office facilities were completed during the year in Abilene, Beaumont, Bowie, Corpus Christi, Houston, McAllen, Odessa and Wichita Falls, Texas; Great Bend and Russell, Kansas; Healdton, Lindsay and Seminole, Oklahoma; Williston, North Dakota, and Casper and Cody, Wyoming. Construction was in progress at the end of the year on new or additional facilities at Laurel and Natchez, Mississippi and Lake Charles, Louisiana, as well as on an addition to the company building at the Tulsa International Petroleum Exposition. Petro-Tech Service Co. added new facilities in field camps at Anaco, El Tigre, Jusepin and Las Morochas, Venezuela. A five-acre property adjoining the Los Angeles plant was purchased to provide for future expansion of the main offices and shops.

Stockholders of record at the end of 1952 numbered 2790, an increase of 80 for the year. Four quarterly dividends and extras were paid during 1952, totaling $1.60 per share.

The staff of research, design and development engineers was increased by more than 25% during the year. Marked progress was made on current and long-range projects for providing new services and improving present methods and equipment. Field tests now in progress offer considerable encouragement for future profitable operation of new services.

LANE-WELLS COMPANY

(and subsidiaries)

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 1952

ASSETS		LIABILITIES	
Cash and working funds	$ 1,293,120.62	Accounts payable and other accruals	$ 1,419,738.45
Accounts and notes receivable *(Less $130,120.07 reserve for doubtful accounts)*	3,037,310.21	Federal and foreign income taxes estimated	1,202,499.73
Inventories	1,996,165.14	Long term debt	2,500,000.00
Investment in non-affiliated company	495,997.05	Minority interest in subsidiary	241,340.76
Property, plant and equipment *(Less $6,689,971.92 reserve for depreciation)*	9,374,370.82	Capital stock – *Authorized 1,500,000 shares, par value $1, issued and outstanding 720,000 shares*	720,000.00
Patents and other intangibles	188,485.67	Capital surplus	1,247,714.00
Deferred charges	384,210.42	Earned surplus	9,438,366.99
	$16,769,659.93		$16,769,659.93

LANE-WELLS COMPANY

Bullet and Koneshot Perforating • Radioactivity Well Logging
Electrologging • Packers • Bridging Plugs

GENERAL OFFICES AND PLANT • 5610 SO. SOTO ST. • LOS ANGELES 58

72 Branches in Principal Oil Fields of the United States

Petro-Tech Service Co., a subsidiary, 8 branches in Venezuela.
Lane-Wells Canadian Co., a subsidiary, 5 branches in Canada.

Foresees Reassessment of "Big Business"

Dr. John Perry Miller, Professor of Economics of Yale University, in radio interview, sees new Administration viewing business more sympathetically and from different vantage point than its predecessor.

In an interview broadcast over Radio Station WTIC of New Haven, Conn., Dr. John Perry Miller, Professor of Economics at Yale University, predicted that the anti-trust cases against "Big Business" will be reassessed under the new Administration because of its more sympathetic view-point than prevailed under preceeding Administrations.

John Perry Miller

The text of the radio broadcast follows:

Mr. Bernard Mullins: Professor Miller, it has been suggested in some quarters that the Eisenhower Administration is likely to be an Administration by big business for big business, and consequently we can expect a relaxing of our anti-trust laws which are designed to preserve competition and protect us from monoploy. Do you think there is any merit in this argument?

Prof. Miller: It is still too early to tell what effects, if any, the change in Administration will have on our policies with respect to big business. Clearly key members of the new Administration, recruited to a substantial extent from big business, are likely to view business more sympathetically and from a different vantage point than some of their predecessors. I should not be surprised consequently, if we found a lessening of zeal in the initiation and prosecution of cases under the anti-trust laws. We have seen such shifts in the past. On the other hand the Administration is committed to less reliance upon direct government initiative in the economy and to greater reliance on the creative forces of free competitive markets. But it is not yet clear to what extent they visualize the need for the effective enforcement of the anti-trust laws to attain this end.

Mr. Mullins: Some people have suggested that in the past we have been unduly antagonistic toward big business, that we have assumed it is a crime for a firm to be big, that we would be wise to change our attitudes toward big business. Do you think this has been true?

Prof. Miller: American attitude toward big business has been ambivalent. On the one hand, there are those who idolize big business, who see in it the key to all our success. On the other side are those who look upon big business with suspicion, fearing its power both economic and political. Our policies toward big business have varied depending upon which of these attitudes was in the ascendancy. During the 1930's big business was in disrepute partly for its own failures and partly for the failure of the system of which it was a part and in which it had held in the 1920's the key positions of power and prestige. It was the whipping boy of politics.

Mr. Mullins: Do you think this attitude is changing?

Prof. Miller: Yes I do. There are increasing signs on all sides of a reassessment of the place of big business in our society. The contributions of big business to the war and defense efforts since 1940 have been very substantial. Public opinion surveys indicate that the prestige of big business is high. Labor leaders clearly find big business easier to deal with in many cases than small. Moreover, many economists and administrators are reconsidering their attitudes of the 1930's. I think such a reassessment is likely to be healthy.

Mr. Mullins: What do you mean by that, Mr. Miller?

Prof. Miller: During the late 'thirties several myths about American business received wide currency. We heard that there had been a decline of competition since the Civil War and that monopoly was becoming more and more pervasive. We learned that output in many manufacturing industries was highly concentrated in the hands of a few firms and that in these industries there was a tendency to restrict production after the manner of the proverbial monopolists.

Mr. Mullins: You call these myths? Am I to conclude then that you believe that there has been no decline in competition?

Prof. Miller: It is, of course, hard to generalize about trends in industry. The trends have been different in various industries and during various periods. But if we mean by competition the availability to buyers of several alternative sources of supplies and the constant rivalry of these sources to win the patronage of these buyers through reduction in price and improvement in product, then, during the last 50 to 70 years there has been not a decrease in competition but an increase.

Mr. Mullins: But I have heard a great deal about the concentration of market control in the hands of a relatively few firms. Doesn't this mean that, even though monopoly may not have increased, it is pretty pervasive?

Prof. Miller: Not necessarily. It is true that the figures on industrial concentration indicate that in many industries a substantial part of the output is controlled by a relatively few firms. But these figures tell us little about the strength and character of the competitive forces at work. In some industries, the fringe of small firms accounting for a limited part of the output limits effectively the power of the dominant firms to control the market. In other cases the mere threat of new firms has had the same effect.

Moreover, in many fields, the development of new products has had the effect of increasing the competitive pressures by increasing the alternatives available without, however, decreasing the concentration of output in old products. Plastics and synthetic fibres used for textiles are striking examples. But these are by no means unique. It is true that the industries producing new products are themselves often highly concentrated, but this need not change the fact that the introduction of these new products increases the competitive forces.

Mr Mullins: Can you give an example?

Prof. Miller: Yes. Consider the case of aluminum. Alcoa was until World War II the sole domestic producer of virgin aluminum in the Unted States. It was the classical example of an industrial monoploy. But look at the development of this new product from the point of view of industrial buyers and consumers. Aluminum was a new alternative invading the markets for copper, steel, and other products. The invasion of aluminum into one market after another represented an increase in the competitive forces. If you will, the development of this new monoply (for so it has been called by our courts) increased the competitive forces in our economy at large.

Mr. Mullins: You think, then, that Alcoa's monopoly position was a good thing?

Prof. Miller: No. I am not arguing that two or more firms might not have been better than one. In fact I think the courts were right —legally, politically and economically—in finding that the position of Alcoa as of 1939 violated the Sherman Act and they were wise in insisting upon the development of rival producers of aluminum. My sole purpose is to argue that data on concentration and changes in concentration are not conclusive as to the competitive forces at work. The character and strength of the competitive forces are to be found in the behavior of the firms and not in simple indexes of concentration.

Mr. Mullins: You think, then, that big business is more competitive than has been supposed?

Prof. Miller: Yes. We know far too little about the extent and nature of competition in our economy. But it is interesting to note that the positions of many of our large firms have been very insecure. For example only 31 of the 100 largest industrial companies in 1909 still rated among the 100 largest in 1948. In many industries it is clear that the position of leadership has shifted, often frequently during the period. New products, new processes and often new firms have meant a continuous pressure on many of our industrial giants to protect and extend their market positions. Competition may not have followed the model of perfection held as an ideal by some. But clearly the environment has been conducive to great creative effort and material progress, effort in which big business has taken an important part.

Mr. Mullins: But we often hear that competition is wasteful and destructive.

Prof. Miller: It is true that the competitive process has its wasteful and destructive elements. The competitive system is not perfect or costless. But much of this is the price of its creativeness and progress. For example, the rise of the automobile has virtually destroyed the wagon and harness industries and exiled the village smithy to the realm of literature. But this was creative destruction. To the extent that we can reduce the wastes or inefficiencies of our system without creating new inefficiencies and without curbing the creative forces in the system this would of course be desirable. But this is a delicate task.

Mr. Mullins: You seem optimistic—or perhaps I should say a bit complacent about big business. Am I to judge you feel we have no big business problem, no serious problem of industrial monopoly, that a relaxation of vigilance in enforcing our anti-trust laws by the new Administration far from being serious might be welcomed?

Prof. Miller: No. There is a serious danger that in our reassessment of big business we shall again attribute to business greater wisdom and powers to perform the miraculous than it has. Let us be clear that although the miracles of technological development and production achieved in the last 15 years were achieved **through** big business, they were not achieved by big business alone. The conditions were favorable for business success. The demand for industry's products was high due primarily to the high levels of government expenditure. Moreover, the government has spent billions upon research and development, much of which has benefited business, big and small. Finally, much of the expansion of government plant and equipment has been financed directly by the government or stimulated indirectly through the special tax privilege of accelerated amortization. Despite many aspects of government policies which have been unfavorable to business, in the crucial matter of aggregate demand for the last 15 years the environment has been by and large favorable to business innovation and success. The task of continuing such a favorable environment particularly in the event of substantial reductions in government expenditures will present a real challenge.

Moreover, I would point out that this miracle of American industry has been accomplished in the face of an aggressive anti-trust policy.

Mr. Mullins: Do you think this has been despite our anti-trust laws—or because of them?

Prof. Miller: The vigorous enforcement of the rules of competition have, I believe, been an important element in stimulating the aggressive creativity which marks much business effort. While the anti-trust laws are on their face merely negative—prohibiting the restraint and monopolizing of trade—they have had some paradoxical results, particularly with respect to big business. In many ways they have deflected business efforts in ways which accentuate the development of big business. And at the same time it is in many ways the anti-trust laws which make big business acceptable.

Mr. Mullins: This seems like something of a paradox. Would you care to explain what you mean?

Prof. Miller: Yes, let me explain first why I believe that the anti-trust laws have accentuated the development of big business. It has been clear for a long time that all agreements or conspiracies between firms to fix prices, allocate customers, restrict production, limit the entry of new firms, etc., are illegal. Likewise predatory practices by dominant firms to exclude competitors from the market are illegal. Thus, the typical cartel devices which are used by firms in many countries to insure their survival and success have been denied to American business. Each firm is expected to stand alone, to seek its own salvation through the competitive market. The avenue of "mutual security" is denied to business. Consequently its energies have been deflected in other directions. Survival and business success have depended on the reduction of cost, sales effort, technological development, new products, superior service, the control of patents, the ownership of sources of raw materials, and similar factors. Success in some of these efforts presupposes reasonably large size. But equally important, success often brings large size in its wake.

Mr. Mullins: I see what you mean. But what about the other part of your paradox? You said, as I recall, that it is our anti-trust laws which make big business acceptable.

Prof. Miller: Yes. By that I mean that even after a firm reaches large size and a position of leadership, this position remains vulnerable. The anti-trust laws, vigorously enforced, prevent a firm from entrenching itself. They are designed to keep open the opportunities and incentives to new or growing firms to enter any field, and likewise to protect the opportunities and incentives for industrial giants to invade one another's markets. It is the function of our anti-trust policies to insure that so far as possible the maintenance of a dominant position in industry once acquired, shall depend upon continued superior performance.

Mr. Mullins: This suggests that in your view the purpose of the anti-trust laws is not primarily to break up positions of power but to make them hard to gain.

Prof. Miller: Yes. To make them hard to gain and equally hard to retain. Of course, some cases may develop where there is no remedy except to break up a firm. But this should be the rare or exceptional case.

Mr. Mullins: Do you think we have succeeded?

Prof. Miller: Only partially. But perhaps more than many believe. To be successful in this effort we need a continuous enforcement of the anti-trust laws and a continuous amplification of the law to fit new situations and our new understanding of the problem. Beyond this, we need a positive program for fostering the growth of new and growing firms. For example, several aspects of our current tax laws discourage the growth of new enterprises and place a premium on the merger of independent firms. These tax policies should be revised. Moreover, the policies of the Defense Department and other government groups in placing contracts and stimulating plant expansion could be used more effectively to sponsor the growth of smaller firms consistent with our defense needs and sound economics. We need, then, a positive program to foster the creative competitive forces in the economy.

Mr. Mullins: I see then that you feel there is a big task ahead.

Prof. Miller: Yes. The preservation and strengthening of the competitive elements in our economy is a crucial part of our public policy. The structure of industry has changed substantially in the last half century—and the competitive process is taking new forms. But we are wrong to believe that competition is a thing of the past. A prerequisite to a successful system of free private enterprise is that the competitive elements remain strong. We need initiative not apathy on the anti-trust front. We need to reconsider many of our government policies in the light of their effects in stimulating creative competition. One of the real tests of the new Administration is whether it will put its efforts into energizing the economic system to which it is committed.

Standard Inv. Adds

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Winston B. Gardiner has been added to the staff of Standard Investment Co. of California, 87 South Lake Ave.

Joins Brush, Slocumb Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Kevin J. O'Malley has become affiliated with Brush, Slocumb & Co. Inc., 1 Montgomery Street, members of the San Francisco Stock Exchange.

With Davies & Co.

(Special to THE FINANCIAL CHRONICLE)

SANTA CRUZ, Calif.—Robert T. Harper is with Davies & Co., 1220 Pacific Avenue.

Hooker & Fay Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — G. Brewster Loud Jr. is now connected with Hooker & Fay, 340 Pine Street, members of the New York and San Francisco Stock Exchanges.

highlights of the

1952 ANNUAL REPORT

HOUSEHOLD FINANCE Corporation

ESTABLISHED 1878

Household Finance Corporation, chartered in 1925, continues in corporate form an organization established in 1878. It is both the oldest and the largest organization engaged exclusively in making instalment cash loans to consumers.

Many families do not have enough savings or other liquid assets which can be turned into cash in times of need. Of those who have savings, many prefer a temporary loan to liquidation of their assets. They then seek a creditor, like Household, who is willing to convert present or potential debts into a single obligation to be discharged in small instalments. The need is widespread; it is a corollary of the wage system.

Higher prices, higher taxes, employment dislocations, and the inevitable accidents of life make a source of instalment cash loans an essential service in a highly organized industrial economy. It enables families to keep going during a temporary financial emergency. It provides a practical means for transferring indebtedness from an unwilling to a willing creditor and from an inconvenient to a convenient form. Instead of creating new debt, most of Household's lending converts debts already incurred into instalment form, making possible the liquidation of indebtedness within the maker's ability to save.

	1952	1951
Number of Branch Offices at Year-end	577	573
Number of Loans made during Year	1,951,435	1,871,915
Amount of Loans made during Year (*Canadian dollar included at par*)	$591,406,183	$526,927,285
Customer Notes Receivable at Year-end	$323,927,390	$283,590,992
Number of Customer Notes Receivable at Year-end	1,313,023	1,260,281
Average Balance per Note Receivable	$247	$225
Total Assets Employed at Year-end	$357,320,911	$316,106,503
Number of Employees at Year-end	4,850	4,647
Compensation Paid Employees during Year	$15,636,104	$13,283,395
Total Taxes Paid during Year	$20,391,842	$17,441,197
Net Income	$13,702,948	$12,349,027
Net Income as a % of Average Employed Assets	4.13%	4.39%
Net Income per Common Share	$4.58	$4.18
Dividends per Common Share	$2.40	$2.50

Statistics include Household Finance Corporation and its consolidated subsidiaries. Except where indicated, Canadian dollars are expressed in terms of U. S. dollars.

California Municipal Financing

By JAMES L. BEEBE*

Partner, O'Melveny & Myers, Los Angeles, Calif.

West Coast municipal bond attorney lists major public bond issues pending in California, and ascribes the large amount to rapid growth of population and wealth in that state. Points out California's fiscal position is sound, and describes the vast industrial expansion and heavy new capital investment in California's two major industrial areas. Holds local finances of California's communities are in sound condition.

It has been said that Southern Californians love to boast of the Golden State. Indeed, a story has been told (don't ask me to vouch for its truth) that an Iowan had moved to California and died; the body was returned to Iowa for burial and the minister being a little late, a friend of the deceased who was also a member of the Los Angeles Chamber of Commerce, stepped forward and said, "While we wait for the Preacher perhaps you would like to hear a few things about Los Angeles."

I do not appear before you as a booster in any respect. I shall try to present briefly a reasonably fair appraisal of our California municipal situation — its strong and its weak points.

For your convenience I shall discuss these matters under the following headings:

(1) What major public bond issues are to come out of California in the next few months?

(2) Why so many bonds?

(3) What security is back of these bonds?

(4) What problems lie ahead that an investor in California municipal securities should know?

First, the State of California has two major issues to be marketed: $185,000,000 of bonds for building loans to local school districts voted Nov. 4, 1952, of which none have been sold; and $150,000,000 Veterans Housing bonds voted Nov. 4, 1952, of which $100,000,000 have been sold.

In Southern California the Los Angeles County Flood Control District has an issue of $179,000,000 of bonds voted last November for major storm drains. The first sale of these ($30,000,000) is to be made April 7, 1953.

The Los Angeles schools voted an issue of $130,000,000 in June of 1952, of which $30,000,000 have been sold. Another sale of $30,000,000 is tentatively scheduled for July 14, 1953. The balance will be sold from time to time over the next several years, with sales approximately one year apart.

The City of Los Angeles has an unsold balance of $4,000,000 of sewer bonds of an issue of $21,000,000 voted in 1951. No date is yet scheduled for the sale of these.

The Metropolitan Water District of Southern California has $25,316,000 of bonds yet to sell of an issue of $220,000,000 voted in 1931. Another $6,000,000 will be sold about Sept. 8, 1953.

The Department of Water and Power of The City of Los Angeles has $5,000,000 waterworks revenue bonds to sell about May 19, 1953, and perhaps $10,000,000 or $15,000,000 of electric works revenue bonds to be sold some time during 1953.

In addition, many of the smaller school districts will be selling bonds, some of the smaller cities will issue some general obligation bonds, some special district bonds will be offered, and some small issues of waterworks or sewer revenue bonds will be issued by cities or districts.

Why So Many Bonds?

Why so many California bonds? That is a legitimate question. The answer is growth—increased population. From 1940 to 1950 the population of the State increased a little over 3¾ million—from 6,907,000 to 10,586,000. The population of the Los Angeles metropolitan district, which comprises Los Angeles and Orange Counties grew from 2,916,000 to 4,367,000. From 1950 to the end of 1952 it is estimated that the population of the state increased approximately 1,900,000, and the Los Angeles metropolitan area population increased 734,000. At present the Los Angeles metropolitan area is increasing in population about 180,000 a year, adding a city bigger than Albany, New York, or Des Moines, Iowa, or Nashville, Tennessee, or Youngstown, Ohio, each year. The Los Angeles City schools alone increased about 15,000 pupils in average daily attendance in the last fiscal year. This increased school attendance in the Los Angeles district alone, if all in the elementary schools, would require an additional new school with a capacity of 500 pupils to be built every 10 days during the school year. Additional schools, added and enlarged sewers and water mains, streets, sidewalks, curbs, gutters, storm drains, —these must be provided now. So bonds are being voted.

I have heard planners talk about a backlog of public works for a depression. Such a scheme, in my opinion, is largely a planner's dream. It sounds good but is largely impractical. Necessary public works to take care of increased population cannot be delayed. Schools must be built as children reach school age and need education. Sewers, streets, water mains, must be provided immediately when homes are built. There are some few improvements which can be postponed for a recession. These include some types of public buildings and other of the less important projects. But the major improvements must be provided when the population needs them. You gentlemen realize that fact. Population increase is the principal reason for so many California bonds at this time, although, of course, in some cases obsolescence is a contributing factor.

What is the security behind these bonds? The Veterans Housing Bonds, issued by the State of California, are payable, principal and interest, from conditional sales of homes and farms to California veterans. These sales contracts bear interest at the rate of 3% and are made only upon homes and farms with a limited valuation. Since World War I California has authorized six issues of Veterans Housing bonds. The first two issued following World War I are almost paid. The Veterans Home & Farm Funds have been exceptionally well handled. The veterans using the act have paid the principal and interest and the costs of overhead.

The State school bonds are issued to provide funds for local school construction. The local school district votes to make a loan from the State School Fund. The loan is repayable over a period of 30 years (except for multipurpose loans, which have a 40-year limit) and interest must be paid for 25 years. The interest rate paid by the borrowing district is ⅛% higher than the rate on the State bonds. The local district, if it maintains a tax levy of 40 cents for debt service, ceases to have any obligation at the end of 30 years (except for multipurpose loans). These funds are used to pay the bonds. Any deficit is made up from general state funds. The school district payments are estimated to pay about 60% of the debt service. Many of the school districts do not expect to repay their loans in full, and local school officials fondly hope that they can pass some legislation or constitutional amendment which will authorize the cancellation of the debt.

California's Fiscal Position

What is California's fiscal position? Our State General Fund is backed by three principal taxes: a State retail sales tax of 3% on the dollar (with foods and some other items excepted) which produces about $451,000,000 a year; a bank and corporate franchise tax which produces about $118,000,000 a year; and an individual income tax which produces about $100,000,000 a year. These taxes under present conditions are very productive. The State also is authorized under the Constitution to levy an ad valorem tax sufficient to raise 25% of the State General Fund budget. Such a tax has not been levied during any of the time it has been permitted under the Constitution.

The Los Angeles County Flood Control District bonds are payable from an unlimited ad valorem levy on all taxable real property in the Flood Control District. The valuation of that property at the present time is approximately $4,976,000,000. The school bonds and the Los Angeles general obligation city bonds are both backed by unlimited tax levies upon all taxable property in the district or city, as the case may be. The Metropolitan Water District bonds are payable from revenues and if revenues are insufficient from an unlimited ad valorem tax upon all taxable property in the district. That valuation currently is $5,356,000,000.

The Los Angeles metropolitan area is composed of Los Angeles and Orange Counties. In 1950 it had a population of 4,367,000 and an assessed valuation of $5,785,512,000. By 1952 the estimated population had increased to five million, and the assessed valuation to $6,723,000,000. The Los Angeles metropolitan area includes a large number of industries—over 12,000 individual plants, with 613,000 people employed in manufacturing alone, and a total number of 1,803,000 employed in all lines of activity. Los Angeles County, despite its large industry and business, unless surpassed last year by Fresno County, has the greatest agricultural production of all counties in the United States: and Orange County in 1949 (latest census figures available) was twelfth in agricultural rank. Into Los Angeles Harbor comes a fishing fleet that few people know about, but which brings in more dollars from fishing than the great fishing port of Boston.

California's Two Major Industrial Areas

We have two major industrial areas in California—six counties comprise the San Francisco-Oakland metropolitan area, and two counties comprise the Los Angeles metropolitan area. These are both areas of substantial industry. You will be interested in the activities of each of them. They comprise the major tax resources and population of California. There are many other rich counties in the State; would that I had time to discuss their resources, but I do not.

As of Dec. 31, 1952, the number of industrial employees in the San Francisco - Oakland metropolitan area was 180,000; in Los Angeles metropolitan area 613,000; the total number employed in business and industry in the San Francisco-Oakland Bay area was 902,000, in the Los Angeles metropolitan area 1,803,000.

The total assessed valuation of taxable property in the San Francisco Oakland metropolitan area is $3,016,279,000, in the Los Angeles metropolitan area $6,723,000,000.

Retail sales in the San Francisco-Oakland metropolitan area for 1951 were $2,934,247,000, in the Los Angeles metropolitan area $5,645,730,000.

These statistics are pretty dry and dull. I suggest that those of you who are still awake nudge your neighbors on each side, and you can whisper to them that after the meeting copies of this talk will be available for anyone who wants to get it, and that the statistics which they luckily missed will be found in it. But you readily see from the figures mentioned the importance of these two industrial areas.

Down to here this sounds like a sales talk for California bonds. The bad news is now to come. What are the problems ahead for us?

(1) Well, during this period of high activity and inflation our State overhead expenditures have increased tremendously and now exceed income from present State taxes. The State of California is geared to three taxes, which I mentioned above—sales, income, and bank and corporate franchise. These are great revenue producers in inflationary periods. They likewise can shrink rapidly when business drops off even moderately. At the present time our State expenditures exceed the revenus produced by these three taxes at their peak. With a slight decline in business, which most of us believe is inevitable, it will be necessary to levy more taxes, increase the rates, or register warrants. Our State picture at present looks rosy to the uninitiated, but actually, in my judgment it is unsound, and the first period of declining business activity will cause us trouble in California State finance.

Local Finances

Luckily our local finances are in sound condition. The requirement of our State Constitution that cities, counties and school districts may not incur an indebtedness in excess of the current year's income and revenue except by a two-thirds vote of the people makes these public bodies live within their income. The indebtedness of these units of government is not excessive. Few California counties have any substantial amount of outstanding bonds. Most California cities have a large unused general bond capacity. Many school districts have used up their bonding capacity and in addition have contracted loans from the State of California. The larger districts, however, in almost all cases are not up to their bonding capacity and there is no present indication that they will be.

Generally throughout the State assessed valuations are low. In Los Angeles County the County Assessor has not put up assessed valuations as rapidly as the price of property has increased. While Los Angeles County assessed valuations are supposed to be approximately 50% of current market value, in most cases I believe they are considerably less than that. I doubt if assessed valuation at present represents more than 35% to 40% of present property price.

We have not had any wide issuance of revenue bonds because up to now the purposes for which they could be issued have been limited, and a decision of our Supreme Court some years ago has greatly restricted such bond issues. That decision of the Supreme Court is probably overruled but it still acts as a brake. This year a bill which would expand the purposes for which revenue bonds can be issued is in the hopper at Sacramento, with some indication that it may pass. If it does, we may expect a rash of revenue bonds. But so far as our general obligation county, city, and school district bonds are concerned, California is in a very healthy position.

(2) California is engaged in war production. In Los Angeles County 26% of the people engaged in manufacturing are making aircraft or aircraft parts. Aircraft plants depend primarily upon military needs. The total number of planes required for civilian use is relatively small. Any substantial cutback by the armed services will see people presently employed on aircraft seeking other employment. A deep cutback could result in a substantial dislocation. While military aircraft appear a necessity as far ahead as we can see, soon or late we hope the demand will be lowered, and the possible unemployment when that occurs is a matter of concern. With a great variety of industry, approximately 12,000 plants, the Los Angeles metropolitan economy is reasonably resilient, but a change from a military economy will bring dislocation and readjustment.

(3) We have smog. Twenty years—yes, even 12 years ago, I could have invited you to visit us and enjoy the clear and sunny climate of Southern California, and on a cold, windy March day in Chicago such an invitation might have been well received. However, I no longer dare issue such an invitation, unless you would like to breathe our smog-filled air. If you like it you are sturdier than most Californians. Much research work on smog is now being done. A great many sources of it have been removed, but it is still a major problem, an annoying one, and will remain so for some time to come.

(4) We also have transportation headaches. We are building hundreds of millions of dollars of freeways, taking people into the metropolitan district in individual automobiles, at very great expense, and while we are spending a lot of money, wiping a lot of property off the tax rolls, and shoveling a lot of dirt and mortar, we are not solving the transportation problem. Only rapid mass transit at reasonable cost can do that. We are now in the process of studying mass transportation, but as you gentlemen in Chicago know, mass rapid transit is a real headache, a headache apparently not yet satisfactorily cured anywhere. It will be a principal concern in metropolitan Los Angeles for a long time.

(5) Also, we have some pension promoters in California who keep stirring up trouble. Time after time they have been defeated, but they come back and each time we are forced to organize a citizens' committee, get out the bucket brigade and run to the fire. Our Californians have displayed very good judgment in turning down radical pension proposals. We should vote intelligently in California—Heaven knows we have had enough practice. I see no immediate end to pension promoters' activities.

But while we have our local problems, and they are serious, we are much more concerned and much more affected by the national situation than the local one. Californians pay 9% of all the Federal taxes collected in the United States. Of the total taxes collected in California some 68% goes to the Federal government. Every Federal program affects us. At present the change in Washington seems to chart a new national course. I hope that takes place. Too long we have been propagandized from Washington that we can squander ourselves into prosperity. Each new program has called for an added expenditure.

*From an address by Mr. Beebe before the 17th Annual Central States Group Conference of the Investment Bankers Association of America, Chicago, Ill., March 12, 1953.

Metropolitan's 85th Annual Report to Policyholders

More Benefits for More People

More benefits for more people than ever before! This keynotes the service of the Metropolitan Life Insurance Company. In 1952, payments to policyholders and beneficiaries reached a new high—$945,000,000.

The daily transactions of Metropolitan are intimately interwoven with the hopes and aspirations of men and women throughout the United States and Canada. Behind the annual accounting lies the story of families helped toward security, of widows cared for, and children educated.

These human objectives far transcend the procession of cold figures across the pages of account books. Yet the figures reflect the planning by policyholders to help assure the fulfillment of their ambitions.

At the end of 1952, policyholders were protected by $51,900,000,000 of Metropolitan Life insurance—a new high record. Old and new policyholders increased their insurance protection by buying $3,600,000,000 of new Life insurance.

New long-term investments in 1952 totaled $1,600,000,000. The major part of these funds went to help meet the needs of commerce and industry. In many instances, Metropolitan financed the expenditures necessary to bring to the public the benefits of technological progress in such fields as chemistry and electronics.

Some $369,000,000 was invested in city and farm mortage loans in 1952. Part of these funds helped finance 30,000 new homes, and they brought the total outstanding home loans of the Company to 197,000 at the year's close.

The net rate of interest earned on Metropolitan's total investments after deducting investment expenses was 3.21% in comparison with 3.07% in 1951. However, the Federal income tax reduced the net investment return for 1952 to 3.00%. On new long-term investments made last year, the net interest rate, after all investment expenses but before the Federal income tax, was 3.73%—the highest since 1934.

Other high lights in Annual Report:

1. The number of policyholders increased to 33,700,000—a new record.

2. Accident and Health protection continued to grow in public favor, and this was particularly true of the new forms of protection provided by hospital, surgical, and medical expense policies. At the end of the year about 6,200,000 persons were protected by Accident and Health coverage under Metropolitan Group and individual policies.

3. The mortality rate among Metropolitan's policyholders continued to be favorable. Death rates from many causes—particularly tuberculosis and most of the common childhood diseases—reached all-time lows.

4. In common with the experience of business generally, Metropolitan's expenses increased somewhat last year. A continuing effort is made to keep them at a low level consistent with proper service to policyholders.

5. Dividends to policyholders in 1952 amounted to $192,000,000—the largest sum in the Company's history.

Metropolitan's Report to Policyholders for 1952 would not be complete without appreciative reference to the loyal and capable Metropolitan men and women who made possible the efficient and progressive service which our policyholders quite properly expect.

Additional details of the Metropolitan's service last year are given in the Company's Annual Report, copies of which may be obtained on request.

CHARLES G. TAYLOR, JR.
President

METROPOLITAN ASSETS AND OBLIGATIONS—DECEMBER 31, 1952

(In accordance with the Annual Statement filed with the Insurance Department of the State of New York.)

ASSETS WHICH ASSURE FULFILLMENT OF OBLIGATIONS

Bonds		$7,996,545,124.86
U. S. Government	$1,844,608,305.55	
Canadian Government	143,537,746.75	
Provincial and Municipal	66,051,354.87	
Railroad	660,243,225.66	
Public Utility	1,514,241,381.02	
Industrial and Miscellaneous	3,767,863,111.01	
Stocks		177,509,022.72
All but $18,064,177.72 are preferred or guaranteed.		
Mortgage Loans on Real Estate		2,076,077,747.18
On urban properties	$1,914,495,597.64	
On farms	161,582,149.54	
Real Estate (after decrease by adjustment of $1,900,000 in the aggregate)		439,058,209.64
Housing projects and other real estate acquired for investment	$ 391,638,408.63	
Properties for Company use	46,718,864.57	
Acquired in satisfaction of mortgage indebtedness (of which $2,059,121.24 is under contract of sale)	2,600,936.44	
Loans on Policies		465,211,481.47
Made to policyholders on the security of their policies.		
Cash and Bank Deposits		175,519,891.02
Premiums, Deferred and in Course of Collection		161,709,504.12
Accrued Interest, Rents, etc.		100,898,064.65
TOTAL ASSETS TO MEET OBLIGATIONS		$11,592,529,045.66

OBLIGATIONS TO POLICYHOLDERS, BENEFICIARIES, AND OTHERS

Statutory Policy Reserves		$9,856,893,709.00
This amount, required by law, together with future premiums and interest, is necessary to assure payment of future policy benefits.		
Policy Proceeds and Dividends Left with Company at Interest		653,976,566.00
Funds left with the Company by beneficiaries and policyholders to be paid to them later.		
Reserved for Dividends to Policyholders		181,782,277.00
Set aside for payment in 1953 to those policyholders eligible to receive them.		
Policy Claims Currently Outstanding		55,011,011.17
Claims in process of settlement, and estimated claims that have occurred but have not yet been reported.		
Other Policy Obligations		76,947,311.14
Including premiums received in advance and special reserves for mortality and morbidity fluctuations.		
Taxes Accrued (payable in 1953)		47,012,225.46
Security Valuation Reserve		23,176,699.00
Prescribed by the National Association of Insurance Commissioners.		
Contingency Reserve for Mortgage Loans		7,150,000.00
All Other Obligations		25,851,692.57
TOTAL OBLIGATIONS		$10,927,801,491.34
SURPLUS FUNDS		
Special Surplus Funds	$106,783,000.00	
Unassigned Surplus	557,944,554.32	
TOTAL SURPLUS FUNDS		664,727,554.32
TOTAL OBLIGATIONS AND SURPLUS FUNDS		$11,592,529,045.66

NOTE—Assets amounting to $552,449,409.65 are deposited with various public officials under the requirements of law or regulatory authority.

Metropolitan Life Insurance Company
(*A MUTUAL COMPANY*)

HOME OFFICE: 1 MADISON AVENUE, NEW YORK 10, N. Y.
PACIFIC COAST HEAD OFFICE: 600 STOCKTON STREET, SAN FRANCISCO 20, CAL.
CANADIAN HEAD OFFICE: 180 WELLINGTON STREET, OTTAWA, ONTARIO, CANADA

METROPOLITAN LIFE INSURANCE CO.
1 Madison Avenue, New York 10, N. Y.

Gentlemen:
Please send me a copy of your Annual Report to Policyholders for 1952.

NAME____________________

STREET____________________

CITY____________ **STATE**____________

Business Under The New Political Regime

By HENRY FORD, II*
President, Ford Motor Company

Asserting "a time of real progress is in store for us," prominent auto executive expresses optimism regarding expansion of future American economy. Warns, although we now have a "businessman's Administration," it does not necessarily follow that people will accept a "government for businessmen." Pleads for mutual understanding of business, government and labor, and says it is duty of American business to keep informed on vital foreign and domestic issues, and also to be fair to other economic groups.

It is only fair to state that if the Democrat party follows the line of constructive opposition recently set forth by its leader, Adlai Stevenson, this nation will indeed have a lot to be thankful for. A time of real progress seems to be in store for us.


Henry Ford, II

We of Ford Motor Co. are pretty much hipped on this idea of progress.

Only fifty years ago this June, my grandfather founded our company with little more to go on than an idea — an idea of building an automobile which the average American could afford to own.

In those days the automobile was still something of a freak, posing no serious threat to that noble beast—the horse. But today, thanks to the automobile, we live in profoundly altered circumstances. One out of every seven Americans has a job related to highway transportation. A million Americans make cars and parts; another million-and-a-half service and sell them. Three out of every four American families own a car.

*An address by Mr. Ford at a meeting of the Jacksonville Chamber of Commerce, Jacksonville, Fla., March 11, 1953.

This forward march along the ever-lengthening American Road has paced the advance of our whole economy.

Even though we at Ford allow ourselves the luxury of looking backward in this Fiftieth Anniversary year of ours, our thoughts and energies are focused on the future —a future of national progress which we believe will dwarf our past achievements.

We are realistically aware of the dangers which lie ahead, but we—at Ford—reject, in our thinking, any timid or pessimistic approach to the future. We believe the American economy is going to go on expanding, and we intend to build right along with it—and, if possible, ahead of it.

I believe that kind of optimism, broadly held and based on a reasoned faith in the American system, can help to carry our nation robustly forward through whatever the future may hold for us.

I would like to take the opportunity today to discuss briefly a subject of seemingly endless fascination to businessmen these days —the question of what's in store for industry under the new political regime.

A lot of us seem to be reacting like the punch-drunk underdog who suddenly wakes up in the middle of the ring in the first round to find himself the new and undisputed champion. He stares wide-eyed at the still body of his victim. He blinks under the glare of the ring lights and the thunder of applause. Then he turns in a daze to the microphones and mumbles: "What happened?"

He just can't take it all in.

And I think that to many thoughtful businessmen what happened last November became, after the first rosy flush of victory, a very sobering thing.

A Businessman's Administration?

Whether rightly or not, the Republican Administration is tagged as a businessman's Administration in most people's minds. Is that good? I wish I could be sure. I suspect that one of these days many a businessman may find himself looking back with some nostalgia to the time not so long ago when he felt free to roast big government, high taxes and regimentation whenever things went wrong.

Who are we going to blame now, if things go wrong?

It could be dangerous, I think, to generalize too readily about the role of business in 1953. Obviously a great many of those 35 million Americans who voted for General Eisenhower in November were not businessmen. Plenty of them were not even Republicans — as witness the exciting course of events here in Florida.

The American people may be ready to try government *by* businessmen—but it does not necessarily follow that they are going to accept government *for* businessmen.

Industry, in reality, is being given an unprecedented chance to put its managerial skills to work in the interests of *all* the American people.

The fact that business has this opportunity reflects, I believe, a deeply significant change in the attitude of many Americans. The fierce, iron-jawed tycoon, with his cigar and top hat and his attitude of public-be-damned, has been relegated to the ash heap. That old tintype is broken.

And I think that businessmen in Washington will tread very cautiously indeed to avoid any shred of suspicion that the Fair Deal has been replaced by the Big Deal, the Middle-Sized Deal, or even the Small, Economical-Sized Deal. Following the leadership of the President, I think most of us today have become dyed-in-the-wool No-Dealers.

The crucial fact for industry to remember today is, I think, that a severe depression—even though it happened more than a generation ago—did leave many millions of Americans with a lingering suspicion and distrust of industry. This feeling has been expressed recently by such leaders of the New Administration's opposition as Senator Paul Douglas of Illinois.

Senator Douglas expressed his fear that in the New Administration big government has been taken over by big business and big publishing and with them the big military—which, he seems to believe, tends emotionally to side with big business. He warns his party to be on the alert for the interests of the "ordinary citizen," which he feels may be lost under all this so-called bigness.

There, more or less, I think we have the party line of the Administration's loyal opposition. And industry and the Republican Party will ignore it only at their peril. I have no fears on this score. I believe the Republican Administration will effectively further the real interests of *all* the people, and that 20th-century private enterprise will be up ahead pulling —and not out back, dragging its feet.

Let All Segments of Economy Be United on Basic Objectives

One important result of the election was to reveal an American people strongly united on basic objectives, although perhaps divided as to how these objectives should be met, and who — Mr. Stevenson or General Eihenhower —might be best qualified to meet them.

It seemed as if most of us— businessmen, farmers, workers and men of the professions—have begun to learn how much more important are the interests we have in common than those which tend to divide us.

This appears to be the case even insofar as that delicate subject of foreign trade and protective tariffs is concerned. I must say that I was not only surprised but almost amazed at the enthusiasm with which Americans — men and women from every section of the country—wrote me in support of what I had to say on this subject three weeks ago in Chicago. Quite obviously, this subject—and all its implications for our economy and for peace—has been on their minds for a long time.

Their spontaneous reaction made it very clear to me that a common effort to preserve peace and freedom can have a most powerful, unifying effect upon Americans of all sizes and shapes.

It seems to me that more people than perhaps many of us appreciate do realize that any road to a permanent and lasting peace can only be built on a foundation that demands sacrifices and inconveniences and readjustments on the part of a great many of us. And that in the long view, such sacrifices—however great they may be —would become very small indeed beside the tragic sacrifices, the irreparable losses of life and wealth and the terrible consequences to our entire mid-20th-century civilization in the event of an international atomic conflict.

Our economy, and along with it the economic understanding of our people, has matured—is really growing up.

Industry has learned how great a stake it has in a healthy well-paid labor force and a high level of employment. When my grandfather put that rather obvious idea into practice back in 1914 by doubling the wages of all Ford employees, it was regarded as an act of dangerous and radical lunacy by American industry. How far we have come in less than 40 years!

By the same token many workers and labor leaders have begun to realize their own stake in preserving an economy in which the profit motive can operate. Most Americans no longer seem to feel that "profit" is a dirty word. And it's getting to the point where even the word "capitalism" can be used in mixed company.

But, more important, it seems that we Americans are learning to think a little less in terms of our own immediate, special interests, and a little more in terms of our more enduring mutual interests in preserving a way of life all of us hold dear.

No Cornering of Market on Americanism

I don't have much patience with the man who feels that his particular group has cornered the market on Americanism—or any other market. In this complex society of ours, nobody knows all the answers.

On the other hand, it is a fairly common thing for each group to identify its own peculiar interests with the national interest. I have heard farmers say that what is best for agriculture is best for the nation. I have heard labor leaders say the same for labor. I have even heard businessmen say the same of business. Personally, I believe that what is good for America is good for all of us— and that what is good for the world is good for America.

It might be good for Ford Motor Company, right now, if we could lay our hands on a few more tons of nickel. But that might not be so good for the defense effort. In fact, I could mention a good many things which would be very welcome, for the short run, to our company, but which would not necessarily advance the national interest or even our own long-range interest.

The simple fact is that in times of crisis, like the present, there are innumerable points at which private interests — whether of labor, agriculture or industry— must, at least temporarily, collide, sometimes quite painfully, with the national interest.

As a businessman, I am naturally most concerned with these points of conflict between the government and my own business. As an individual who wants to pull his weight in the common effort to safeguard our nation and our friends of the free world, I am deeply anxious to find ways to resolve these conflicts in the best way possible for all concerned.

I think, furthermore, that this basic willingness to take a long view, to try to accommodate special, private interests—whether of labor, industry, agriculture or the individual citizen — with the national interest is the key to national progress and perhaps national survival.

How Should Business Assume Role of Leadership?

If that is a valid proposition, I believe we have come to the crux of the matter—the all-important question of exactly how business is to assume a role of constructive leadership in the nation's affairs and promote the aspirations of the American people through private rather than governmental action.

When we start thinking in these terms, we find ourselves dealing in intangibles—like the question of what is a fair profit, or what is a fair wage. Scientists, sages and philosophers have failed conspicuously to agree on these questions, and too much cannot be expected of any individual. But I would like to suggest a few rather general attitudes which I feel can help business become a more and more constructive force in the national scene.

First, let me say that I do not suggest even remotely that business should lie down like a lamb beside the government lion. In our remarkable system of checks and balances, industry has played an increasingly vital role in curbing the excesses of government. Its role has been and should continue to be, in the best sense of the word, a conservative role.

The coming to power of a more conservative government, one more friendly perhaps to industry than its predecessors, does not automatically relieve us of our role as the watchdog of our free private-enterprise economy. Future crises may create the need for regimentation as severe as any we have undergone in the past. Our role must be, as in the past, to try to hold such regimentation to an absolute safe minimum.

But in the present atmosphere I believe industry can get off the defensive a little and accept more readily the broad responsibilities which current history is forcing upon it.

I believe it is the duty of American business to keep itself intelligently informed on the vital foreign and domestic issues of the day, so that it may deal with the government on a basis of mutual understanding and respect, rather than in partisan hostility born of ignorance or indifference.

I believe industry should be moderate and fair in its dealings with other economic groups, particularly in matters which are vital to our national security and economic stability. A similar attitude on the part of those other groups will make the job a great deal easier.

Let me add the thought that all these groups should be determined to solve their mutual and separate difficulties without running to the government. The best way I know to guarantee the growth and expense of government is for industry, labor and agriculture to out-vie each other in pursuing its help and its favor.

Next, I believe that business should take the long view, avoiding the easy advantage which robs us of tomorrow's progress. Black markets cannot grow, controls and regimentation have no place, in an industry which steadfastly refuses to sell out the future for a quick and easy profit today.

Support National Policies Which Serve General Industry

I believe that industry should lend real support, not just lip service, to sound national policies which serve industry as a whole. For example, I can look with sympathy on the manufacturer who is fighting for tariff protection against imports which are really damaging him. Ideally, I believe he should first search all avenues for selling his products, or for developing new products which he could sell. But I feel that the manufacturer who seeks tariff protection out of a greedy desire for a closed market, or out of groundless fear of a non-existent danger, pursues a course which is positively harmful to the interest of our whole economy and of our foreign policy.

Where Business Can Cooperate With Government

Finally, I believe industry can and should cooperate closely with the government in furtherance of national goals in those fields in which industry has particular competence.

Such efforts might include: research in the new technologies which hold such great promise for the future; the cooperation of industry with governments both at home and abroad on programs to provide the free world with an abundant flow of low-cost raw materials for its sound economic expansion; and finally, imaginative private action programs to strengthen the free world by expanding world trade, increasing American investment abroad, fostering private enterprise principles and practices overseas, and aiding the economic growth of underdeveloped areas.

Perhaps that sounds like a fairly heavy course to swallow on top of that wonderful lunch.

It might be made to appear somewhat more digestible if we think of it not as an unpleasant chore, nor as a pious wish, but as a stimulating challenge to business to show what it can do to solve some of the toughest problems mankind has ever faced.

This general approach under the new Administration is one, I believe, which makes sound business sense. And when you are in a position to further both your own interests and those of a world in serious trouble—that is what I call a real opportunity and a really enviable position.

The situation confronting American business today seems to me just about as simple as this: For years we have talked glibly of the superiority of the American way, and of the ability of business, given a fair chance, to straighten out some of the world's present difficulties and correct many of its ancient evils. I believe we now have a chance to put that talk into action — a challenge above and beyond the call of business-as-usual. And I, for one, will be deeply chagrined if we fail to meet that challenge and give it all we've got.

Union Sulphur & Oil Debs. & Stock Offered

Public offering of $10,000,000 4% sinking fund debentures due 1978 and 101,000 shares of class A non-voting stock of Union Sulphur & Oil Corp. was made yesterday (March 18) by two groups of underwriters headed by Smith, Barney & Co.

The debentures, which represent new financing by the company are dated March 1, 1953 and due March 1, 1978 and are priced at 100% plus accrued interest. The class A stock, which is being acquired by the underwriters from certain selling shareholders, is priced at $54 per share.

Of the net proceeds from the sale of the debentures, $2,284,213 will be applied to prepayment of bank loans. The balance of the proceeds will be added to the general funds of the company and, together with cash from operations, will be available for continued exploration and development, investment in producing properties and leases, and other corporate purposes.

The debentures are entitled to the benefit of an annual sinking fund beginning in 1956 which is calculated to retire 66% of the issue prior to maturity.

Union Sulphur & Oil Corp., organized in 1940 as successor to a company formed in 1896, is principally engaged in acquiring prospective and proven oil and gas properties, in the development of such properties and in the production of crude oil and natural gas. A relatively small proportion of the company's net income is today derived from its remaining sulphur royalty and mineral interests.

Gross revenues from oil and gas operations in 1952 totaled $20,981,224. Net profit for the year was $3,068,110, equal to $4.43 a share on 895,050 combined shares of class A and class B stock outstanding.

Dividends are currently paid at the annual rate of $1.40 a share. Last year $1.38⅓ a share was paid in dividends.

Italo Conte

Italo A. Conte, partner in Ackerman and Company, New York City, was found dead on March 15.

Herman B. Baruch

Dr. Herman Benjamin Baruch, brother of Bernard M. Baruch, Sailing W. Baruch, and the late Hartwig Baruch, passed away March 15 at the age of 80. Prior to his retirement from the investment business he was a partner in H. Hentz & Co. He was appointed Ambassador to Portugal in 1945 and served as Ambassador to the Netherlands from 1947 to 1949.

First California Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Joseph J. Kudzia has become affiliated with First California Company Incorporated, 647 South Spring Street.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Operating earnings of New York City banks for the first quarter of the current year to be published in about two weeks are expected to show an increase of between 5% and 10% over the corresponding period of 1952.

This represents a continuance of the upward trend in earnings which has prevailed for over two years. Generally it reflects the favorable bank operating conditions present in the economy as a result of the growing demand for credit accommodations by corporations and the return to a more flexible monetary policy as evidenced by a firming of interest rates.

These conditions have enabled the New York banks to show gradually expanding operating results with earnings improving consistently quarter by quarter. Adjustments necessitated by changes in tax laws or special accounting practices, have obscured the improvement in some cases when specific comparisons are made. Nevertheless, the basic factors have continued to operate with the result that first quarter earnings for 1953 may be the highest for any quarter in the past several years.

Of course, special adjustments could modify the reported results. And in fact a number of banks will be confronted for the first time with the problem of how to handle the provision for possible excess profits taxes.

While in 1951 and 1952 only one or two of the New York banks had to provide for excess profits taxes, the rising trend of earnings has brought several other institutions to a point where they might incur such a liability in 1953. An additional complicating factor is the possibility that E. P. T. may be allowed to expire on June 30, as is now provided by law, and to compensate for the loss of revenue, an increase in the corporate tax rate may be instituted.

How the various institutions provide for such possibilities will in large part determine their earnings for the quarter. As a general rule, it has been the usual policy for most banks to be conservative in such matter in order to obviate a larger charge against earnings in subsequent quarters. Regardless of this, however, it seems that an average increase in operating earnings of close to 5% is the least to be expected for the current period.

The two most dynamic forces bringing about an improvement in operations in the current situation are the expansion in the level of loans outstanding and the increase in money rates which has taken place within the past year.

So far in 1953 there has been only a moderate seasonal decline in loan volume. In fact since the end of 1952 business loans at New York City banks have declined by less than $100 million and have actually increased in each of the past two weeks. Because they started the year about 10% higher than in 1952 they are now close to $700 million above a year ago. While some further seasonal liquidation of loans may occur by the end of March, the average of loans outstanding for the quarter is expected to average 7%-10% above the corresponding period of a year ago.

Concerning money rates, yields have continued to rise over the past year and have increased the overall return on earning assets. Although the prime loaning rate at New York City banks has remained stationary at 3% for over a year now, there has been a noticeable reluctance to grant the prime rate to as many applicants as 12 months ago. This in effect has made many customers accept a higher rate. Similar adjustments have been made down along the line in other credit risks.

Some of the other money rates in New York City have also been raised. The increase in the Federal Reserve rediscount rate was significant because the rate of a number of large outstanding term loans are directly related to it. In other words as the rediscount rate is raised the interest rate also rises.

Treasury securities are also yielding more. A number of banks have reduced government security holdings to accommodate larger loans but the return on remaining holdings has improved as a result of the higher yields.

The net effect of these changes is that gross operating earnings should show a favorable rise in the first quarter.

Increasing expenses may absorb a part of the gain but pretax earnings should nevertheless increase. Taxes, of course, will remain a large burden with final operating earnings dependent upon the manner in which the provision for this liability is made.

Some variation in individual bank statements based upon the type of operation and the foregoing factors will be evident the overall showing for the first quarter however, is expected to be favorable in comparison with previous periods.

Continued from page 3

Portfolio Planning

major recognition in the attempt to acquire capital. Income, consequently, is secondary to the longer term appreciation potentialities. Nonetheless, a reasonable return is desired and should be realized

A 20% Cash Reserve

To accomplish these ends at the present time in the market, I feel that a portfolio should contain a moderate cash reserve, in this case 20% placed temporarily in savings banks to take care of additional purchases should reasonable weakness in the market take place or buying opportunities in any individual security arise. The remainder of the funds is to be placed in well selected common shares. It will be noted that I have included neither bonds nor preferred stocks in this portfolio. For this type of account neither of these groups of securities appear fitting. High-grade bonds would serve no purpose and preferred stocks, except certain convertible preferreds, could offer little in the way of appreciation possibilities.

The portfolio is designed not only to provide the investor with longer term potentialities but at the same time to give him, within reasonable limits, maximum near- and medium-term possibilities. No account should be static. Any portfolio worthy of putting money into is worthy of being followed continuously and changed according to changes in conditions. Actually, the longer term potentialities of the individual securities and the industries they represent are all, in my opinion, above average. On the other hand, the near- and medium-term potentialities of the companies also appear to be considerably better than average. Representation in the important chemical division is achieved through American Cyanamid which also gives participation in ethical drugs, and through part of the Goodrich Company, which also gives participation in the rubber industry.

While the near-term outlook for many of the oils does not appear to be particularly outstanding, Phillips' position in the natural gas field is so strong and the prospects here so great that I feel it worthwhile to give the investor his oil representation through this medium. The important electronics field and participation in further Atomic development can be achieved through Westinghouse Electric, the second largest company in the electrical appliance and equipment field. To participate in a growth utility, Long Island Lighting appears to offer interesting possibilities in view of the tremendous growth in its territory; while Federated Department Stores, a leading department store chain, is capitalizing on important population shifts through its new trend in retailing setup in its Fedway Stores division.

The railroad outlook currently is strong. The selection of securities in a longer term growth account in the railroad field presents certain difficulties arising out of the nature of the industry. Western Pacific, with tremendous improvement made in its properties and its rising trend of earnings, has been handicapped by certain litigation which should be disposed of one way or another within the near future. This may permit retirement of the preferred stock and greater participation of the common — hence, the issue, granting a good return, appears attractive. Two specialties are also included—one, Allis Chalmers, with its important position as a supplier of heavy equipment to the expanding utility industry and its production of war material. The other is Climax Molybdenum, with its relatively insured earnings, which should sharply rise this year and further increase next, and then be continued at a relatively high level through 1962. Both deserve position in a portfolio such as this.

The combination of the securities selected should not only give the investor substantial growth potentialities over a longer-term but favorable possibilities over the medium-term while at the same time providing reasonable income. Conversely, the quality of the shares could provide better than average resistance to declines should a temporary reactionary market set in. It must be remembered that this is a generalized portfolio. The individual investor needs individual treatment.

The Component Issues

While all of the selected securities are among the leading companies in their respective fields it is worthwhile, at this point, to make some brief comments on each of the individual issues.

Allis Chalmers—As a leading producer of heavy electrical equipment as well as a major factor in the farm machinery field and an important producer of defense equipment, Allis Chalmers earned in the neighborhood of $8 per share in 1952 and could earn approximately $10 a share in 1953 if the Excess Profits Tax expires and well over $8 if it does not. With its basic position materially improved over the past few years and a strong financial position permitting a continuation of the conservative $4 dividend rate, the issue is attractive as a reasonable growth situation granting a high return.

American Cyanamid — While poor business conditions in the textile and ethical drug fields during the first half of 1952 combined to pull down the earnings of this leading chemical and ethical drug producer to $3.07 a share in 1952 from $4.04 in the preceding year it is now felt that the worst is past and improvement is under way. Under these circumstances some betterment in the concern's earnings is indicated for 1953 and as the growth trend still remains strong, the issue, rather well below its recent highs, is again worthy of accumulation.

Climax Molybdenum — By far the most dominant factor in the production of molybdenum, as well as an important producer of uranium, Climax has firm contracts with the U. S. Government which will insure capacity operations through 1955, and a very high rate through 1962. Last year's profits, which ran around $2.25 a share, were reduced through an active campaign to materially increase broken ore reserves. These costs will not be repeated this year and profits may run to about $4.50 to $5 per share and then be further increased to close to $7 in 1954 which could be continued in 1955. In view of these relatively assured earnings and the fact that the company's strong financial position would permit further expansion of the present $2 dividend rate the shares appear to be well situated.

Federated Dept. Stores — The third largest of the department store chains, the concern not only stands to benefit from the good retail trade outlook for 1953, but should profit from the chain of smaller sized department stores now being constructed in the leading growth cities of Texas and California. Earnings in 1952 are estimated to have run close to $4.25 a share as compared with $3.53 in 1951. Should the Excess Profits Tax expire, these profits could be further increased this year. As the yield of close to 6% is attractive for an issue of this quality, especially in view of the growth possibilities existing in the new chain, Fedway Stores, the issue deserves a place in a portfolio such as this.

B. F. Goodrich — As a leading factor in the rubber and tire industry with strong diversification in chemicals, Goodrich permits participation in a cyclical industry where prospects are now favorable and in the important chemical field. Earnings in 1952 were $7.60 a share as compared with $8.15 in 1951, but present indications are that a reasonable expansion of profits is indicated for 1953, especially if the Excess Profits Tax, which cost the company $4.90 a share in 1951, expires.

Long Island Lighting — Despite one of the top growth trends in sales, Long Island Lighting's recent per share earnings have been held at relatively stable levels, due to the company's policy for improving its capital structure by large issues of common stock. The capital structure is now in good shape so that while the strong growth trend will require sizable capacity expansion, future additions to common shares outstanding should be much more moderate. Furthermore, since the shares are selling well above book value, any new issues should contribute more proportionately to earning power than to number of shares outstanding. Thus, over the medium-term future, a strong upward trend from the present earnings level of about $1.20 would seem reasonable, with an eventual increase of the dividend from the present 90 cents to $1 level.

Phillips Petroleum—One of the few major integrated concerns in the oil industry to increase its earnings in 1952 over 1951 ($5.17 per share vs. $5.11) the stock continues attractive at this time on a longer term basis because of its large gas reserves. Of its total reserves gas reserves account for 41% of the total, or the highest proportion of any of the major concerns. With the price trend of natural gas steadily rising with increased consumption, the longer term benefits of these reserves should be considerable.

Western Pacific Railroad—Litigation pending against the company and decided in Western Pacific's favor in two lower courts, is now pending in the U. S. Supreme Court, and a decision may be available shortly. Company has set aside a reserve fund of $10 million in connection with the suit. Disposal of this litigation will pave the way for retirement of the company's $5 participating preferred stock, which since reorganization has acted as a brake on liberalizing common stock dividends above the current $3 rate. Earnings per share based on the present capitalization could rise to $10 this year from the $8.90 reported for 1952, and in both cases before preferred stock participation. Company's financial position is good, and properties and equipment are in excellent condition.

Westinghouse Electric — The second largest of the electric equipment manufacturers, Westinghouse increased its earnings in 1952 to $4.23 a share from the $4.03 of the preceding year. Excess Profits Taxes cost the company the equivalent of $0.75 a share. Demand for its heavy electrical equipment will continue through 1953 and probably for the next two years, while the upturn in demand for appliances, in which field the company has been expanding its position, indicates that the current year's prospects are good. The company has undertaken major work for the atomic energy program including the designing of the atomic engine for submarines. The issue is included for participation in the longer term prospects of electronics and atomic development.

THE MARKET ... AND YOU

By WALLACE STREETE

Like a slow, incoming tide, the stock market demonstrated last week that it was no longer in the ebb that had controlled its movements since early January, and that it was gradually eroding resistance between it and new high-water marks. As has happened so many times in the past, the technical strength of the markets has been highlighted by bad news. So it was when the shooting down of an American and a British plane by the Reds created uneasiness and brought to the fore again the tensions existing throughout the world. In the face of this, the stock markets did little more than recede gently and the volume on the decline was little more than a ripple. The same was true late Tuesday when another plane "incident" was reported off Alaska.

* * *

The forward ground swell set in motion February 20 (partly by the reduction in margin requirements) did not flatten out for long. On Wednesday, March 11, it swept forward with renewed vigor and set a mark of 288.02 in the Dow-Jones Industrial averages, erasing the 285-87 barrier which had held the market in check for more than a month. Significant, too, was the increase in share transactions that accompanied this surge. Next day saw slightly calmer action, but on Friday the steels stirred the surface and on Monday the rails were riding the crest. At the close Tuesday the D. J. Industrials were at 290.64, within striking distance of their recent highs of 293.79, and the rails at 112.03 were practically through their last closing high of 112.53. During the session the averages touched 291.78 and 112.80.

* * *

The metaphor of the tides is particularly applicable to the stock market of the past week because of the inevitableness of its movement. Each day there seemed to be progress up the beach, washing out the resistances that had been established previously. Students of the Dow-Jones averages (or of any market averages) will recall the classic definition of their functions, that is: to mark the ebb and flow of prices. As long as new high marks are being registered, the tide is coming in—and vice versa. In the markets of pre-SEC days, when the stock averages pushed through to new highs, there was an inrush of orders, almost a veritable tidal wave. Today, new highs seldom produce more than a ripple of follow-through. The waters of speculative interest usually recede, are quiet for a spell, then gather strength with the next wave of buying. The action on selling days has been similar. It is to be believed, however, that with a more friendly ear in Washington toward the securities markets, we shall see more aggressive interest by investors and traders. And that will go a long way toward restoring vitality to capitalism in our country.

* * *

Bull Tide Started Feb. 18

Looking back a few weeks, it can be seen readily that the present bull tide started Feb. 18 for the D. J. Industrials and Feb. 10 for the Rails. Coincidentally, in 1952 both averages made their lows of the Spring readjustment on Feb. 20. It is apparent, these past two years at least, that technical factors such as selling for tax payments, and carry-over of profit-taking have been largely responsible for the let-down in prices. Margin reduction should not take the credit for the turnabout. The stock market has many strong underlying factors that have been discussed here and elsewhere, and, having completed its technical correction of the rally following the elections, is ready to go ahead.

* * *

Pertinent in comparing the action of the averages this year with last, is the smaller decline in 1953 during the readjustment period. In 1952 the industrials dropped 16.91 points while this year the recession was 12.65 points. The rails lost about the same number of points each year. This action is even more impressive when considered in the light of cautious statements from business and market analysts early in the year. Many were agreed that the first six months of this year would be good, but few could see beyond that point, and many predicted a slide in business the latter part of the year. It was like being on a plateau with an abyss beyond. No wonder stock prices were hesitant. The wonder is that they did not decline further.

* * *

The steel industry is a particular example. Some leaders predicted production would start falling off in the third quarter. But the uninterrupted flow of orders for future delivery has altered these views to definite, but not unbridled optimism. Removal of controls is enabling the steel companies to sell unallocated steel for delivery in the third quarter—in other words they can go after business which they were unable to handle before.

* * *

Recent caution concerning the rails because of the possibility of wage boosts for "increased productivity," has been softened by factual argument that these increases might be offset by lower wage payments due to cost-of-living escalator clauses, by greater operating economies, and by accelerated amortization.

* * *

These two reversals in thinking were in part responsible for the leadership asserted by the steels last Friday and the rails Monday. Reports from retail trade that volume was running ahead of last year, gave further encouragement to the rising optimism about good business for all of '53.

* * *

Volume indications in stocks continued favorable with trading slowing to a walk when prices eased, and the tape coming alive during the periods of advancing quotations.

* * *

Below the Top Grades

Attention to stocks of less than top grade becomes more marked as the current bull tide surges ahead. Low-priced common stocks have scored gains relative to the high grades since the year began. This is only logical since the "favored fifty" (a term which, like the "400" of Society, is applied to the leading issues selected by investment trusts) have led the advance for the past six years. Comparatively few steels or rails are to be found in the portfolios of the fiduciaries, yet these groups have been the leaders in recent action and should continue to hold this position along with other issues with low price-earnings ratios and high yields.

* * *

Barring global war (a phrase that has become a part of all market comments) stock prices as represented by the D. J. Industrials and Rails appear to be headed for higher levels, and the Utilities, already in new high ground since 1931, should continue their steady advance. Indications are that the summer stock rise may come earlier than usual this year, and because of strong technical position and investor confidence in the new Administration, could be more vigorous than in recent years.

[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 Managed Investment Programs

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Emil T. Banjavic has been added to the staff of Managed Investment Programs, 41 Sutter Street.

With Townsend, Dabney

(Special to THE FINANCIAL CHRONICLE)

AUGUSTA, Maine — Prince A. Drummond has become connected with Townsend, Dabney & Tyson, 335 Water Street.

Joins A. R. Nowell Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Alejandro Carrillo has become affiliated with A. R. Nowell & Co., 400 Montgomery Street. Mr. Carrillo in the past was with Hannaford & Talbot.

With Schwabacher Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Joseph A. Richardson is now with Schwabacher & Co., 600 Market Street at Montgomery, members of the New York and San Francisco Stock Exchanges.

Joins Baldwin, White

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Roy E. Jones, Jr. has become affiliated with Baldwin, White & Co., 30 Federal Street, members of the Boston Stock Exchange.

Railroad Securities

Atchison, Topeka & Santa Fe

It is a little difficult to credit the fact that within the memory of practically every rail analyst and virtually every present day investor the common stock of Atchison, Topeka & Santa Fe could have been purchased at the equivalent of less than $10 a share. The old stock, before the two-for-one split, sold below 20 when British holdings were being liquidated around the beginning of World War II. It is similarly difficult to realize that in those days the pre-split stock was selling in the same general price range as Pennsylvania Railroad common. Yet, it is all true, and with Santa Fe common climbing close to the $200 level equivalent for the old stock most rail analysts still consider it attractive.

Of course, it is well to remember that there was no valid reason why this high grade investment stock should have sold as low as it did in the first place. Santa Fe is one of that select group of roads that never in its history, which goes back to before the turn of the century, has failed to show some earnings after providing in full for its fixed charges and for contingent interest on the Adjustment 4s. Also, there have been no more than two or three years since the beginning of the century in which the company failed to pay some dividend on its common stock. On top of this enviable record, there have also been some important changes for the better in the road's fundamental credit and investment stature in the past 10 to 12 years.

Santa Fe has spent lavishly on the properties and on new equipment in this period. In particular, it has gone in heavily for dieselization of road service as well as yard operations. Even with respect to the new equipment most of this program has been paid for out of earnings. Equipment debt is no more than nominal and will be non-existant in the course of a couple of years. At the same time, non-equipment debt has been cut by more than a third in the years since 1941. All callable debt has been retired and all maturities were paid off in cash as they came due. As a final conservative debt gesture, the company has now established a retirement fund to provide for its remaining non-callable issues, both of which mature in 1995 and carry 4% coupons. Even with all of the money that has been spent on the properties and on debt retirement the company has still been able to build up what may be accepted as an impregnable cash position.

Earnings have soared in the years since the outbreak of World War II. In part this has been due naturally to the expansion in the territory served. The road operates in an area where the population growth has been most dynamic and where, also, there has been a strong trend toward industrialization. It can no longer be looked upon as largely a granger road. Miscellaneous manufactures now account for more than 60% of total annual freight revenues. Aside from the territorial aspects of the traffic picture, earning power has been significantly bolstered by the improved operating efficiency stemming from property improvements and diesel operations.

The company last year had somewhat higher gross revenues than it realized in 1951. Share earnings dipped modestly from $13.83 in 1951 to $13.29 in 1952. On their face these figures might not be considered too inspiring. The earnings drop, however, was more apparent than real. The 1951 net income had been inflated to the extent of $3.25 a share by a tax credit. Far more important than reported figures are the indications that operating efficiency, and the pre-tax profit margin, both continued to improve. The transportation ratio was pared another couple of points.

All indications in early returns point to the likelihood of another excellent year in 1953. January gross was 4.3% higher than in the opening month of 1952 and the transportation ratio was cut from 33.4% to 30.6%. Federal income taxes increased by more than $1,000,000 but even at that net income rose nearly 24%. Common share earnings increased $0.50 for the single month, amounting to $2.54. The traffic outlook over the balance of the year is quite favorable, with the uncertain prospect for this year's wheat crop more than balanced by the large carry-over from last year's bumper harvest. Even on the present regular dividend rate of $5.00 annually the stock gives a generous return, quality considered, and it seems quite likely that the 1953 year-end will witness a more liberal extra than the $0.75 paid last year.

Morton A. Cayne With Gottron, Russell Co.

CLEVELAND, Ohio — Gottron, Russell & Co., Union Commerce Building, members of the Midwest Stock Exchange, announce that Morton A. Cayne is now associated with their firm. Mr. Cayne has recently conducted his own investment business in Cleveland as Cayne & Co. Mr. Cayne is an active member of the Cleveland Security Traders Association and the National Security Traders Association, serving as Secretary and member of the executive council.

Morton A. Cayne

J. W. Bryan Opens

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla.—John W. Bryan is engaging in the securities business from offices at 608 Tampa Street.

With McGhee & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Norman L. McGhee, Jr. has joined the staff of McGhee & Company, 2587 East 55th Street.

Continued from page 9

Stock Market Prospects

Republicans have promised tax reduction to the voters and they just can't afford to run the risk of losing the Congressional election next year.

The Democrats have established the pattern for putting the Republicans in a bad light. Democrats are confident that President Eisenhower can do no more than Truman could to bring peace in Korea, to balance the budget and to reduce taxes. This Democratic strategy is already having the result of inducing bolder action in Korea, and it may force more Governmental economy and tax reduction. From the President on down, the Republicans cannot afford to have the people believe that their party is merely following in Truman's footsteps. If Administration leaders in the Cabinet fail to achieve large savings in expenditures, Congress will probably come to the rescue. Again, if the Democrats continue to pin a Truman label on the new Administration, opposition to tax reduction from Republican leaders will disappear.

I understand Eisenhower still believes that taxes can be cut slightly at this session of Congress. His personal attitude is revealed by the position of his chief Congressional advisor, Senator Carlson of Kansas. Carlson says that taxes can be reduced this year.

IV
Industrial Production

Industrial production in January was 236% of the prewar level —a new peacetime high record. February production probably scored some further gain. Prospect is that over the next few months, at least, the Federal Reserve Board's index of production will hold close to this lofty level.

Many observers fear that the outlook for the second half year is less favorable. That may be so, but a substantial decline in general business activity seems out of the question over the foreseeable future.

Looking into 1954, the would-be pessimists claim to foresee a real depression. Their fears are based mostly on these premises; (1) That defense spending, and plant expenditures and payrolls which it causes, have been the basis of our high economic activity; (2) That defense spending will top out in June, 1954 and the new Administration will not resort to deficit spending; (3) That plant expenditure and new capital investment will decline; (4) That the net result will be a decrease in employment, lower consumer incomes and the touching off of an old-fashioned depression.

As a partial offset to these arguments, several important points can be made. There is a huge backlog of state and municipal projects awaiting the availability of materials and perhaps lower prices. (Keep in mind the cement stocks.)

In so far as the stock market itself is concerned, some letdown in volume of industrial production might well serve to eliminate the worry about it. As a sample, it is said that some companies such as Bethlehem Steel would probably earn as much net profit with operations reduced to 85% of capacity as they earn now at full capacity. There would be large net savings from the elimination of overtime pay and through using only the most efficient plants.

Most important of all, however, **the Republican Administration cannot afford a depression.** A substantial depression in the second year of a new Republican regime would be a political disaster.

In the words of General Eisenhower himself, speaking in New York during the campaign last fall:

"Never again shall we allow a depression in the United States. The Soviet Communism is looking for one great victory. That victory is the economic collapse of our country. They want to see us go broke. When then would a nation such as ours refuse to mobilize all its resources to defeat a depression as we would mobilize all our resources to defeat an invasion? One is just as serious as the other. So I pledge you this. If the finest brains, the finest hearts that we can mobilize in Washington can foresee the signs of any recession, any depression that would put honest, hard working men and women out of work, the full power of private industry, of municipal government, of state governments, of the Federal Government, will be mobilized to see that that does not happen. I cannot pledge you more than that."

Incidentally, the number of people employed in non-farm work in February was reported by the Department of Commerce to be about 10,000,000 higher than at the peak of World War II. This is certainly a dynamic economy.

V
Inventories

With industrial production continuing at such a high level, it is only natural that some concern has arisen as to the likelihood of accumulating burdensome inventories. During the fourth quarter of 1952, business inventories rose by $1½ billion. That is only a moderate increase and at the end of the year the total of these inventories was up only a little from a year earlier. However, any indication that output may be exceeding consumption always raises the question as to how long production can continue at such high rates.

For the early future, this is of no special significance, in my opinion. Automobile manufacturers and home builders are preparing for excellent business this year. Some added selling effort may be necessary to absorb the output but they are ready to make those added efforts. Also, they will be ready to cut back their operating schedules when sales and inventory figures indicate that procedure. One thing seems rather certain in this part of the picture and that is that competition will almost certainly increase. However, competition in the life-blood of enterprise. "Free enterprise is always on trial in the court of public opinion."

VI
Commodity Prices

The bears on the outlook for business and the stock market now stress the trend of commodity prices as a bearish argument at this time. It is true that **commodities** have been declining for about two years from their 1951 peak. The all-commodity wholesale index has fallen about 6%. Sensitive raw material commodities as a group are down about 25% from their post-Korea top.

Meanwhile, what have common stocks done? Well, industrials as a group moved up during this period and reached a new all-time high early in 1952, nearly two years after commodities turned down.

Our new manager of the commodity department in New York, Victor Lea, made a talk before the New York Society of Security Analysts last Monday. He has a chart covering a period of over 100 years which shows there is no reliable correlation between commodity prices in general and the stock market (on an annual basis).

It has been my observation that most of the time since World War II began, the stock market has tended to swing in opposite direction to commodities. I refer to the fairly short swings of two to four years or so. Of course, over the whole span of years since 1939 it is true that stocks **barely kept pace with inflation.** If that statement is accepted at face value, then **common stocks must be very cheap now** because in that period of years there has been a vast improvement within the companies themselves due to the ploughing back of earnings, development of new products and new markets; yet, the stock market in general has made no recognition of these facts. Industrials as a group are really low in relation to earnings and in relation to dividends.

As to any real bearishness on stocks, based on lower commodity prices, **speed** is the key. If commodity prices sag only slowly, as I believe they will, at worst, the decline should prove to be beneficial rather than otherwise. Bull markets in stocks are not based on rising commodities. Steady or slightly sagging commodities are the best for corporate enterprise and for the stock market as well as for the workers and the public. The biggest market boom in history, 1924-29, was without any help at all from commodities.

Another point to bear in mind in connection with the stoppage of the rise in commodities is that most of the arguments of the labor unions in their pleas for higher wages have disintegrated. Hence, the potential danger to earnings through an eternal wage-price squeeze has come to an end.

Farm price supports are mandatory until the end of 1954 under present laws. Moreover, regidities in labor and taxes which comprise the main fabric of prices would seem to rule out any serious threat to the general price structure as far ahead as can be seen.

As to the future of commodity prices (that is, the value of money), it must be borne in mind that the new managers at Washington have a number of tools with which to fight the development of any vicious deflation.

In sum, **the Administration must be ready to fight deflation just as fiercely as it fights depression. They are one and the same thing.**

As to the prices of spot commodities, whose downward trend has been causing considerable uneasiness because it could be an indication of basic weakness in the economy, it should be pointed out that most of these have lately shown some steadiness or firmness, suggesting a leveling off. Also, it should be noted in the case of agricultural items that the month of February is frequently a seasonably low point. Besides, some of these commodities are now at or below support levels. On the whole, it seems that a more confident view of farm price prospects over the next several months is fully warranted.

VII
Money Rates

The Administration's moves to **decontrol prices,** as well as the Reserve Board's **reduction of margin requirements,** are part of the broad program of scrapping emergency devises set up since the Korean war. When this program is completed, the restraints on inflation will rest where they belong—that is upon money management and fiscal policies. These include balancing the budget through cutting expenditures and eliminating waste, and keeping a close curb on credit and money supply through the reserve discount rate and open market operations. The increase in the discount rate from 1¾% to 2% last January was long over-due. It merely made official recognition of a factual situation. Obviously, the authorities are ready to adjust this rate again if that becomes necessary.

Interest rates in general have been artificially low during most of the New Deal era. It does not require any expert analysis to conclude that the trend of interest rates is **now upward.** However, to assume that this feature of the outlook is bearish on stocks seems to me to be fallacious. Witness the fact that interest rates saw their all-time low in the spring of 1946 or about 7 years ago. **The rise in rates since then has certainly not hurt the stock market.** Interest rates are still very low. Good quality common stocks now yield 5% to 6% or almost double the 3.1% yield now carried by high grade corporate bonds.

VIII
Russia

Nobody knows how to interpret the new situation in Russia. Most of the comments I have heard fall into one of two opposite extremes. One group is convinced that Stalin's death has **increased** the chances of a third World War. Their theory is that the new leaders will have difficulty picking up the power left by Stalin and that they will therefore try to strengthen their position by **foreign ventures.** That maneuver would tend to prove the strength of the new leadership and provide a rallying point for the people at home. The other group insists that Stalin's death **decreases** the chances of a third World War. The reasoning there seems equally logical. It is that the new leaders will have difficulty in assuming power and therefore will be **too busy** to engage in any new ventures outside the iron curtain. About all that can be said on this subject is that it is merely a matter of guesswork. Of one thing we may be sure, however, and that is that we cannot afford to permit any substantial letdown in our defense program just because Stalin is no longer alive.

As a practical matter whenever foreign developments reach a critical stage, the action of the **London stock market** usually offers the best guidance. For many generations that market has tended to supply the most accurate appraisal of events abroad. On this score, London stocks turned firmer following the news of Stalin's death. Also there was increased interest in bonds of "iron curtain" countries.

Just for the record, it should also be observed that excited selling in the New York stock market was confined to a brief period, and average prices are now higher than they were when the Stalin news came out.

IX
Coming Events to Bolster Psychology

So much for a brief sketch of the stock market's background. As usual it is difficult to cast up a net balance between unfavorable and favorable influences on stocks and to come out with a clear and concise conclusion as to **which way the market pendulum will swing.**

At the beginning of this talk I stressed the seasonal movement of the market in the second quarter of the year. I pointed out that February lows are usually tested or broken in the second quarter. I would not overlook this possibility now. However, it seems to me that the bulls do have a slight advantage and that **the seasonal dcline in the second-quarter from the Spring rally top may be less than normal in 1953.**

Looking further ahead, I see the basis of substantially higher stock prices in the improved psychology of investors under the Republican regime. Confidence should continue to grow as faith is restored in the system of private enterprise. It is demonstrably true that common stocks are worth a sizable percentage more under Republican politics than under Democratic. Beyond this general and continuing influence, however, I would emphasize a series of coming events, each of which will add to the market worth of common equities as time goes on.

Taxes are going to be reduced—taxes on both corporate incomes and individual incomes. The only question is **When?** My guess is October 1st will see an ending of EPT as well as a cut in personal income taxes.

Investors will benefit still more from tax cuts in 1954, a Congressional election year.

Modification of the so-called capital gains tax is another very important development for the market to look forward to. I understand there is no real organized opposition to alleviating this tax. It is truly not a tax on income but a tax on the transfer of capital, and as such is vicious. In fact, Congress may cut the holding period and reduce the tax rate on the grounds that it would then be a sizable producer of revenue. Such a development would add to the value of stocks as well as create a broader market in many issues where the market is now rather thin. It would definitely expand total volume of activity.

Dividends, **the keystone of stock values,** are going to hold up well in 1953, according to present indications. Even if earnings should dip somewhat, many companies will continue the 1952 rates by paying out a slightly larger proportion of earnings to shareholders.

Some steps may be taken in the course of time to ease the "double taxation" of dividends. Canada has already shown the way in this regard. Even a 5% tax free credit on dividends received would be a step in the right direction. It would raise hopes of further relief of the stockholders' burden on this score. With these and other favorable potential developments ahead, I believe that the confidence of stockholders will gradually improve and that the bull market will go considerably higher, especially after midyear, or sooner if the tax situation develops favorably.

On the technical side, there are many encouraging features, not the least of which is the return of buying interest in **speculative** grades of stocks. These were long-neglected as investors sought out the better grades of income-producing issues. The index of **low-priced stocks** has moved almost steadily upward week after week this year despite near-stagnation elsewhere. A further lift there would add to confidence in an extension of the general rise.

X
Best Groups of Stocks

The Research Department has selected the following stock groups as among the most promising for capital gains on the next upswing in the market:

18 Most Promising Groups

*Air Conditioning
*Cement
*Electrical Equipment
*Insurance
*Soft Drinks
*Utilities
Aircrafts
Air Lines
Auto Parts
Banks
Electronics & TV
Foods
Natural Gas
Paper
Railroads (Selected issues)
Retail Trade
Rubber
Steel

***The first six are the best.**

Securities Salesman's Corner

By JOHN DUTTON

Know Enough But Not Too MUCH!

New men in the investment business are often taken back by the vast amount of information that is constantly passing over their desks from day to day. Sometimes they are overwhelmed by the seemingly endless procession of reports, news items, new issues, statistical releases, etc., that they rightfully believe they can never keep up with, let alone digest. I personally think it is a mistake to try and keep abreast of too much information, even if you are long experienced in the business. The best plan seems to be based upon making a decision to read what is important, and then put the rest of the material in a place where it can be readily accessible if needed.

Find Out What Your Firm Is Selling and Learn About It

If you are with a municipal firm then it is natural that you should specialize in a knowledge of interest rates, the government bond market, the latest information regarding Federal Reserve and Treasury policies, and certain outstanding issues in which you will specialize. The other reading and study that you might do would be only used as background material. The stock market and corporate news would take only a small amount of your study and reading time each day. In other words, you would put first things first and simplify your fact finding and reading material.

If your firm specialized in any other types of securities such as rails, public utilities, or special situations traded over-the-counter, your reading program would naturally work out the same way. But if you are selling general market securities and developing a clientele of ordinary investors, speculators, special situation buyers, municipal bond investors; and if you cultivated the widows, the lawyers, the doctors, the professional stock speculators, the fund buyers, and the people who have up until now put it all into the savings bank and savings and loan associations, you have quite a different problem. If you are running a grocery store you have to know your vegetables and the canned goods too.

Essential Reading If You Are Doing a General Investment Business

(1) One good paper a day—the "Wall Street Journal" or "The Journal of Commerce," will keep you up to date on news.

(2) One good financial weekly such as the "Commercial and Financial Chronicle," will give you helpful suggestions, situations, background for your sales presentations, and the ideas of leading men in the financial and business world.

(3) All dealer literature sent out by wholesale houses should be scanned and briefly read. If anything appears of interest it should be noticed, otherwise filed or discarded. This shouldn't take over ten minutes a day. If anything important comes up it should be studied at leisure. I have found that when I look over a desk full of material in the morning that I cannot study as well as when I sort out ideas for later use.

(4) Every salesman should have at least five or ten interesting special situations which he follows and which he can offer to both new and regular clients. Some men make the mistake of thinking that they have to be experts in thousands of stocks. This is a mistake. No one expects this—least of all a good client. Selling securities does not involve becoming a walking encyclopedia of information on every stock or bond that is available in the market. The only proper way to handle inquiries regarding unfamiliar holdings is the way that all inquiries from clients should be handled, viz:

Ask your client for the facts, ask his purpose of investment, find out about his holdings, obtain the amount of shares or bonds he owns, the cost price and all relative data, then go out and make a check-up for him. If the inquiry is routine, or from a new account, the door is wide open to show this new prospect, or client, that you know your business. The greater the care with which you handle inquiries pertaining to various stocks and bonds the stronger you will become with your prospect. If you come right out with it and state that your firm *never* gives off-the-cuff opinions, but checks every available fact before information is given to a customer, the closer you will be to a good account.

The less you read about things that you can't use to make sales and develop business the better off you will be. The more you make use of the statistical services and other data in your files, when you are called upon to render an opinion, the less you will have to read and try and remember. A clear mind is a mind that is not cluttered up with too many ideas, facts and figures. This will help you to make more sales and spend less time on unproductive office work. The good lawyer doesn't memorize his law books but he knows on what page he should look when he needs the proper reference.

Russell G. Mahlmann With Hill Richards

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Russell G. Mahlmann has become associated with Hill Richards & Co., 155 Montgomery Street, members of the San Francisco and Los Angeles Stock Exchanges. Mr. Mahlmann was formerly manager of the trading department for Davies & Co. and prior thereto was a partner in Raggio, Reed & Co.

With Stewart, Eubanks

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Dan B. Williams has become connected with Stewart, Eubanks, Meyerson & York, 216 Montgomery Street, members of the San Francisco and Los Angeles Stock Exchanges. He was formerly with Kaiser & Co.

Joins Crowell, Weedon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Bill C. Hart has become connected with Crowell, Weedon Co., 650 South Spring Street, members of the Los Angeles Stock Exchange.

Bache Holds Brokerage Office Show

ABOVE: In Bache & Company's New York uptown office an eager audience of 200 women scrutinize the latest fashions in the first of three evening audiences, which braved wind and rain last Thursday, March 12, to see the first fashion show ever held in a brokerage office. BELOW: Harold Bache, senior partner of Bache & Company, struggles with ticker tape, while three young guests (l. to r.), Mrs. Lee Cody, and Misses Janice Miller and Leila Hyer, look on understandingly.

Bache & Co.'s "Big Change" On Small Change Investing, Is Off The 'Change —In Mutual Funds

A girl can shop at Saks Fifth Avenue, the local "carriage trade" emporium, and still keep her principal intact if she learns first that, "Dividends are a girl's best friend."

Heading a syndicate of three last Thursday, Bache & Company made an offering in three evening shows of 32 of the lastest fashions from "Saks Fifth" to over 500 women, who had answered invitations on the radio, in newspapers and from "Mademoiselle" magazine.

On the theory that most women have felt that investing in securities was a man's business (that's right, it was), or at any rate something that required having thousands of dollars in the mattress, Bache and Company has set out to show women that investing, like fashion, is their business, too.

Harold Bache, senior partner, pointed out, "It doesn't take a lot of money to invest in securities. Many women in middle-income brackets set aside some of their incomes for just this purpose. I understand you ladies plan your wardrobes with an eye to tomorrow, so why not start planning your financial future, too and approach the planning of your financial future with the same seriousness as when you choose your new Spring wardrobe?"

Besides Bache, in the negotiated offering, there were Saks Fifth Avenue, and "Mademoiselle" which is carrying in its March issue a lead article, "Our Mutual Friends," by Ira U. Cobleigh, roving columnist for "The Commercial & Financial Chronicle."

Introduced by Mr. Bache, Betsy Talbot Blackwell, editor of "Mademoiselle," said a women nowadays had to know the value of savings and the value of what you could get for those savings.

Ira U. Cobleigh said that cupidity and stupidity were most often to blame for investment misfortunes and asked the audience to learn as much about the management of money as their husbands know—and perhaps more.

The braintrust behind the fashion show idea is Sam Chernow, Chernow Advertising Company. Mr. Chernow, a relative newcomer to specialized securities field advertising, organized with Albert Frank-Guenther Law the fashion-type advertising campaign of Merrill Lynch, Pierce, Fenner & Beane. "A woman wants to know how a product will better her life," Mr. Chernow said, "and she wants to be told in warm, glowing terms . . . in woman talk! It takes a certain know-how to do that. We've been dealing with women for a long time. We know women, what makes them tick."

One of Mr. Chernow's first efforts in seeking to attract the woman's mind was on behalf of Schenley's Three Feathers. For the distiller, he engaged the efforts of some of the best designers for the claim that with liquor, as with fashions, "the light touch is the right touch." Mr. Chernow also developed an advertising campaign with a fashion slant for Vitamin Corporation of America's "Rybutol" vitamin pills.

During Bache's Fashion Show—the first to be given in a brokerage office, eight models showed 32 dresses in each of three shows, which, according to our statistical department, means 12 changes each, making the Fashion Show the Big Change to dramatize Small Change Investing off the 'Change in mutual fund shares.

Bache next will hold a fashion show in Washington, D. C., and plans to give one in each of the principal cities across the country.

Mutual Funds

By ROBERT R. RICH

POINTING OUT that those Group Securities' funds which have gained in size are the ones now being emphasized by management, Distributors Group, Inc., gives some interesting figures on the Group Securities' classes which have liquidated on balance in recent years. Among those in which growth has occurred is the company's high quality Common Stock Fund which has increased from $405,226 to $5,023,730 during the last three years.

"The profit-taking in several of the cyclical groups," Distributors Group states, "fulfills the purpose for which the shares were originally sold and figures are given in support of this statement.

"For example, to the 1952 year-end, the company's Steel Shares had received a total of about $58,000,000. Capital items paid back by the company—in the form of redemptions and capital gains distributions—have exceeded $55,000,000, yet the asset value of this class at the year end was about $14,000,000. In addition, dividends from net investment income have totalled $11,650,000."

The figures given on several other Group Securities funds are as in table (000 omitted).

Distributors Group makes the point in its letter that shares of certain of these funds were sold in the past primarily for appreciation and that the profit-taking by investors, revealed by these figures, simply reflects the achievement of that purpose, which they speak of as the "target" of every investment.

	Company's Receipts	Capital Paid Back	Balance	12-31-52 Asset Value	Income Dividends
Automobile	$6,605	$6,447	+ $157	$1,236	$1,160
Low-Priced	14,980	13,755	+1,225	3,473	1,317
Petroleum	5,641	5,708	— 66	1,861	732
Railroad Bond	21,358	22,208	— 850	3,733	3,446

TERMING THE view that Canada owes its postwar expansion to foreign investment a "general misconception," the current issue of "Perspective," Calvin Bullock's economic publication, states that in the three years 1949-51 Canadians provided about $85 out of every $100 of new capital expenditures in their country.

In its annual audit of the Canadian economy, the publication finds that overall economic activity, as represented by Canada's Gross National Product reached a new peak in 1952. At roughly $23 billion, it was up 7% from 1951 and almost double the 1945 figure. This is the best concrete statistical evidence that Canada enjoyed a peak production year in 1952, the publication states.

Canada from the fiscal standpoint is termed unique, the only major country in the postwar period that each year has had a surplus and reduced its debt. This favorable fiscal policy is despite Canada's relatively high defense burden.

Recalling that Canada is first in the Free World's output of asbestos, nickel and platinum; second in aluminum, gold, zinc and cadmium; third in silver and fourth in copper, lead and cobalt, the publication reports that Canada's 1952 mineral production totaled $1,278 million, up 2.6% over the preceding year. In 1952 Canada's daily oil output averaged 170,000 barrels and is expected to reach 300,000 this year. "Despite its constantly expanding oil demand," the publication states, "Canada by 1956 should have the oil production, transport means and markets to make it self-sufficient, on balance, for the first time. It is estimated that this would require output of over 500,000 barrels daily. As for oil reserves, there is no problem. Although less than 10% of the petroleum area of Western Canada has been examined, reserves are already established at close to 2 billion barrels.

"As it always does, the surge in the primary segments of Canada's economy stimulated activity in its secondary fields. Aided by an elimination of credit restrictions, retail trade, the food industry and the finance companies enjoyed record volume in 1952. For example, department store sales increased 8% over the 1951 peak."

In only one major respect was the Canadian scene found disappointing in 1952, the trend of its stock market averages, which on balance declined moderately. The Canadian market in response to its expanding industrial activity advanced sharply in the 1946-51 period and in 1952 went through a digestive period, awaiting its cue as to the future. Pointing to the recent corporate and individual income tax reductions and the Canadian Governments' official estimate of a 1953 Gross National Product of $24 billion, a new peak, "Perspective" finds the Canadian future in line with its underlining thesis that Canada will continue to witness, on average, an expanding economy.

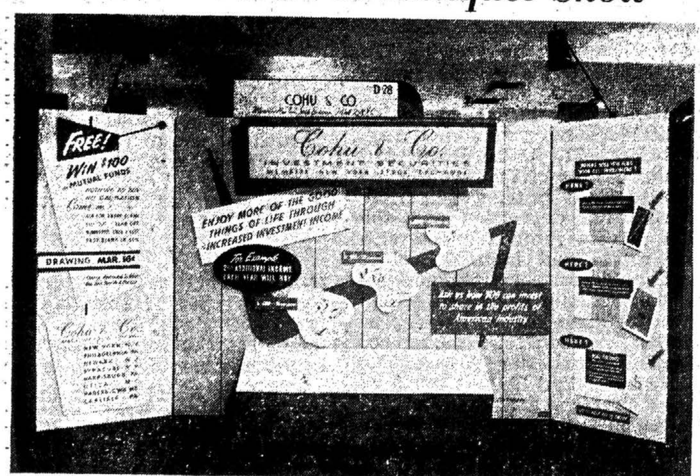
SINCE THE FIRST of the year, Wellington Fund has slightly reduced its common stock holdings and added to cash reserves, according to its interim report on investments. After these shifts, the Fund on March 2, last, had 63.07% of net assets in common stocks and 10.36% in U. S. Governments and cash as compared with 64.41% and 8.32% respectively on January 1, last.

Total net assets on March 2, last, amounted to $254,024,910 as compared with $246,183,017 at the beginning of the year.

The shift in commons largely involved the replacement of some cyclical stocks and issues considered amply priced with others of more favorable outlook or better defensive qualities.

The report saw business generally returning to more normal conditions with greater competition and more emphasis on the importance of managerial ability and operating efficiency. "We believe," the Wellington management stated, "that a comparative appraisal of management and operations of each company will become increasingly important in the selection of investments as the year progresses."

Cohu Exhibits at Antiques Show



SEEING ANOTHER opportunity to bring home to an ever-widening audience the advantages of investing in mutual funds, Cohu & Co., One Wall Street, New York, installed a convincing display at the National Antiques Show in Madison Square Garden, held from March 9 through March 15. Featuring a chance to win $100 in mutual fund shares, the display pointed out how extra income from investments contributes to easier and better living.

Mutual Fund Men Meet at Conference

LOS ANGELES, CALIF. — Over 500 mutual fund retailers and fund executives met from March 9 through March 11 for the Second Pacific Coast Mutual Fund Conference at the Biltmore. Among those attending were, left to right, John M. Sheffey, Executive Secretary, National Association of Investment Companies, New York; Charles F. Eaton, Jr., President, Eaton & Howard Corp., Boston; John D. Boggs, Manager, J. A. Hogle & Co., Los Angeles; Ray Moulden, Secretary, Investment Companies Committee of the National Association of Securities Dealers, Washington, D. C.

GEORGE A. SLOAN, President of Blue Ridge Mutual Fund, Inc., New York, N. Y., announced over the week-end that the company has made new arrangements for distribution of its shares and investment advisory service subject to approval of stockholders at the Annual Meeting on April 15, 1953. Under the proposed plan Harriman Ripley & Co. will be the national distributor and will furnish certain operating facilities. Similarly John P. Chase, Inc., investment counsel of Boston, will provide advice on portfolio securities to the officers and directors. Stockholders will be asked to increase the Board of Directors to include Harding C. Woodall, Director and Vice-President of Harriman Ripley & Co. of New York, and John P. Chase of Boston.

Milan D. Popovic

In making the announcement Mr. Sloan said, "We are highly pleased with these proposed arrangements which, with the approval of our stockholders, will bring to Blue Ridge the services of two experienced and successful firms in the open-end investment trust field."

The three present officers, i.e., Mr. Sloan, Milan D. Popovic and Raymond W. Hofmann, will continue as President, Vice-President and Secretary-Treasurer, respectively. Mr. Popovic will also become a Vice-President of John P. Chase, Inc.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market continues to be mainly a short-term affair and there are no signs evident yet that this condition will change immediately. Uncertainty is still shrouding the money markets, because the most important topic of conversation at this time is when or how soon will the long-term Treasury issue come along with the 3¼% coupon. Because there has been built-up in the money markets the belief that long-term higher coupon rate financing will be done by the Treasury in the near future, probably to meet maturities of the F and G savings bonds and the marketable issues that come due soon, demand for government securities is confined principally to near-term obligations.

The short-term buyers of government issues have been supplemented each day, because of the uncertainty over higher interest rates which are expected in the not distant future. There has been, however, some very minor buying of the intermediate term obligations and the long-term issues for maturity purposes and by State funds.

Refunding Plans Principal Topic

Caution continues to rule the market for government securities, which means that the only real interest in these obligations is in the near-term liquid issues. Demand for the short-term Treasuries is expanding, with more institutions going into these securities each day as a hedge against what is likely to happen in the money markets in the not distant future. To be sure, there does not seem to be any really authentic advance "dope" yet as to what the Treasury will do to take care of the maturing Series F and G obligations as well as the June 1⅞s and 2s, the latter having been called for payment on June 15. However, there appears to be plenty of talk and rumors about what is going to be done, which indicates that "open mouth" operations are being given a very thorough workout again.

Combination Offer Seen Probable

From what one hears about what the Treasury is going to do to meet impending maturities, it seems as though the combination system, employed in the initial operation, is going to be used again by the monetary authorities. The two-way or three-way idea seemingly will be in vogue because it is reported that, by the use of the multiple choice system, the Treasury will be better able to meet the requirements of owners of the maturing obligations. Looking at the partially exempt 2s which have been called for payment on June 15, and which is a comparatively small issue, the latest available figures in the Treasury bulletin shows that about 93% of the total amount outstanding are held by the commercial banks, with the balance owned mainly by fire and casualty companies. The June 1 maturity of 1⅞% certificates, according to the latest available data, appear to be held mainly by other investors, commercial banks and the Federal Reserve Banks. This is a rather sizable issue and one in which, according to reports, the Treasury hopes to be able to bring about an extension of maturities.

As to the Savings Bonds, especially the F and G obligations which start to come due on May 1, it seems as though the method for taking care of these maturities has been pretty well set, according to the better informed "open mouth operators." It is indicated that a marketable obligation will be a very important part of the refunding offer that will be made to holders of the maturing F and G obligations.

Long Marketable 3¼s Forecast

With a marketable issue evidently in the making as far as the owners of the F and G Savings Bonds are concerned, the speculation now is what the maturity of the marketable issue will be. Although one hears about maturities running out as far as 50 years, it seems as though a 30- or 32-year issue is what is being talked about most frequently. According to those that are supposed to be in on the know as to what will be done by the Treasury to meet the impending maturity of the F and G Savings Bonds, the coupon rate will be 3¼%.

Corporate Bonds Seen Affected

If the stories that are making the rounds about the refunding of the F and G Savings Bonds turn out to be the real McCoy, then some of the yields of Treasury obligations still have further adjustments to make although, in many cases, this has been pretty well taken care of already. However, there are other segments of the bond market that have not yet fully anticipated such a development as a long-term 3¼% Treasury obligation, and these securities will have to go through a rather sizable adjustment before they would be in line with a higher coupon long-term government issue. Corporate bond yields would be among those that would have to make adjustments in order to be in line with a 30-year, 3¼% Treasury obligation.

ROBERT A. GILBERT has joined the investment management staff of National Securities & Research Corporation, sponsors and managers of a group of mutual investment funds, according to an announcement made today by Henry J. Simonson, Jr., President. Mr. Gilbert will be manager of the Public Utility Division.

Robert A. Gilbert

For the past five years, Mr. Gilbert has been a fund executive of the Investors Management Co., Inc., manager of a mutual investment fund. Following 14 years with a Stock Exchange firm as a security analyst, he spent 3 years in investment research with Manufacturers Trust Co. and for the next three years was on the investment research staff of Goodbody & Company.

NATURAL RESOURCES of Canada Fund, Inc. has been qualified for sale in Florida by the Florida Securities Commission, Frank L. Valenta, President, announced. This increases the number of states in which Natural Resources of Canada Fund, Inc. has been qualified for sale to 20.

John F. X. Frost Honored By Cohen, Simonson Co.

A testimonial dinner was tendered March 12 to John F. X. Frost by the employees and partners of Cohen, Simonson & Co., members New York Stock Exchange, on the occasion of completion of 24 years of service to the firm as audit and telephone clerk on the New York Stock Exchange.

Simultaneously with this testimonial, Abraham Simonson, senior partner, announced that Mr. Frost has been admitted to general partnership in the firm and was elected a member of the New York Stock Exchange.

Continued from first page

The Business Outlook for The Next Several Years

to these questions, but I think I can shed considerable light on them.

II

As a background for a consideration of these matters, let us look briefly at a few present facts and probable developments in the economy:

(1) The rate of family formation in the years immediately ahead will be considerably less than in the years immediately past. During the last five years, the number of families increased by 4.2 million, or an average 800,000 a year.[1] Between 1952 and 1960 the increase will be somewhat less. Estimates range from 500,000 to 700,000 a year. This drop in the number of families will reflect the relatively small number of births during the severe depression in the thirties.

(2) The increase of population in the decade of the fifties is likely to be considerably greater than during the forties. In the forties, population increased by 19.8 million. More than half of this increase was in the last four years of the decade when the birth rate jumped by more than 25% to the highest level it had been since the early twenties. Even if there is a gradual drop of one-third in the birth rate by 1960, the rise in population between 1950 and 1960 would be as great as between 1940 and 1950. A smaller drop in the birth rate would permit an increase of 24 million in the present decade, and a still smaller drop in the birth rate would permit an increase of over 28 million in population. No one knows what will happen to the birth rate. Thus far the drop that is expected has not started—there were a few more births in 1952 than in 1951.[2] The range of probable population increase for the decade of the fifties may be put at between 22 million and 26 million.

(3) The labor force in the years immediately ahead will probably increase at the rate of about 700,000 per year.

(4) The economy has increased its productive capacity by roughly 25% since 1946. It was operating at capacity in the last quarter of 1952 and it was operating fairly close to capacity in 1946—though 1946 saw a record-breaking amount of time lost because of strikes. The increase in output in terms of 1952 dollars between 1946 and the last quarter of 1952 was 27%.

(5) The economy has a capacity to increase output by roughly 3.5% a year—2.5% as a result of more output per manhour, and 1% or a little more, as a result of the growth of the labor force. In dollar terms, this means an increase of around $12 billion to $13 billion a year. The actual year-to-year increases in output differ from the increase in capacity for various reasons, such as changes in demand and strikes, which affect the volume of employment. In 1952, output in terms of 1952 dollars was only $8 billion above 1951. This small increase was due to bad second and third quarters—the result, in the main, of the steel strike. Between 1949 and 1950 the increase (in terms of 1952 dollars) was $22.4 billion and between 1950 and 1951, $25.9 billion. These large increases were the result of abnormally large gains in employment and in output per manhour.

(6) When the gross national product increases at about 3.5% in terms of constant prices, the yield of present Federal taxes grows by roughly $2.5 billion a year.

III

Let us now look briefly at each of the four basic questions that I have raised.

If the country is able within the next two or three years to reduce defense spending by, say, $5 billion or $10 billion a year, can we bring about an offsetting rise in private spending? If, by any chance, the cash budget of the government were in balance at the peak of defense spending, the task of offsetting a drop in defense spending with a rise in private spending could be considerably simplified. If the government planned to cut its defense outlays by $5 billion in a year, it could without destroying the balance in its budget, cut taxes by $5 billion a year, thus raising private incomes after taxes by $5 billion a year. This increase in incomes after taxes might be expected to produce a more or less equal rise in private expenditures on consumption and investment.

During the coming fiscal year (1953-54), which will probably be the peak year in defense spending, the cash budget of the government will be in the red by $2 billion to $4 billion if no tax reductions are made, and by about $2 billion more (a total of $4 billion to $6 billion) if the temporary tax increases, which terminate on June 30 and Dec. 31, 1953 and March 31, 1954, are allowed to run out. This rough estimate assumes that the Eisenhower Administration will be able to make moderate cuts in most items of the budget submitted by Mr. Truman in January. On two important items (interest payments and expenditures for farm price support), however, the Truman estimates seem substantially too low, but on foreign military and economic aid they are substantially too high.

If defense expenditures are cut from a budget that is in the red, then tax cuts which equal the expenditure cuts, and therefore raise private incomes after taxes by the amount of the cuts in defense spending, will preserve but not increase the deficit in the budget. On the other hand, if the budget is brought into balance by cutting taxes by less than the reduction in defense spending, private incomes after taxes will not rise by the full amount of drop in defense outlays. In that event, it will be far more difficult to bring about a rise in private spending equal to the drop in government spending. I do not say that it will be impossible, but certainly it will be difficult.

This brief analysis of the problem of adjusting the economy to a drop in defense spending suggests the following five conclusions:

(1) It is particularly important that in the year of peak defense spending, which will probably be 1953-54, the cash budget be brought as close to a balance as possible.

(2) Economies in government operations and other cuts in government spending will be particularly useful in the year of peak defense spending.

(3) Defense expenditures which can be safely delayed beyond the peak year should be postponed.

(4) The terminations of the temporary tax increases should be postponed unless expenditures are cut so drastically that the terminations do not produce a deficit in the cash budget. The country must not use up part of one of its most important defenses against recession, namely, tax cuts, in a year of peak spending. Although termination of the temporary tax increases would cut revenues in the fiscal year 1953-54 by only a little more than $2 billion, it would cut revenues over a full fiscal year by $8 billion. Hence, it would probably create the need for substantial reductions in spending in 1954-55.

(5) The increase in social security taxes, scheduled for next January, should not be postponed. Indeed, the middle of the period of peak defense spending is the ideal time for making the increase in social security taxes—an increase which must come sooner or later.

IV

Can the present high rate of investment spending be kept up for two or three years longer? The present high rate of spending on industrial plant and equipment is one of the principal supports of the current high level of employment and production. Must one not expect an early drop in investment spending? Let us look at the principal facts about the present investment boom.

The following principal facts stand out: (1) the proportion of gross national product devoted to capital formation at the present time has not been high; (2) the private reproducible wealth of the country outside of households and industrial plant and equipment is not abnormally large in relation to population or the labor force—in other words, the country is not overbuilt; (3) private reproducible wealth per capita and industrial plant and equipment per capita have been increasing at an abnormally rapid rate.

(1) **The proportion of gross national product devoted to capital formation has not been high.** In the year 1952, the proportion of the gross national product devoted to private capital formation of all kinds (industrial plant and equipment, housing, inventories) was 14.9%. In the year 1929, it was 15.2%; in 1910, 19%; in 1913, 15.5%. During the prosperous eight-year period 1922 to 1929 inclusive, it was about 15.9%.[3] The proportion of the gross national product put into industrial plant and equipment (including agriculture) in 1952 was the same as in 1929, namely 10.5%.

Since a considerable part of the output of the country today is produced by the government (about 8%), some economists prefer to make comparisons of plant and equipment expenditures in terms of the proportion of gross *privately* produced output going into plant and equipment. In 1951 and 1952, a little more than 12% of the private gross product went into industrial plant and equipment; in the late twenties, about 14%.

One must conclude that the present investment boom has not raised the proportion of gross product going into capital formation above the level that has prevailed in other investment booms.

(2) **The private reproducible wealth of the country outside of households and industrial plant and equipment is not abnormally large in relation to the population or the labor force.** One of the great statistical lacks of the country is good figures on who owns what—the kind of figures needed to construct a consolidated balance sheet for the country. I have no doubt that within the next several years we shall publish an annual balance sheet of the United States. In the meantime, we have to be content with the figures that are available. These figures, unsatisfactory though they are, warrant the conclusion that the country is not overbuilt—that the high rate of capital formation of the last seven years has merely made up for the abnormally low rate of capital formation during the depression of the thirties and the Second World War.

The total private reproducible wealth of the country outside of households (plant, equipment, inventories, and dwellings) at the end of 1952 represented a cost less depreciation in terms of 1952 dollars of roughly $770 billion. It has increased by about $190 billion in terms of 1952 dollars since Jan. 1, 1946. This is an increase of just under one-third in seven years. Nearly three-fifths of the private reproducible wealth outside of households consisted of industrial plant which, at the end of 1952, represented in terms of 1952 dollars a cost less depreciation of roughly $446 billion. This was an increase of about $100 billion in 1952 dollars, or 29%, over Jan. 1, 1946. Industrial plant and equipment includes agriculture as well as the nonagricultural industries.

One must allow for the fact that the population and the work force of the country are growing. In per capita terms private reproducible wealth increased 17.9% and industrial plant and equipment 14.2% between Jan. 1, 1946 and Dec. 31, 1952. Plant and equipment per civilian worker increased 18.0% in the same period. During the depression and the war private reproducible wealth per capita and industrial plant and equipment per capita and per worker actually decreased, if one measures them at cost less depreciation expressed in dollars of constant purchasing power. The reason was that, during much of the depression and the war, replacements did not equal depreciation. At any rate, private reproducible wealth per capita at the end of 1952 was not quite 7% higher than on Jan. 1, 1929, plant and equipment per capita were the same as in 1929, and plant and equipment per civilian worker were only 2.5% greater than in 1929. Hence, the country cannot be regarded as overbuilt. Of course, both men and equipment are more efficient. With 35% more men at work and about 30% more plant and equipment than in 1929, the country turns out twice as much product.

(3) **Private reproducible wealth outside of households per capita and industrial plant and equipment per capita have been increasing at an abnormally rapid rate.** The per capita increase in private reproducible wealth in the seven years between 1946 and 1952, as I have just pointed out, was 17.9%; the increase in industrial plant and equipment per capita was 14.2%, and per civilian worker, 18.0%. These increases compare with a rise in all reproducible wealth (public and private) outside of households of 13.9% in the 10 years preceding 1929, of 21.5% in the 10 years preceding 1919, and 24.3% in the 10 years preceding 1909.

It is evident that the increase in wealth per capita and in plant and equipment per worker during the last seven years has been more rapid than during the twenties or the decade preceding the twenties. Since the increase has been going on for seven years, and since, in per capita terms, it has been rapid, one is compelled to expect some drop within the next two or three years in the rate of capital formation. On the other hand, the fact that the country has not been overbuilt leads one to expect the drop to be moderate, unless it is aggravated by independent influences, such as contractions in other parts of the economy or credit difficulties.

Any drop in the rate of investment will be limited to a considerable extent by the large volume of industrial research which is now being done in American industry. The number of professional research workers in industrial and governmental research laboratories was four times as large in 1947 as in 1930, and it has increased considerably since 1947. Industrial research is of great economic significance because it gives management extraordinary new power to determine within a considerable range the supply of attractive investment opportunities. One must expect that business will use industrial research on an increasing scale to create investment opportunities.

Is there not danger that the drop in investment spending will coincide with the drop in defense spending, that the drop in defense spending will aggravate the drop in investment spending, and that the combined drop in the two kinds of spending will produce an aggravating drop in expenditures for consumption? The mere statement of the possibility, however, is enough to make one realize that it will not happen. No government will take the responsibility of throwing the country into a tailspin by making drastic cuts in its spending at a time when private investment is dropping. Of course, if the drop in investment were quite slow and quite moderate, and if it were being offset by a rise in other kinds of spending, such as consumer spending, the government might believe that it could safely cut defense spending if it accompanied the cut by reductions in taxes.

V

If investment spending drops, can other types of spending be raised to offset the drop? Let us assume that the volume of gross private investment falls within the next several years by 15%, or about $7.5 billion a year. What types of spending could be increased to offset the drop in private investment?

Expenditures by states and localities for goods and services have been increasing steadily since the end of the war and before, rising from $10 billion in 1946 to $23.3 billion in 1952. During the last several years the increase has been from $1.5 billion to $2.0 billion a year. These expenditures are still slightly smaller in relation to the national product than in 1929—6.7% in 1952 and 6.9% in 1929. Much of the increase in state and local expenditures has been the result of advances in wage and salary rates, but there have also been large increases in outlays on roads, schools, water supply, sewerage, and other public works. A considerable backlog of need for public works grew up during the war when public construction was limited. The need for public works has been greatly increased by the growth in the number of children, the movement of population to the suburbs, regional shifts in population, and the great increase in the number of automobiles. For example, school enrollments between 1952 and 1957 are expected to increase five million, or nearly 20%; the truck population of the country has doubled since 1940, and the car miles on American highways are around 70% greater than in 1940 and nearly 40% greater than in 1946.

Planning and executing public works is usually a slow process. Hence, much of the backlog of need has not been met and several years at least will be required to meet it. Outlays for state and local public works, therefore, may be expected to continue to rise for a few years more. The rise

1 U. S. Bureau of the Census, Current Population Reports, Series P. 20, No. 42, p. 1.

2 Federal Security Agency, Office of Vital Statistics, *Monthly Vital Statistics Bulletin*, Sept. 17, 1952, p. 1; *Monthly Vital Statistics Report*, Vol. 1, No. 12, Dec. 1952, p. 1.

3 The figures on gross national product available for this period are based on slightly different definitions from those in use today. The figures show that the proportion of private gross capital formation to gross national product for the period 1922 to 1929 was 16.5%. The figure of 15.9% used above, is based on a rough adjustment of the available figures to the definitions in use in 1952.

may well be in excess of a billion dollars a year.

A great opportunity to increase expenditures is given by toll roads. The demand for limited-access roads for the use of through traffic is great, and little has been done to meet it. Enormous amounts have been spent on highways which were intended to be through highways. Unfortunately, access to these highways has not been restricted and local businesses have been permitted to grow up along them. Consequently, the roads which were intended for through traffic have gradually been taken over by local traffic. As local traffic has increased on roads intended for through traffic, the need for through-traffic roads has been growing. Limited-access highways can obviously be operated as toll roads, and many thousands of miles of toll roads would be self-supporting. Hence, the need for through-traffic roads to service the 54 million automobiles, trucks, and buses in the United States represents an important new investment opportunity. It is not a large enough investment opportunity to provide the increase in spending which will be needed to offset the drop in defense spending. It is, however, a sufficiently large investment opportunity to help. It is important from several points of view that the nation in the next several years embark upon a well-planned and large-scale program of toll roads.

The principal source of new expenditures to offset the drops in investment spending and in defense spending must be a rise in spending for consumer goods. There are two ways of increasing this spending. One way is to cut taxes as defense outlays are reduced. The other way is to induce individuals to spend a larger proportion of their incomes after taxes on consumer goods. During the year 1952 consumers spent 92% of personal incomes after taxes for consumer goods. During the last quarter of 1952, they spent 91.3%. In previous years of high employment, the proportion of personal incomes after taxes spent for consumer goods has been higher. In 1929, for example, 95.5% of personal incomes after taxes was spent for consumer goods, and in 1940, 95.1%. Past experience indicates that it is not unreasonable to expect around 95% of personal incomes after taxes to be spent for consumer goods. Had this been the proportion of personal incomes after taxes spent for consumer goods in the last quarter of 1952, personal consumption expenditures would have been at the annual rate of $229.9 billion instead of $221.0 billion. In other words, it ought to be possible to offset a drop of around $9 billion in defense spending by a higher rate of spending for consumer goods even if no drop in personal income taxes accompanies the cut in defense spending.

But how can a rise in the proportion of personal incomes after taxes spent for consumer goods be brought about? Some business men will promptly reply, "By more and better selling effort." I do not wish to disparage the desirability of more and better selling efforts, but I have the prejudices of a consumer. Hence, I am more interested in new and better quality goods at more attractive prices than I am in being bombarded by bigger and more pretentious advertisements and more urgent sales talks. I suppose that these bigger ads and more urgent sales talks produce some sales, but I have the strong suspicion that consumers are very much like bacteria—they develop immunities to certain things. Just as bacteria develop immunities to anti-biotics, I suspect that the American consumer has developed considerable immunity to modern selling methods. Hence, it seems to me that the best way for industry to meet the problem of a fall in defense expenditures is to be prepared to bring out new and better goods.

With any cut in defense spending offset by reductions in taxes, and with reductions in private investment offset by higher state and local expenditures and by a rise in the proportion of personal incomes after taxes spent for consumer goods, it ought to be possible to maintain a high level of production and employment during the next several years.

VI

Up to this point I have been making the optimistic assumption that the economy within the next two or three years will have to meet the problem of a drop in defense spending. It is a reasonable assumption, but, after all, it is only an assumption. It is possible that we shall have to meet a *rise* in defense expenditures. The technology of war is in a state of rapid flux. This tends to keep defense expenditures up. The trend of international relations is quite unpredictable. The assumption that a drop in defense spending is ahead, rests upon a second assumption, that international relations will not get worse. Certainly, no responsible policy maker can exclude the possibility that conditions will get worse. Let me conclude these remarks, therefore, by asking whether this country can stand a substantial increase in defense spending without experiencing inflation or other bad effects. This general question breaks down into several subsidiary questions: (1) would an increase in defense spending force a lower standard of consumption; (2) would the country be able and willing to pay for substantially larger quantities of defense goods; (3) would substantially larger defense expenditures produce serious inflation. In order that we may have a more or less definite idea concerning the magnitudes involved, let us suppose that it is necessary to raise the rate of defense spending in two years' time from the present level of $50 billion a year to $70 billion. Such an increase would fall far short of the needs of a full-scale war, but it would imply a considerable activation of the so-called "cold" war.

(1) Would an increase in defense spending force a lower standard of consumption? I pointed out that the country is able to increase its annual output at the rate of roughly $12 or $13 billion a year. If an increase of $20 billion in defense spending were spread over two years, therefore, it might appear that the standard of consumption would not be impaired. This would not be quite true. The impairment might not be particularly serious, but it would exist. The reason is that the increase in defense spending would be more or less concentrated in the durable goods industries. It would create bottlenecks and more or less serious shortages of various materials. Hence, the only way in which the country could continue to spend the same amount on consumption would be to alter its pattern of buying in directions that did not represent the first choices of buyers.

(2) Would the country be able and willing to pay for substantially larger quantities of defense goods? Many people believe that the present tax burden of the country is so great that additional taxes would dangerously impair incentives to save, invest, and work. Whether or not $20 billion a year could be raised by taxes in ways that would not be harmful is an academic question. Permit me, however, to make several brief academic observations. If Congress were willing to discard political considerations, even as much as an additional $20 billion could be raised in ways that would not undermine the incentive to work either on the part of managers or of men in overalls. I am less certain about the effect on the incentive to save or invest.

There are two reasons why it would be possible to raise substantial additional amounts in taxes without undermining the incentive to work. One is that there are large quantities of income in this country that are not taxed at all or that are taxed at fairly low rates. The second is that the demand for income in terms of time and effort is a strong and stubborn demand. When more time and effort are required in order to earn a given income, experience shows that men put forth the additional time and effort. In other words, up to a fairly high price for income in terms of time and effort, the demand for income is what economists call an inelastic demand. This means, as I have said, that as income becomes harder to acquire, men strive more diligently and vigorously to obtain it. Furthermore, the demand on the part of managements for a good profits record is also a determined and stubborn demand. As profits become more difficult to earn, managements strive harder to earn them. Incidentally, this is the reason why competition stimulates efficiency instead of discouraging it.

The effect of higher taxes upon willingness to save and to invest is quite uncertain. The topic has a number of complications, and I shall not prolong these academic remarks by discussing it.

Whatever may be the theoretical possibilities of raising substantial additional amounts of revenue by taxes without harmful effects, I am sure that Congress would not be willing to impose the right kind of taxes. In fact, only grave developments abroad that created a feeling of emergency would induce Congress to make substantial additions to any taxes. Perhaps the developments which led to a substantial increase in defense spending might also create a sense of emergency. But the greater part of any large increase in defense spending would have to be met by borrowing. Hence, the problem would be one of devising government obligations which would be eagerly bought by real savers, thus avoiding government resort to the banks.

Creating a large additional non-bank market for government securities on short notice would be difficult in the extreme—probably impossible. We are talking about a possible rise in defense expenditures of $10 billion a year. To finance these out of savings would require that virtually all of the normal annual increase in the national income go into government securities. Undoubtedly the rise in defense spending would be accompanied by a variety of material controls that would limit non-defense construction. Hence some funds that are now going into mortgages or being used in other ways to finance non-defense expenditures might become available for the purchase of government securities. The realistic view, however, is that an increase in defense expenditures by as much as $10 billion a year would require a considerable amount of inflationary financing. I do not know the amount that could be financed by non-inflationary means, but I would expect it to be less than $5 billion a year. Let us hope, therefore, that the nation will not be put to the necessity of substantially raising its defense expenditures.

(3) Would the larger defense expenditures produce serious inflation? I have already indicated that the government would probably be unable to finance $20 billion additional defense expenditures a year without resort to inflationary methods of borrowing. There would be other ways in which the country would be threatened with at least a moderate rise in prices. A large proportion of business enterprises are fairly well supplied with liquid assets. If managements anticipated material shortages, they would quickly attempt to build up inventories. This would produce the sort of inventory boom and price rises that occurred in the latter half of 1950 and the first quarter of 1951. Recollections of the subsequent decline in most prices would be a moderating influence, but the government would undoubtedly have to take steps to control the accumulation of inventories.

Finally, the large increase in defense expenditures would stimulate unions to make wage demands. Even during the last two years while the wholesale price level has been drifting slowly downward, wages, as measured by straight-time hourly earnings, have increased considerably faster than output per manhour—in fact, more than twice as fast, if the rise in output per manhour is 2.5% a year. This means that labor costs in most industries have been slowly rising. In the long run the price level must be adjusted to labor costs. Hence a slow rise in labor costs means a slow rise in the price level. Unless employers are able to improve their bargaining power relative to labor, labor costs will continue to rise and the price level will have to rise with them. A substantial advance in defense expenditures would strengthen the bargaining position of labor and weaken the bargaining position of employers. Thus it would accentuate the present inflationary effects of rising labor costs.

My conclusions are that the country would probably have no serious difficulty in meeting the production problems created by the need for substantially larger quantities of defense goods, but that the rise in defense spending would raise economic problems that could not be met with entire satisfaction. Since some inflation would inevitably accompany a substantially larger volume of defense expenditures, the sort of bad effects that one fears from higher taxes would not occur. People as a whole would not be getting richer, if the rise in defense expenditures were about $10 billion a year, but they would not be getting poorer either and many of them would experience the illusions of well-being that are created by rising money income even when the purchasing power of incomes does not advance.

VI

Let me conclude these remarks by emphasizing that my discussion of the problems that would be created by a substantial rise in defense expenditures must not be interpreted as meaning that I expect such a rise. I believe that the chances are against it. I am sure, however, that no one would assert that it is a remote possibility. Far more probable than a rise in defense spending are drops in defense spending and in investment spending. This means that business should make plans to bring about a substantial increase in consumer spending within the next two or three years. But if international developments compel a substantial rise in defense spending, plans for increasing consumer spending must be quickly laid aside and postponed for later execution. Hence, the great uncertainties in international relations which will determine whether inflationary or deflationary influences predominate in our economy during the next several years require that both business and government strive for flexibility in policy making and be prepared quickly to reverse their positions if the unexpected happens and defense spending goes up instead of down.

Anthony Villa Director

Anthony L. Villa

Anthony L. Villa, partner in Jesup & Lamont, New York City, has been elected a director of the Jefferson Lake Sulphur Co.

Peninsular Telephone Offering Underwritten

Peninsular Telephone Co., is offering to the holders of its common stock rights to subscribe at $40 per share for 73,241 shares of additional common stock at the rate of one share for each five shares held of record on March 18, 1953. The rights will expire at 3:30 p.m. (EST) on April 1, 1953. Certain of the officers and employees of the company may subscribe pro rata for any shares not taken through exercise of rights.

An underwriting group headed by Morgan Stanley & Co. and Coggeshall & Hicks will purchase any shares not subscribed for either by the exercise of rights or under the offer to officers and employees.

Proceeds from the sale will be used to finance part of the company's construction program. Major projects include installation of approximately 84 toll positions in various exchanges, 16,100 lines of automatic central office equipment in various exchanges and installation of remaining equipment necessary to establish nation-wide toll dialing throughout the company's entire system.

The company operates wholly within the State of Florida and provides telephone service in approximately 100 communities, including Tampa, St. Petersburg, Clearwater, Lakeland, Sarasota and Bradenton. During the past five years the number of telephones in service has increased from around 108,000 to slightly over 188,000 as of Dec. 31, 1952. Peninsular believes it is the first company in the country operating exchanges over a wide area to have installed dial equipment throughout its service.

At the annual meeting to be held March 25, 1953, stockholders will vote on a proposal to increase the number of shares of common stock by a stock split of three shares for each two shares outstanding of record at the close of business on April 20, 1953, including the shares involved in this sale, thereby increasing the number of shares from 439,454 to 659,181.

The company reported total operating revenues of $12,115,087 for the year ended Dec. 31, 1952. Net income was $1,453,740, equal after preferred dividends to $3.84 per share of common stock.

Dividends on the common stock have been paid at the rate of $2.50 per share per annum during the last four years and a dividend of 60 cents per share has been declared payable April 1, 1953 to the shares outstanding after the 20% stock dividend paid Feb. 27, 1953.

Wolf Land Co. Formed

CHEYENNE, Wyo.—Erving Wolf has formed the Wolf Land Company with offices at 2103 Carey Avenue, to engage in the securities business.

Continued from first page

Proposed SEC Rule on Officer And Employee Stock Options

day he was given the option, then, regardless of what the market price or the reasonable value of the stock might be when the option was exercised, the books of the employer corporation would show only that the outstanding capital stock had been increased to the extent of the number of shares which the optionee took down.

Under the SEC's proposed rule this would still be true but, in addition, and this is where the rub comes in, the employer corporation would be obliged to reflect in its profit and loss account a sum representing the difference between the option price and the market price or the reasonable value on the day the option was exercised and the stock acquired by the employee.

Esteemed Accountants Object

When interviewed, William W. Werntz of the much esteemed firm of accountants and auditors, Touche, Niven, Bailey & Smart (Editor's Note—Mr. Werntz was formerly chief accountant of the Securities and Exchange Commission from 1938 to 1947 and was a member of the special panel of the Salary Stabilization Board) said, "I feel strongly that the date the option was given to the officer or employee is the proper one to be used, as it reflects the facts of the transaction at the time it was entered into. The use of later dates could require the issuer to charge its income account with amounts based entirely on market fluctuations and unrelated to the activities, either of the corporation or its employees. For example, suppose a company issued options to its employees at the market price when its shares were selling for $20, exercisable in installments over a period of five years. If 10,000 shares became subject to option, the market value of which on the exercisable date was $40 a share, the company would have to make a charge to income under the SEC rule of $200,000 as to which it would receive no tax benefit and which might easily amount to one-half of its net income after taxes. To me any requirement that such a charge be considered to measure compensation, when the amount is determined largely by the vagaries of the market place, is highly unreal."

Congressional Legislation Ignored

Both the Congress, in enacting Section 130A of the Internal Revenue Code, and the Salary Stabilization Board, in implementing the salary stabilization provisions of the Defense Production Act, selected the grant date as the time for determining whether compensation exists in connection with the giving of stock options to officers and employees and followed substantially the procedure indicated in the American Institute of Accountants bulletin in measuring the compensation involved, if any.

The SEC view maintains that the value of the option is the amount of the spread between the option price and the market price at the time the option becomes exercisable; further, that the corporation is considered to have paid this out of current earnings at such time as an integral part of the optionee's compensation for that fiscal period. This spread, the Commission advocates, should be charged as compensation to the income account.

It seems to us that overlooking the true nature of employee stock options, the Commission has erroneously taken the view that these are simply a matter of form with no rights accruing at the time the options are granted but with rights accruing only at the exercisable date.

SEC Reasoning Fallacious

The fallacy of the SEC proposal lies in its indication that the employer corporation paid out of current earnings an amount equivalent to the spread and that the stockholders of the corporation have paid in as paid-in capital, or some other form of capital surplus, an amount equivalent to such spread. Of course nothing of the kind has happened at all. Such entries would be purely fictitious.

What actually happens in the ordinary case of stock options to employees is that such compensation is paid—not by the corporation out of current earnings at all but by the stockholders out of appreciation in the market value of the stock, inasmuch as such option stock usually comes from the pool of unissued stock.

The Commission ignores realities when it regards employees' stock option plans purely in the nature of compensation. The real objective is not only to assure a long tenure of key personnel but also to give them a proprietary incentive toward the affairs of the company aside from any part employee stock option plans may play in a corporation's program to raise capital.

If it be true, as we believe, that the purpose of accounting is to correctly record all of the facts concerning a particular transaction, then the entries which the Commission would have an employer make concerning stock options are wholly without rhyme or reason, constitute fictitious requirements and hence are not in accord with accepted accounting standards and practice.

We are shod by shoemakers and hatted by milliners. Everywhere the tendency is toward the expert and the specialist. By a parity of reasoning we should look to the Accounting Society in the matter of accounting problems and procedure.

SEC cheek is colossal. In its view it alone can recognize the public interest and the interest of investors and it is a better accountant than the accountant, a better geologist than the geologist, and a better lawyer than the lawyer—at least so it believes.

We do not see the necessity for any new rule by the Commission in the instant matter which would require a change in accounting practice.

We believe that employer corporations promulgating employee stock option plans should be permitted to file their financial statements with the Commission for the various purposes required by law without reflecting therein any change in the form of compensation resulting from these options.

Hearing Deadline Is Near

We believe the SEC is too little the aid and too much the meddler.

It is vital that the time to comment on SEC Release No. 4803-X be considerably extended beyond March 25, 1953, the time now fixed, so that an ample opportunity will exist for the submission of views and comments in writing on this proposed rule.

In the meantime, it is urgent that all business throughout our country be alerted to the danger of what is here attempted, for if the SEC is permitted to get away with what it is now trying to do, you can just bet your bottom dollar that this will be just the first of many future incursions which the Commission will make into the accounting field, and for that matter, into many other fields.

Past experience demonstrates that the request by the SEC for comments concerning its proposed rules have in the main been made solely for the record and the rule is promulgated pretty much in the initial form drafted by these bureaucratic zealots. For this reason, it devolves upon those affected by the instant proposal not only to express their views to the Commission itself, but to their Congressmen and Senators as well.

The CHRONICLE would appreciate receiving comments on the views expressed in the above editorial, or on any related phases of the subject under discussion, and in harmony with the suggestion therein, a copy of any communication sent to the SEC or members of Congress. Communications should be addressed to Editor, Commercial and Financial Chronicle, 25 Park Place, New York 7, New York.

*While the three pages of explanatory material contained in release No. 4803-X intended to make for acceptance of the instant rule is not given here because of space limitations, the text of the rule the Commission proposed to adopt follows:

"(a) Compensation to officers and employees in the form of options granted to acquire capital stock should be reflected in the profit and loss account, at the time the optionees have complied fully with the terms of the option agreements and thereby become entitled to exercise the options, in an amount equal to the excess of the fair value of the stock exercisable over the option price, at that date.

"(b) A brief description of each option arrangement including (1) the title and amount of securities subject to option; (2) the date or dates upon which the options were granted; (3) the date or dates upon which the optionees become entitled to exercise the options; (4) the option price or prices; (5) the fair value per share of the optioned shares at the dates the options were granted; and (6) the fair value per share of the optioned shares which became exercisable during the period should be shown in a footnote to the financial statements."

Bankers Offer Public Service Gas & El. Stk.

Public offering of 750,000 shares of Public Service Electric & Gas Co. common stock was made yesterday (March 18) by a group of investment firms headed jointly by Morgan Stanley & Co.; Drexel & Co. and Glore, Forgan & Co. The stock is priced at $26⅞ per share.

Proceeds from the sale of these additional shares will be used to help finance the company's construction program which currently is expected to total about $131,000,000 in 1953 and 1954. Principal projects in this program are two turbine-generators of 145,000 kilowatt capacity each now being installed in the Kearny Generating Station, one turbine-generator of 185,000 kilowatt capacity to be installed in the Burlington Generating Station and the expansion of the gas distribution system.

Public Service is an operating electric and gas utility company serving the most densely populated and heavily industrialized areas in New Jersey, including most of the state's larger cities. Population of the territory served with both electricity and gas is around 3,186,515. A wholly-owned subsidiary, Public Service Coordinated Transport and its subsidiary own and operate a fleet of buses which comprise the largest single fleet operated in mass transportation service in the United States.

The company's operating revenues have increased from $170,100,190 in 1948 to $213,923,175 in 1952. Net income for 1952 was $23,529,583, equal after dividends on the preferred and dividend preference common stocks to $2.02 per share on the average number of common shares outstanding during the period.

Dividends on the common stock are currently being paid at the quarterly rate of 40 cents per share.

Bankers Offer Hot Shoppes Inc. Stock

A group headed by Johnston, Lemon & Co. is offering 229,880 shares of common stock of Hot Shoppes Inc., a food and restaurant chain, at a price of $10.25 per share.

Of the 229,880 shares being offered, 195,880 shares are being offered on behalf of certain shareholders. Proceeds from the sale of the additional 16,000 shares being offered publicly on behalf of the company, plus proceeds from an additional 18,000 shares being offered by the company for sale to its employees, will be added to general working capital.

Hot Shoppes Inc., incorporated in 1929, operates 45 eating establishments in 9 States and the District of Columbia, with the major concentration of eating places being in the metropolitan area of Washington, D. C., where it is one of the leading restaurant chains.

For the fiscal year ended July 31, 1952 gross operating income of the chain was $19,737,935 of which dining room and counter sales accounted for $10,172,500. For the previous fiscal year gross income was $15,682,200, of which $8,262,400 was from dining room and counter service. Unaudited figures show that per share earnings on the common stock from Aug. 1, 1951 to Dec. 16, 1951 were 21.5 cents, and that this figure increased to 47.1 cents per share for the period Aug. 1, 1952 to Dec. 21, 1952.

Joins Wm. C. Roney

GRAND RAPIDS, Mich.—James L. De Looff is now with Wm. C. Roney & Co., Grand Rapids National Bank Building, members of the New York and Detroit Stock Exchanges and other leading exchanges.

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. 22	§100.1	*101.3	99.1	101.0
Equivalent to—					
Steel ingots and castings (net tons)	Mar. 22	§2,256,000	*2,284,000	2,235,000	2,098,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Mar. 7	6,439,800	6,521,100	6,521,850	6,420,500
Crude runs to stills—daily average (bbls.)	Mar. 7	†6,963,000	7,030,000	6,834,000	6,735,000
Gasoline output (bbls.)	Mar. 7	23,131,000	23,360,000	23,232,000	21,645,000
Kerosene output (bbls.)	Mar. 7	2,966,000	2,935,000	2,684,000	2,608,000
Distillate fuel oil output (bbls.)	Mar. 7	10,297,000	10,796,000	10,178,000	10,284,000
Residual fuel oil output (bbls.)	Mar. 7	9,035,000	9,017,000	8,808,000	9,217,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Mar. 7	159,434,000	*157,612,000	152,493,000	153,678,000
Kerosene (bbls.) at	Mar. 7	19,843,000	20,550,000	22,308,000	17,454,000
Distillate fuel oil (bbls.) at	Mar. 7	65,476,000	68,025,000	78,152,000	53,554,000
Residual fuel oil (bbls.) at	Mar. 7	43,628,000	44,432,000	45,807,000	37,747,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Mar. 7	685,016	668,805	690,744	713,112
Revenue freight received from connections (no. of cars)	Mar. 7	672,031	656,073	671,765	685,500
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Mar. 12	$266,241,000	$273,663,000	$267,788,000	$223,806,000
Private construction	Mar. 12	103,156,000	127,203,000	182,565,000	107,670,000
Public construction	Mar. 12	163,085,000	146,460,000	85,223,000	116,136,000
State and municipal	Mar. 12	137,273,000	132,430,000	53,601,000	73,907,000
Federal	Mar. 12	25,812,000	14,030,000	31,622,000	42,229,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Mar. 7	8,100,000	*8,500,000	8,570,000	9,879,000
Pennsylvania anthracite (tons)	Mar. 7	583,000	554,000	652,000	766,000
Beehive coke (tons)	Mar. 7	122,500	*121,900	117,700	144,900
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Mar. 7	95	93	88	88
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Mar. 14	8,138,032	8,172,952	8,147,461	7,413,795
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Mar. 12	165	180	200	150
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Mar. 10	4.376c	4.376c	4.376c	4.131c
Pig iron (per gross ton)	Mar. 10	$55.26	$55.26	$55.26	$52.7[illegible]
Scrap steel (per gross ton)	Mar. 10	$44.08	$44.25	$42.00	$42.0[illegible]
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Mar. 11	29.575c	29.475c	24.200c	24.200c
Export refinery at	Mar. 11	34.600c	34.175c	34.725c	27.425c
Straits tin (New York) at	Mar. 11	121.500c	121.500c	121.500c	121.500c
Lead (New York) at	Mar. 11	13.500c	13.000c	13.500c	19.000c
Lead (St. Louis) at	Mar. 11	13.300c	12.800c	13.300c	18.800c
Zinc (East St. Louis) at	Mar. 11	11.000c	11.250c	11.500c	19.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Mar. 17	94.86	94.83	95.60	96.[illegible]
Average corporate	Mar. 17	107.62	107.80	108.16	109.79
Aaa	Mar. 17	111.07	111.25	111.81	113.70
Aa	Mar. 17	109.97	110.15	110.34	112.56
A	Mar. 17	106.56	106.74	107.44	108.88
Baa	Mar. 17	102.96	103.30	103.47	104.14
Railroad Group	Mar. 17	105.17	105.52	106.04	106.74
Public Utilities Group	Mar. 17	107.27	107.44	107.62	109.24
Industrials Group	Mar. 17	110.15	110.52	110.88	113.31
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Mar. 17	2.87	2.86	2.81	2.72
Average corporate	Mar. 17	3.30	3.29	3.27	3.18
Aaa	Mar. 17	3.11	3.10	3.07	2.9[illegible]
Aa	Mar. 17	3.17	3.16	3.15	3.03
A	Mar. 17	3.36	3.35	3.31	3.2[illegible]
Baa	Mar. 17	3.57	3.55	3.54	3.50
Railroad Group	Mar. 17	3.44	3.42	3.39	3.35
Public Utilities Group	Mar. 17	3.32	3.31	3.30	3.21
Industrials Group	Mar. 17	3.16	3.14	3.12	2.99
MOODY'S COMMODITY INDEX	Mar. 17	423.0	419.4	410.4	437.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Mar. 7	369,535	220,319	331,971	282,301
Production (tons)	Mar. 7	251,232	251,149	238,012	205,178
Percentage of activity	Mar. 7	96	95	94	86
Unfilled orders (tons) at end of period	Mar. 7	544,346	437,345	545,961	432,507
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Mar. 13	107.75	107.84	107.90	110.53
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. 28	29,167	28,073	31,883	30,320
Number of shares	Feb. 28	869,337	806,963	936,826	832,412
Dollar value	Feb. 28	$38,182,423	$36,697,015	$40,936,217	$39,952,157
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Feb. 28	25,968	24,821	29,128	23,237
Customers' short sales	Feb. 28	199	146	137	210
Customers' other sales	Feb. 28	25,769	24,675	28,991	23,027
Number of shares—Total sales	Feb. 28	738,713	697,299	816,983	644,721
Customers' short sales	Feb. 28	7,325	5,405	4,295	[illegible]
Customers' other sales	Feb. 28	731,388	691,894	812,688	637,05[illegible]
Dollar value	Feb. 28	$29,216,202	$28,364,497	$32,267,391	$27,441,996
Round-lot sales by dealers—					
Number of shares—Total sales	Feb. 28	208,110	193,220	219,520	170,230
Short sales	Feb. 28	------	------	------	------
Other sales	Feb. 28	208,110	193,220	219,520	170,230
Round-lot purchases by dealers—					
Number of shares	Feb. 28	343,190	319,570	350,340	372,190
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	Feb. 21	257,720	206,000	257,290	246,480
Other sales	Feb. 21	6,658,330	5,753,150	7,242,340	6,699,130
Total sales	Feb. 21	6,916,050	5,959,150	7,499,630	6,945,610
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Feb. 21	658,070	628,560	716,820	710,880
Short sales	Feb. 21	129,900	107,890	135,230	123,170
Other sales	Feb. 21	510,560	484,930	648,940	616,10[illegible]
Total sales	Feb. 21	640,460	592,820	784,170	739,270
Other transactions initiated on the floor—					
Total purchases	Feb. 21	152,460	133,650	198,700	165,840
Short sales	Feb. 21	21,000	12,500	13,000	13,040
Other sales	Feb. 21	136,640	122,960	203,730	170,940
Total sales	Feb. 21	157,640	135,460	216,730	183,980
Other transactions initiated off the floor—					
Total purchases	Feb. 21	225,881	225,621	248,717	282,634
Short sales	Feb. 21	34,020	32,300	60,640	22,620
Other sales	Feb. 21	327,750	231,015	279,083	340,795
Total sales	Feb. 21	361,770	263,315	339,727	363,415
Total round-lot transactions for account of members—					
Total purchases	Feb. 21	1,036,411	987,831	1,164,237	1,159,354
Short sales	Feb. 21	184,920	152,190	208,870	158,830
Other sales	Feb. 21	974,950	838,905	1,131,757	1,127,835
Total sales	Feb. 21	1,159,870	991,595	1,340,627	1,286,665
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Mar. 10	109.9	109.9	109.4	111.4
Farm products	Mar. 10	99.1	99.1	98.9	107.1
Processed foods	Mar. 10	105.6	*105.5	104.5	111.4
Meats	Mar. 10	95.9	*96.7	95.3	112.7
All commodities other than farm and foods	Mar. 10	113.1	113.2	112.7	112.3

*Revised figure. †Includes 607,000 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
AMERICAN GAS ASSOCIATION—For month of January:			
Total gas (M therms)	5,881,561	5,443,324	5,645,436
Natural gas sales (M therms)	5,505,746	5,129,228	5,255,574
Manufactured gas sales (M therms)	112,391	92,883	154,900
Mixed gas sales (M therms)	263,424	221,213	234,962
AMERICAN PETROLEUM INSTITUTE—Month of December:			
Total domestic production (barrels of 42 gallons each)	226,449,000	214,007,000	210,591,000
Domestic crude oil output (barrels)	205,645,000	194,611,000	191,650,000
Natural gasoline output (barrels)	20,769,000	19,360,000	18,925,000
Benzol output (barrels)	35,000	36,000	16,000
Crude oil imports (barrels)	18,685,000	18,709,000	13,117,000
Refined products imports (barrels)	17,423,000	10,802,000	12,723,000
Indicated consumption domestic and export (barrels)	277,738,000	239,877,000	253,809,000
Decrease all stock (barrels)	15,181,000	‡3,641,000	17,378,000
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—			
Month of February (in thousands)	$131,524,000	$149,004,000	$128,022,000
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of Feb. 28:			
Imports	$233,509,000	$225,052,000	$234,441,000
Exports	114,321,000	120,442,000	134,818,000
Domestic shipments	8,749,000	7,543,000	8,317,000
Domestic warehouse credits	44,205,000	57,512,000	37,360,000
Dollar exchange	57,000,000	42,558,000	27,106,000
Based on goods stored and shipped between foreign countries	31,772,000	34,380,000	51,388,000
Total	$489,556,000	$487,487,000	$493,430,000
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S.—U. S. DEPT. OF LABOR—Month of December (000's omitted):			
All building construction	$592,919	*$632,619	$430,923
New residential	313,188	*347,290	222,138
New nonresidential	207,546	*206,597	148,974
Additions, alterations, etc.	72,186	*78,732	59,811
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S. DEPT. OF COMMERCE—Month of February (000's omitted)	$181,000,000	$548,000,000	$181,400,000
COAL OUTPUT (BUREAU OF MINES)—Month of February:			
Bituminous coal and lignite (net tons)	33,920,000	39,255,000	*43,738,000
Pennsylvania anthracite (net tons)	2,365,000	2,626,000	3,311,000
Beehive coke (net tons)	477,500	478,700	585,200
COKE (BUREAU OF MINES)—Month of Jan.:			
Production (net tons)	6,763,204	6,690,649	6,801,653
Oven coke (net tons)	6,284,493	6,263,544	6,167,562
Beehive coke (net tons)	478,711	427,105	634,091
Oven coke stocks at end of month (net tons)	2,040,795	2,177,391	1,810,405
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of Feb. 28 (000's omitted)	$511,000	$504,000	$517,000
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM—1939-49 Average 100) Month of February:			
Adjusted for seasonal variations	111	*111	106
Without seasonal adjustment	87	*85	83
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of December (000's omitted)	30,675,661	29,364,469	28,262,678
Revenue from ultimate customers—month of December	$550,591,500	$527,279,900	$501,348,600
Number of ultimate customers at December	48,459,371	48,349,466	46,821,879
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of January:			
Weekly earnings—			
All manufacturing	$71.27	*$72.40	$66.91
Durable goods	77.32	*78.70	72.15
Nondurable goods	62.80	*63.67	60.04
Hours—			
All manufacturing	41.1	41.8	40.8
Durable goods	42.0	42.7	41.8
Nondurable goods	39.8	*40.5	39.5
Hourly earnings—			
All manufacturing	$1.734	*$1.732	$1.640
Durable goods	1,841	*1,843	1,726
Nondurable goods	1.578	*1,572	1.520
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of February (1935-39 average = 100)	118.9	121.9	122.3
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of Feb.	£11,670,000	£29,808,000	£56,379,000
PORTLAND CEMENT (BUREAU OF MINES)—Month of January:			
Production (barrels)	18,855,000	20,881,000	17,039,000
Shipments from mills (barrels)	13,520,000	13,740,000	12,696,000
Stocks (at end of month—barrels)	21,292,000	15,964,000	22,336,000
Capacity used	79%	87%	73%
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of February:			
Net sales	------	------	------
Net purchases	$8,797,700	$24,581,000	$6,086,500
U. S. GOVT. STATUTORY DEBT LIMITATION As of Feb. 28 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	267,583,710	267,402,058	260,361,955
Guaranteed obligations not owned by the Treasury	50,029	48,176	36,915
Total gross public debt and guaranteed obligations	$267,633,740	$267,450,235	$260,398,871
Deduct—other outstanding public debt obligations not subject to debt limitation	610,643	612,775	653,576
Grand total outstanding	$267,023,096	$266,837,459	$259,745,294
Balance face amount of obligations, issuable under above authority	7,976,903	8,162,540	15,254,705

*Revised. ‡Increase all stocks (barrels).

Continued from page 5

The State of Trade and Industry

the No. 1 steel consumer, the auto industry. There is no question that accelerating auto production schedules are pumping great strength into the steel market, asserts this trade authority.

Outlook for continuing high level demand strengthens expectation of a selective steel price increase by summer—when the union bid for a seventh wage round will have been dealt with. Steel leaders are determined that there shall be no wage increase this year without at least a fully covering price increase, concludes "The Iron Age."

Steel Output Scheduled at 100.1% of Capacity For Current Week

One gage of the strength of demand for steel is an estimate, on the basis of a poll by "Steel," the weekly magazine of metalworking, that the automobile industry will pay close to $215,000,000 in premiums for steel this year if present auto production levels and the current availability of steel remain unchanged. The premiums are those paid for warehouse steel and for conversion steel. The added cost would average $36 per auto produced, it points out.

Because of the continued heavy demand for steel, the steel industry produced steel for ingots and castings at the rate of 101% of capacity in the week ended March 14. That matched the record-breaking pace of the preceding week. That rate yields 2,277,000 net tons of steel for ingots and castings.

At the pace steel production is going there will be another new monthly record this month. Figures just issued by the American Iron & Steel Institute show the 8,938,000 net tons of steel for ingots and castings produced in February was a record for that month. The 18,834,627 net tons of steel for ingots and castings produced in the first two months of 1953 also set a record for that period and exceeded the output of the corresponding months of 1952 by 1,041,300 tons.

The forms of finished steel that have been in strong demand remain in that position. On the basis of current demand for conversion steel, it has been estimated that automakers would have to reduce their output 10 to 25% before there would be any appreciable let-down in regular mill requirements, states this trade magazine. Fast pace of the auto producers is keeping buoyancy in the demand for hot-rolled and cold-rolled carbon sheets. The outlook for open-end tonnage in these products in the second quarter is narrowing.

While some forms of finished steel are in extremely strong demand, others are relatively easier, it adds.

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 100.1% of capacity for the week beginning March 16, 1953, equivalent to 2,256,000 tons of ingots and steel for castings. In the week starting March 9, production created a new weekly record at 2,284,000 tons and the rate was placed at 101.3%. For the like week a month ago the rate was 99.1% and production 2,235,000 tons. A year ago when the capacity was smaller actual output was 2,098,000 tons, or 101.0%.

Electric Output Reflects a Decline the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended March 14, 1953, was estimated at 8,138,032,000 kwh., according to the Edison Electric Institute.

The current total was 34,920,000 kwh. below that of the preceding week when output totaled 8,172,952,000 kwh. It was 724,237,000 kwh., or 9.8% above the total output for the week ended March 15, 1952, and 1,234,768,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Rise 2.4% Above Week Ago

Loadings of revenue freight for the week ended March 7, 1953, totaled 685,016 cars, according to the Association of American Railroads, representing an increase of 16,211 cars, or 2.4% above the preceding week when loadings were reduced by the Washington's Birthday holiday.

The week's total represented a decrease of 28,096 cars, or 3.9% below the corresponding week a year ago, and a decrease of 64,506 cars, or 8.6% below the corresponding week in 1951.

United States Auto Output Advances About 7% Due to Increased Supplies

Passenger car production in the United States last week rose about 7% due to a greater supply of materials, states "Ward's Automotive Reports."

It aggregated 129,962 cars compared with 120,900 cars (revised) in the previous week. This was 50% more than the 86,717 cars turned out in the year ago week.

Total output for the past week was made up of 129,962 cars and 29,592 trucks built in the United States, against 120,900 cars and 27,927 trucks the previous week and 86,717 cars and 25,549 trucks in the comparable 1952 week.

Canadian factories turned out 7,706 cars and 2,465 trucks last week, against 7,611 cars and 2,387 trucks in the preceding week and 5,424 cars and 2,702 trucks in the comparable 1952 week.

Business Failures Drop Moderately

Commercial and industrial failures declined to 165 in the week ended March 12 from 180 in the preceding week, Dun & Bradstreet, Inc., reports. Casualties remained above last year's total of 156, but dipped below the 185 which occurred in 1951. They were down sharply, 45%, from the prewar level of 298 in the comparable week of 1939.

Liabilities of $5,000 or more were involved in 145 of the week's failures. This size group showed a slight decline from 152 in the previous week but exceeded the 124 a year ago. Small casualties, those with liabilities under $5,000, decreased to 20 from 28 and were lower than in the corresponding week of 1952 when 32 occurred.

Wholesale Food Price Index Holds at Year's High

Terminating the four-week rise which began about a month ago, the Dun & Bradstreet wholesale food price index for March 10 remained unchanged at $6.28, the high point for this year. This compares with $6.58 at this time a year ago, or a drop of 4.6%. The 1953 low was $6.13 recorded on Feb. 3.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Level Shows Irregular Trend

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved in a very narrow range last week. The index closed at 281.23 on March 10, against 281.16 a week earlier, and 302.21 on the like date a year ago.

Grain prices continued to fluctuate irregularly. Weakness in wheat was influenced by the receipt of moisture in the dry sections of the Southwest and in the Spring wheat areas. Substantial export sales of wheat were reported to Japan, Italy, Yugoslavia, and Holland. Cash corn prices were fairly steady following early easiness. The contemplated buying of corn by the CCC at current market prices to counteract its sales of off-grade corn had little effect on prices. Export trade in corn was spotty although clearances for the week were reported at 1,726,000 bushels. Volume of trading in grain futures broadened last week. Daily average sales on the Chicago Board of Trade totaled 50,000,000 bushels, compared with 44,000,000 a week previous, and 41,000,000 for the same week last year.

Export flour business showed moderate improvement. Cocoa continued to move higher in both the spot and futures markets. Warehouse stocks showed a small decline to 78,053 bags, from 79,008 a week earlier, and compared with 101,155 bags a year ago. Coffee remained strong at ceilings. Demand was active but offerings were practically nil within the ceiling level of 55.50 cents, ex-dock, New York.

Firmer raw sugar prices reflected continued active demand from cane sugar refiners.

Cotton maintained a steady to firm undertone as prices moved in a narrow range last week. Support was influenced by short covering, moderate mill price-fixing, and a steady flow of the staple into the government loan. Reported entries during the week ended Feb. 27 rose slightly to 60,600 bales, from 59,100 and 53,200 in the two preceding weeks. Aggregate loans for the season through Feb. 27 were 1,969,600 bales, against 920,100 to the corresponding date a year ago.

The mid-February parity price for cotton was reported at 33.85 cents a pound, down from 34.22 a month previous, and the lowest level since September, 1951.

Trading in the ten spot markets slackened somewhat. Sales totaled 113,700 bales for the week, against 124,800 last week, and 99,000 in the same week last year.

Trade Volume Rises Slightly as Easter Approaches

Retail trade rose slightly in most parts of the nation in the period ended on Wednesday of last week as shoppers became increasingly aware of the nearness of Easter. Attractive promotions were instrumental in sustaining the total dollar volume of retail trade slightly above the level of a year ago. Heavy snows in parts of the Northwest hampered the sales of Spring merchandise.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 1 to 5% higher than that of a year ago. Regional estimates varied from the corresponding levels of a year ago by the following percentages: New England and Midwest +1 to +5; East 0 to +4; Southwest +4 to +8; Northwest 0 to +4; South and Pacific Coast +3 to +7.

In most parts of the nation retailers reported that the Easter shopping season was well under way. Most merchants look forward to new sales records.

The total amount spent for apparel last week was moderately higher than in the similar 1952 week. In widest demand were women's suits and coats, accessories and haberdashery. Forceful promotions of shoes evoked favorable consumer response.

Shoppers boosted their buying of household goods the past week and spent slightly more than in the similar 1952 week. While the demand for television sets, considered nationally, remained above a year ago, there was a growing number of saturated markets. In widest demand were bedding, decorating materials, and hardware.

Trading activity in many wholesale markets quickened slightly in the week as buyers made hasty preparations for the new selling season.

The total dollar volume of wholesale trade was at the highest level attained at this time of the year.

Most buyers remained chary of extending their commitments beyond the near future.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended March 7, 1953, increased 8% from the level of the preceding week. In the previous week an increase of 9%* was reported from that of the similar week of 1952. For the four weeks ended March 7, 1953, an increase of 6% was reported. For the period Jan. 1 to March 7, 1953, department store sales registered an increase of 3% above 1952.

Stimulated by Easter buying, retail trade in New York the past week showed a rise of 5% above the like 1952 period.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended March 7, 1953, increased 2% from the like period of last year. In the preceding week a decrease of 5%* was reported from that of the similar week of 1952, while for the four weeks ended March 7, 1953, a decrease of 2% was recorded. For the period Jan. 1 to March 7, 1953, volume declined 3% under that of 1952.

*In using year ago comparisons for the weeks ending Feb. 28 and Feb. 21, allowance should be made for the fact that in some cities store closings in observance of Washington's birthday occurred in the week ending Feb. 28 this year whereas last year they occurred in the previous week.

John Dwyer With McMahon & Hoban

CHICAGO, Ill. — McMahon & Hoban Inc., 105 South La Salle Street, announces that John E. Dwyer, Jr., has joined their firm as a Security Salesman. Mr. Dwyer was formerly associated with Betts, Borland & Co.

John E. Dwyer, Jr.

Mr. Dwyer joined Betts, Borland on his discharge from the U. S. Air Force in 1945. He is a graduate of Georgetown University. Mr. Dwyer is a member of the Chicago Athletic Association, and is Chairman of the Bond, Stock, and Grain division of the Chicago Heart Association fund drive.

Kuhn, Loeb Offers Miss. Pw. & Lt. Bonds

An offering of $12,000,000 Mississippi Power & Light Co. first mortgage bonds, 3⅝% series due March 1, 1983, is being made today (March 19) by Kuhn, Loeb & Co. at 100.456% and accrued interest, to yield 3.60%. Bidding alone, Kuhn, Loeb & Co., won award of the issue at competitive sale on Tuesday on its bid of 100.136%.

Net proceeds from the sale of the bonds will be used by the company for the construction of new facilities and for the extension and improvement of present facilities. The company's construction program is expected to result in expenditures of about $23,000,000 for 1953 and $6,800,000 for 1954, as additions will be made to generating capacity and electric transmission and distribution facilities are expanded.

The bonds will be redeemable at general redemption prices ranging from 103.46% to par, and at special redemption prices for the sinking or improvement fund, ranging from 100.46% to par, plus accrued interest in each case.

Mississippi Power & Light Co. is an operating public utility engaged in the purchase, generation, transmission, distribution and sale of electric energy, and to a minor extent, in the distribution and sale of water, and in activities incidental to such operations. Operating in the western half of Mississippi, the company supplies electric service in 419 communities, 10 of which purchase their power requirements at wholesale from the company and the remainder are served by the company at retail.

With Gross, Rogers Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Jesse A. Lombardi has become connected with Gross, Rogers, Barbour, Smith & Co., 559 South Figueroa Street. Mr. Lombardi was previously with Marache, Dofflemyre & Co. and First California Company.

With Fewel & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — William F. La Monte has joined the staff of Fewel & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange. In the past Mr. La Monte was with J. A. Hogle & Co.

Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

TIFTON, Ga. — Marion C. Holmes, Sr. is now with Waddell & Reed, Inc.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Alaska Telephone Corp., Juneau, Alaska
Feb. 27 (letter of notification) $200,000 of 6% 20-year convertible debentures. **Price** — $70 for each $100 of principal amount. **Proceeds**—To expand service. **Underwriter**—Tellier & Co., New York.

★ **Allied Chemical & Dye Corp. (4/1)**
March 11 filed $200,000 of 25-year debentures due April 1, 1978. **Price** — To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—Morgan Stanley & Co., New York.

American Pipeline Producers, Inc.
Jan. 5 (letter of notification) 599,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—To drill wells. **Office**—Room 308, Texas Eastern Bldg., Shreveport, La. **Underwriter**—W. C. Doehler Co., Jersey City, N. J.

Arcturus Electronics, Inc., Newark, N. J.
March 4 (letter of notification) 37,500 shares of class A common stock (par one cent). **Price**—45 cents per share. **Proceeds**—To Delbert E. Replogle, President. **Underwriters**—None, but Gearhart & Otis, Inc., (New York), White & Co. (St. Louis) and McCoy & Willard (Boston) will act as brokers.

★ **Arcturus Electronics, Inc.**
March 10 (letter of notification) $200,000 of 5-year 6% convertible debentures due Apr. 1, 1958. **Price**—At 100%. **Proceeds**—To pay chattel mortgage; to install machinery and equipment in plant to be leased in Clifton, N. J.; to repay bank loan; and for working capital. **Underwriters**—Gearhart & Otis, Inc., New York; White & Co., St. Louis, Mo.; and McCoy & Willard, Boston, Mass. **Offering**—Now being offered.

Ashland Oil & Refining Co.
Feb. 27 filed 100,000 shares of cumulative second preferred stock, $1.50 series of 1952 (no par) (convertible prior to June 15, 1962) to be offered for subscription by officers and employees of company and its American and Canadian subsidiaries under a "Restricted Stock Option Plan for Employees." **Price**—Alternate provisions fix the purchase price at 85% and 100%, respectively, of the market value of the stock at the time the options are granted. **Proceeds**—For working capital and used in part for property additions and improvements. **Underwriter**—None.

Ashtabula Telephone Co. (Ohio)
Feb. 20 (letter of notification) 10,000 shares of common stock being offered to common stockholders of record Feb. 26 at rate of one new share for each three shares held; rights expire on April 2. **Price**—At par ($25 per share). **Proceeds** — For construction program. **Office**—4616 Park Ave., Ashtabula, Ohio. **Underwriter**—None.

Atlanta Gas Light Co.
Feb. 11 filed 80,255 shares of common stock (par $10) being offered to common stockholders at rate of one new share for each 10 shares held March 4; rights to expire March 25. **Price**—$20.50 per share. **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.

Automatic Washer Co., Newton, Iowa
March 5 (letter of notification) 4,600 shares of common stock (par $3). **Price**—At market (approximately $7 per share). **Proceeds**—To Helen I. Chapman, the selling stockholder. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, Davenport, Iowa.

★ **Baukol-Noonan, Inc., Noonan, N. D.**
March 13 (letter of notification) 25,000 shares of common stock. **Price**—At market (from $2.50 to $3.50 per share). **Proceeds**—To Halvor Rolfsrud, the selling stockholder. **Underwriter**—None.

Bearings Co. of America, Lancaster, Pa.
March 9 filed $600,000 of first mortgage 5½% convertible bonds due from 1954 to 1968, inclusive. **Price**—100% of principal amount. **Proceeds**—To retire $303,000 4½% convertible bonds and $74,250 of 4½% class A preferred stock and 5% class B preferred stock and for working capital. **Underwriter**—Dempsey-Tegeler & Co., St. Louis, Mo.

★ **Blair Holdings Corp., San Francisco, Calif.**
March 13 (letter of notification) 11,846 shares of common stock (par $1). **Price**—$8 per share. **Proceeds**—To Elbert J. Evans, the selling stockholder. **Underwriter**—Harris, Upham & Co., New York.

★ **Blue Sky Mining Co., Inc.**
March 4 (letter of notification) 2,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—To purchase claims and property. **Address**—Box 191, Coeur d'Alene, Idaho. **Underwriter**—None.

Bristol Oils Ltd., Toronto, Canada
Sept. 25 filed 1,000,000 shares of common stock (par $1). **Price**—Approximately 64.48 cents per share. **Proceeds**—To acquire leases and for corporate purposes. **Underwriter**—None. To be named by amendment.

Brockton Edison Co. (4/6)
March 6 filed $4,100,000 first mortgage and collateral trust bonds due Feb. 1, 1983. **Proceeds**—To repay bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Harriman Ripley & Co. Inc.; Coffin & Burr. Inc.; The First Boston Corp.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Estabrook & Co. and Stone & Webster Securities Corp. (jointly). **Bids**—To be received up to 11 a.m. (EST) on April 6 at 49 Federal St., Boston, Mass.

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.

● **California Electric Power Co. (3/31)**
March 2 filed 136,249 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**—To be received at 11:30 a.m. (EST) on March 31 at Bankers Trust Co., 46 Wall St., New York 15, N. Y.

● **California Electric Power Co. (4/6)**
March 9 filed $8,000,000 of first mortgage bonds due 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; 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 up to 11:30 a.m. (EST) on April 6.

Carpenter (L. E.) & Co.
March 3 (letter of notification) 1,200 shares of common stock (par $1). **Price** — At market (about $4.62½ to $4.87½ per share). **Underwriter**—Eisele & King, Libaire, Stout & Co., New York. **Proceeds**—To George Lucas, Jr., President.

★ **Celon Co., Madison, Wis.**
March 6 (letter of notification) $157,100 of convertible subordinated debentures due 1965. **Price**—At par (in denominations of $100, $500 and $1,000 each). **Proceeds**—For working capital. **Office**—2034 Pennsylvania Ave., Madison 4, Wis. **Underwriter**—None.

Central City Milling & Mining Corp. (3/25)
March 4 (letter of notification) 1,800,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining operations. **Underwriter**—R. L. Hughes & Co., Denver, Colo.

● **Central and South West Corp. (4/1)**
March 6 filed 606,084 shares of common stock (par $5) to be offered for subscription by common stockholders of record April 1 in ratio of one share for each 14 shares held; rights will expire on April 20. **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: The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers and Lazard Freres & Co. (jointly); Blyth & Co., Inc., Smith, Barney & Co. and Harriman Ripley & Co., Inc. (jointly). **Bids** — To be received up to 11 a.m. (CST) at 20 No. Wacker Drive, Chicago 6, Ill.

★ **Cleveland Airways, Inc., Cleveland, Ohio**
March 11 (letter of notification) 3,700 shares of common stock (par $1), 7,500 shares of preferred stock (par $20) and $100,000 of 3% convertible notes. **Price** — For common, $10 per share; for preferred, at par; and for notes,

Continued on page 42

NEW ISSUE CALENDAR

March 23, 1953
Paley Manufacturing Corp. ____ Common
(G. K. Shields & Co.)
Pittsburgh Coke & Chemical Co. ____ Common
(Hemphill, Noyes & Co.)

March 24, 1953
Dallas Power & Light Co. ____ Bonds
(Bids noon EST)
Georgia Power Co. ____ Bonds & Preferred
(Bids 11 a.m. EST)
Great Western Uranium Corp. ____ Common
(Israel & Co.)
Pacific Lighting Corp. ____ Preferred
(Blyth & Co., Inc.)

March 25, 1953
Central City Mining & Milling Corp. ____ Common
(R. L. Hughes & Co.)
El Paso Natural Gas Co. ____ Common
(Offering to stockholders—underwritten by White, Weld & Co.)
Independent Plow, Inc. ____ Class A
(Offer to stockholders—Barrett Herrick & Co., Inc.)
National Oil & Gas Corp. ____ Bonds
(G. H. Walker & Co.)
North Pacific Exploration, Ltd ____ Common
(Aetna Securities Corp. and L. D. Friedman & Co., Inc.)
Southern Indiana Gas & Electric Co. ____ Common
(Smith, Barney & Co.)

March 27, 1953
Merritt-Chapman & Scott Corp. ____ Common
(Offering to stockholders—no underwriter)
Mountain States Tel. & Tel. Co. ____ Common
(Offering to stockholders—no underwriting)

March 30, 1953
Kentucky Utilities Co. ____ Common
(Offering to stockholders—underwritten by Blyth & Co., Inc. and J. J. B. Hilliard & Son)
Scott & Fetzer Co. ____ Common
(McDonald & Co.)
West Coast Telephone Co. ____ Common
(Blyth & Co., Inc.)

March 31, 1953
California Electric Power Co. ____ Common
(Bids 11:30 a.m. EST)
Denver & Rio Grande Western RR. ____ Eq. Trust Ctfs.
(Bids noon MST)
Kerr-McGee Industries, Inc. ____ Debentures
(Lehman Brothers and Straus, Blosser & McDowell)
Public Service Co. of Oklahoma ____ Bonds
(Bids 11 a.m. CST)
Southeastern States Telephone Co. ____ Preferred
(Central Republic Co., Inc.)

April 1, 1953
Allied Chemical & Dye Corp. ____ Debentures
(Morgan Stanley & Co.)
Central & South West Corp. ____ Common
(Offer to stockholders—Bids 11 a.m. CST)
Equitable Insurance Co. (Puerto Rico) ____ Com. & Pfd.
(Borinquen Associates, Inc.)
Thalhimer Brothers, Inc. ____ Common
(Kidder, Peabody & Co.)
United Utilities, Inc. ____ Common
(Offering to stockholders—underwritten by Kidder, Peabody & Co.)

April 6, 1953
Brockton Edison Co. ____ Bonds
(Bids 11 a.m. EST)
California Electric Power Co. ____ Bonds
(Bids 11:30 a.m. EST)

April 7, 1953
Florida Power & Light Co. ____ Bonds
(Bids noon EST)
Kentucky Utilities Co. ____ Bonds
(Bids 11:30 a.m. CST)

April 8, 1953
Jewel Tea Co., Inc. ____ Common
(Offering to stockholders—underwritten by Lehman Brothers and Goldman, Sachs & Co.)

April 13, 1953
Texas Electric Service 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 11:30 a.m. EST)
Texas-New Mexico Ry. ____ Equip. Trust Ctfs.
(Bids noon EST)

April 21, 1953
Louisiana Power & Light Co. ____ Preferred
(Bids noon EST)

May 5, 1953
Montana Power Co. ____ Debentures
(Bids to be invited)

May 12, 1953
Alabama Power Co. ____ Bonds
(Bids 11 a.m. EST)

May 19, 1953
Texas Power & Light Co. ____ Bonds & Preferred
(Bids 11:30 a.m. EST)

June 9, 1953
Gulf Power Co. ____ Bonds
(Bids 11 a.m. EST)

June 23, 1953
New York Telephone Co. ____ Bonds
(Bids to be invited)

Continued from page 41

at principal amount. **Proceeds**—For working capital. **Address**—c/o Thompson, Hine & Flory, National City Bank Bldg., Cleveland 14, Ohio. **Underwriter**—None.

★ Colorado Central Power Co., Englewood, Colo.
March 9 (letter of notification) 14,834 shares of common stock (par $5) being offered for subscription by common stockholders of record March 6. **Price**—$17.50 per share. **Proceeds**—For new construction. **Office**—3470 South Broadway, Englewood, Colo. **Underwriter**—None.

Community Credit Co., Omaha, Neb.
Jan. 26 (letter of notification) 1,500 shares of 5½% cumulative sinking fund preferred stock, series A. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Underwriter**—Wachob-Bender Corp., Omaha, Neb.

★ Concord Fund, Inc., Boston, Mass.
March 12 filed 200,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriters**—None.

★ Consolidated Credit Corp., Charlotte, N. C.
March 9 (letter of notification) 5,000 shares of class B stock. **Price**—At par ($10 per share). **Proceeds**—For general corporate purposes. **Office**—221½ West Trade St., Charlotte, N. C. **Underwriter**—None.

Cooperative Grange League Federation Exchange, Inc.
Feb. 13 filed 50,000 shares of 4% cumulative preferred stock (par $100) and 700,000 shares of common stock (par $5). **Price**—At par. **Proceeds**—For working capital. **Business**—Production of dairy and poultry feeds. **Office**—Ithaca, N. Y. **Underwriter**—None.

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**—To be received up to noon (EST) on March 24 at Room 2033, Two Rector St., New York 6, N. Y.

★ de Vegh Income Fund, Inc., New York
March 16 filed 200,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

★ Durant Fund, Detroit, Mich.
Marsh 12 filed 100,000 shares of beneficial interest in the Fund (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

Eastern Life Insurance Co. of New York
March 5 (letter of notification) 1,500 shares of capital stock (par $5.50). **Price**—$12 per share. **Proceeds**—To Judea Industrial Corp., New York. **Underwriter**—None, but Franklin & Co., New York, will act as broker.

Eastern Tractor Manufacturing Corp., Kingston, N. Y.
Feb. 25 (letter of notification) 748,000 shares of common stock (par five cents). **Price**—40 cents per share. **Proceeds**—For working capital. **Underwriter**—Hunter Securities Corp., New York.

● El Paso Natural Gas Co. (3/25-26)
March 6 filed 960,000 shares of common stock (par $3), of which approximately 880,000 are to be offered for subscriptions by holders of common stock and $4.25 convertible second preferred stock of record March 24 at rate of one new share of common for each four common shares held and one new share of common for each preferred share held; rights to expire April 8. The remaining 80,000 shares are to be reserved for offering to employees. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—White, Weld & Co., New York.

★ Electralab, Inc., Cambridge, Mass.
March 11 (letter of notification) 20,000 shares of common stock (par 10 cents) and $20,000 of 10-year 6% convertible debentures, series B, due March 15, 1963, to be offered in units of one share of stock and $1 principal amount of debentures. **Price**—$1.15 per unit. **Proceeds**—For general corporate purposes. **Underwriter**—Paul D. Sheeline & Co., Boston, Mass.

English Oil Co., Salt Lake City, Utah
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. **Offering**—No date set.

● Equitable Insurance Co., Puerto Rico (4/1)
Feb. 24 (letter of notification) 50,000 shares of common stock to be offered at $1.99 per share; 100,000 shares of class A 6% cumulative participating preferred stock at $1 per share; 100,000 shares of class B 6% cumulative non-participating preferred stock at $1 per share; and 50,000 purchase warrants or options to buy one additional share of either common or preferred class A stock at one cent per warrant. **Proceeds** — For investment. **Address**—P. O. Box 4726, San Juan, Puerto Rico. **Underwriter**—Borinquen Associates, Inc., San Juan.

★ Evergreen Sanitarium & Lodge, Inc., Denver, Colo.
March 6 (letter of notification) 500 shares of preferred stock. **Price**—At par ($100 per share). **Proceeds**—For property and equipment. **Underwriter**—None.

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.

★ Fidelity Fund, Inc., Boston, Mass.
March 12 filed 700,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

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.

Fitchburg Gas & Electric Light Co.
March 6 filed 23,698 shares of capital stock (par $25) to be offered to stockholders at rate of one new share for each five shares held. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—None.

Florida Power & Light Co. (4/7)
March 2 filed $15,000,000 of first mortgage bonds due 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Harriman Ripley & Co., Inc.; Lehman Brothers; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co. **Bids**—Tentatively scheduled to be received up to noon (EST) on April 7 at Two Rector St., New York, N. Y.

★ General Telephone Co. of the Southwest
March 12 filed 50,000 shares of 5½% cumulative preferred stock. **Price**—At par ($20 per share). **Proceeds**—For property additions. **Underwriter**—None, but Mitchum, Tully & Co., Los Angeles, Calif., will act as dealer-manager.

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.

★ Golden Crown Mining Co., Prescott, Ariz.
March 9 (letter of notification) 23,625 shares of capital stock (par 50 cents). **Price**—$1 per share. **Proceeds**—To pay debt. **Office**—Union Block Bldg., Prescott, Ariz. **Underwriter**—None.

Grand Bahama Co., Ltd., Nassau
Feb. 3 filed $1,350,000 20-year 6% first mortgage convertible debentures due March, 1973, and 1,565,000 shares of class A stock (par 10 cents). **Price**—Par for debentures and $1 per share for stock. **Proceeds** — For new construction. **Business** — Hotel and land development. **Underwriter**—Gearhart & Otis, Inc., New York.

Great Lakes Growers, Inc. (Pa.)
March 2 (letter of notification) 814 shares of 6% cumulative preferred stock (par $50) and 295 shares of common stock (par $100). **Price**—At par. **Proceeds**—For working capital. **Office**—138 West Railroad St., North Girard, Pa. **Underwriter**—None.

Great Western Uranium Corp. (3/24)
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.

★ Great Western Yearbooks, Inc., Glendale, Calif.
March 10 (letter of notification) 10,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To operate business. **Office**—110 West Broadway, Glendale 4, Calif. **Underwriter**—None.

Guardian Chemical Corp., Long Island City, N. Y.
March 3 (letter of notification) 36,325 shares of common stock (par 10 cents). **Price**—$2.75 per share. **Proceeds**—For working capital. **Underwriter**—Batkin & Co., New York.

Gyrodyne Co. of America, Inc.
Nov. 13 filed 350,000 shares of class A common stock (par $1), to be offered for subscription by stockholders of record Dec. 22, 1952, on a pro rata basis; rights to expire on Feb. 28, 1953. The offering will include 50,000 shares to directors, officers and employees of the company and to certain individuals and firms in payment for services. **Price** — $5.75 per share. **Proceeds** — For engineering and construction of prototype coaxial helicopter. **Office**—St. James, L. I., N. Y. **Underwriter**—None.

★ Hawkeye-Security Insurance Co., Des Moines, Ia.
March 5 (letter of notification) $30,000 of participating interest to be offered to those eligible to participate in the company's Profit-Sharing and Retirement Plan. **Underwriter**—None.

★ Hercules Steel Products Corp., Galion, Ohio
March 5 (letter of notification) 2,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—To Mr. E. A. Walsh and Mrs. E. M. Walsh. **Underwriter**—Van Alstyne, Noel & Co., New York.

Hilo Electric Light Co., Hilo, Hawaii
March 2 filed 25,000 shares of common stock to be first offered to common stockholders of record March 10 at rate of one new share for each three shares held; then to employees; any unsubscribed shares to be offered to public. **Price**—At par ($20 per share). **Proceeds**—To repay bank loans. **Underwriter**—None.

★ Holly Corp., Springfield, Mass.
March 11 (letter of notification) 24,000 shares of common stock. **Price**—At market (approximately 40 cents per share). **Proceeds**—To R. T. Lynch and W. T. Lynch, the two selling stockholders. **Underwriter**—E. L. Aaron & Co., New York.

Independent Plow, Inc., Noedesha, Kan. (3/25)
Feb. 26 filed 100,000 shares of participating convertible class A stock (par $5), to be offered for subscription by common and preferred stockholders at rate of one share of class A stock for each 3¼ shares of preferred and/or common stock held. **Price** — $6.50 per share. **Proceeds**—To repay balance of RFC loan ($192,311); to redeem outstanding preferred stock ($86.341); and for working capital. **Underwriter**—Barrett Herrick & Co., Inc., New York.

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.

★ International Glass Fibres Corp., Baltimore, Md.
March 6 (letter of notification) 61,960 shares of class A common stock (par $1). **Price**—$1.37½ per share. **Proceeds**—For working capital. **Office**—10 Light St., Baltimore 2, Md. **Underwriter**—None.

★ Ironton (O.) Publishing Co., Inc.
March 11 (letter of notification) 2,000 shares of common stock. **Price**—At par ($50 per share). **Proceeds**—For new equipment. **Underwriter**—None.

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.
March 2 (letter of notification) 1,700 shares of common stock (par $1). **Price**—At market (approx. $21.37½ per share). **Proceeds**—To F. Lloyd Monroe, the selling stockholder. **Underwriter** — None, but James E. Bennett & Co., Chicago and New York, will act as agent.

★ Jersey Central Power & Light Co.
March 16 filed $8,500,000 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 Shields & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Salomon Bros. & Hutzler; Glore, Forgan & Co.; Kidder, Peabody & Co.; Harriman Ripley & Co. Inc. **Bids**—Expected early in April.

★ Jewel Tea Co., Inc. (4/8)
March 17 filed 141,757 shares of common stock (par $1) to be offered for subscription by common stockholders of record April 8 at rate of one new share for each eight shares held; rights to expire April 23. **Price**—To be supplied by amendment. **Proceeds**—For working capital, etc. **Underwriters**—Lehman Brothers and Goldman, Sachs & Co., both of New York.

★ Johnston Mutual Fund, Inc., N. Y.
March 17 filed 50,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

★ Junction City (Kan.) Telephone Co.
March 3 (letter of notification) $206,000 of 4½% first mortgage bonds, series A, due Feb. 1, 1977. **Price**—100% and accrued interest. **Proceeds**—For general corporate purposes. **Underwriter**—Wachob-Bender Corp., Omaha, Nebraska.

● Kentucky Utilities Co. (3/30)
March 9 filed 208,057 shares of common stock (par $10) to be offered for subscription by common stockholders of record March 20 at the rate of one new share for each 10 shares held; rights to expire on April 13. **Price**—To

be supplied by amendment. **Proceeds**—For new construction. **Underwriters**—Blyth & Co., Inc., New York; J. J. B. Hilliard & Son, Louisville, Ky.

● Kentucky Utilities Co. (4/7)
March 9 filed $10,000,000 first mortgage bonds, series E. due April 1, 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. 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. **Bids**—To be received up to 11:30 a.m. (CST) on April 7 at 20 No. Wacker Drive, Chicago 6, Ill.

● Kerr-McGee Industries, Inc. (3/31-4/1)
March 11 filed $10,000,000 of 4½% convertible subordinated debentures due April 1, 1968. Price—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriters**—Lehman Brothers, New York; and Straus, Blosser & McDowell, Chicago, Ill.

Lake Superior District Power Co.
Feb. 16 filed 29,761 shares of common stock (par $20) being 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. **Price**—$31 per share. **Proceeds** — For construction program. **Underwriter**—Robert W. Baird & Co., Inc., Milwaukee, Wis.

★ Lenoir Finance Co., Lenoir, N. C.
March 13 (letter of notification) $150,000 of 6% convertible subordinated debentures and 4,000 shares of common stock (par $10). **Price**—At principal amount (in denominations of $25 each) for debentures; and $20 per share for stock. **Proceeds** — For working capital. **Underwriter**—McCarley & Co., Inc., Asheville, N. C.

Mathieson Chemical Corp., Baltimore, Md.
March 6 filed 350,000 shares of common stock (par $5) to be offered under the company's "Restricted Stock Option Plan to Certain Officers and Other Key Employees" of the company and its subsidiaries. **Proceeds**—For general corporate purposes. **Underwriter**—None.

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.

Merritt-Chapman & Scott Corp. (3/27)
March 3 filed 121,322 shares of common stock (par $12.50) to be offered for subscription by common stockholders of record March 27 at rate of one new share for each five shares held; rights to expire on April 14. **Price**—To be supplied by amendment. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

★ Metal Hydrides, Inc., Beverly, Mass.
March 9 (letter of notification) 15,981 shares of common stock (par $5). **Price**—$14 per share. **Proceeds**—For working capital. **Office**—12-24 Congress St., Beverly, Mass. **Underwriter**—None.

Mex-American Minerals Corp., Granite City, Ill.
Nov. 3 filed 113,000 shares of 6% cumulative preferred stock (par $5) and 113,000 shares of common stock (par 10 cents) to be offered in units of one share of each class of stock. **Price**—$6 per unit. **Proceeds**—For working capital. **Business**—Purchase, processing, refining and sale of Fluorspar. **Underwriter** — To be supplied by amendment.

Mid-Gulf Oil & Refining Co.
Nov. 10 (letter of notification) 400,000 shares of common stock (par five cents). **Price**—60 cents per share. **Proceeds**—To acquire additional properties. **Office**—927-929 Market St., Wilmington, Del. **Underwriter**—W. C. Doebler Co., Jersey City, N. J.

Monitor Mines, Inc., New York
Feb. 24 (letter of notification) 1,000,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For working capital. **Office**—55 Liberty St., New York 5, N. Y. **Underwriters**—d'Avigdor Co. and L. H. Rothchild & Co., both of New York.

● Mountain States Tel. & Tel. Co. (3/27)
March 6 filed 390,931 shares of common stock to be offered for subscription by common stockholders of record March 27 at rate of one new share for each four shares held; rights to expire April 29. American Telephone & Telegraph Co. (parent) now owns 1,351,203 shares (86.41%) of presently outstanding capital stock. **Price**—At par ($100 per share). **Proceeds**—For property additions and improvements. **Underwriter**—None.

★ National Blank Book Co., Holyoke, Mass.
March 5 (letter of notification) 2,059 shares of common stock (par $25). **Price**—$27 per share. **Proceeds**—To R. P. Towne and Day Trust Co., trustees under the will of F. B. Towne. **Underwriter**—Lee Higginson Corp. and Estabrook & Co., both of Boston, Mass.

★ National Marine Terminal, Inc., San Diego, Calif.
March 10 (letter of notification) 30,000 shares of 6% preferred stock. **Price**—At par ($10 per share). **Proceeds**—For general corporate purposes. **Office**—U. S. National Bank Bldg., San Diego 1, Calif. **Underwriter**—Wahler, White & Co., Kansas City, Mo., and others.

National Oil & Gas Corp. (3/25-26)
March 5 filed $1,650,000 first mortgage bonds due March 1, 1973. **Price**—To be supplied by amendment. **Proceeds**—To redeem $1,349,000 of 4½% debentures (outstanding Feb. 28, 1953), to repay $135,000 bank loans and for working capital. **Underwriter**—G. H. Walker & Co., New York and Providence (R. I.)

★ Natural Gas & Oil Corp., St. Louis, Mo.
March 12 (letter of notification) 20,000 shares of common stock (par $5). **Price**—$13.75 per share. **Proceeds** — For general corporate purposes. **Underwriter** — Scherck, Richter Co., St. Louis, Mo., for 15,000 shares.

New England Power Co.
Feb. 4 filed 80,140 shares of $4.60 cumulative preferred stock (par $100) being offered for subscription by holders of 6% preferred stock of record March 3, on a share for share basis; rights to expire March 23. **Price**—$100 per share. **Proceeds**—For repayment of bank loans. **Underwriters**—Lehman Brothers, New York.

★ New Orleans Public Service Inc. (4/14)
March 12 filed $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.; 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.

★ North Central Texas Oil Co., Inc.
March 5 (letter of notification) 3,000 shares of common stock (par $5). **Price**—$22.50 per share. **Proceeds**—To Arthur R. Carmody, the selling stockholder. **Underwriter**—H. N. Whitney, Goadby & Co., New York. No general public offer planned.

North Pacific Exploration, Ltd. (Canada) (3/25)
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 Lighting Corp. (3/24)
March 2 filed 200,000 shares of cumulative preferred stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter** — Blyth & Co., Inc., New York and San Francisco.

Pacific Western Stores, Inc., Los Angeles, Calif.
March 2 (letter of notification) 8,802 shares of preferred stock (par $10) and 8,700 shares of common stock (par 5 cents). **Price**—For preferred, $7 per share, and for common, 30 cents per share. **Proceeds**—To Fred Meyers, Charles Flake and Joseph Solomon. **Underwriters**—White & Co., St. Louis, Mo.; Gearhart & Otis, Inc., New York, and Peters, Writer & Christensen, Inc., Denver, Colo.

Palestine Economic Corp., New York
March 6 filed 100,000 shares of common stock (par $25). **Price**—$28 per share. **Proceeds** — For development of Israel industry, etc., and for working capital. **Underwriter**—None.

Paley Manufacturing Corp. (3/23)
Jan. 16 (letter of notification) 99,000 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—For expansion and working capital. **Office**—Brooklyn, N. Y. **Underwriter**—G. K. Shields & Co., New York.

Paradise Valley Oil Co., Reno, Nev.
Aug. 20 filed 3,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—To drill six wells on subleased land and for other corporate purposes. **Underwriter**—None, with sales to be made on a commission basis (selling commission is two cents per share). **Office**—c/o Nevada Agency & Trust Co., Inc., Cheney Bldg. 139 N. Virginia St., Reno, Nev.

● Peninsular Telephone Co., Tampa, Fla.
Feb. 27 filed 73,241 shares of common stock (no par) being offered for subscription by common stockholders at rate of one new share for each five shares held as of March 18; rights to expire April 1. Certain officers and employees will be entitled to purchase unsubscribed shares. **Price**—$40 per share. **Proceeds**—For construction program. **Underwriter** — Morgan Stanley & Co. and Coggeshall & Hicks, both of 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.

★ Pioneer Telephone Co., Waconia, Minn.
March 10 (letter of notification) 3,000 shares of 5½% cumulative preferred stock, series C. **Price**—At par ($100 per share). **Proceeds**—For additions and improvements. **Underwriter**—M. H. Bishop & Co., Minneapolis, Minn.

● Pittsburgh Coke & Chemical Co. (3/23-24)
March 3 filed 84,903 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter** — Hemphill, Noyes & Co., New York.

● Public Service Co. of Oklahoma (3/31)
March 9 filed $6,000,000 of first mortgage bonds due March 1, 1983. **Proceeds**—For property additions and improvements. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; White, Welt & Co. and Shields & Co. (jointly); Glore, Forgan & Co.; Harriman Ripley & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); Blyth & Co., Inc., Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly). **Bids**—To be received up to 11 a.m. (CST) on March 31 at 20 N. Wacker Drive, Chicago 6, Ill.

★ Resort Airlines, Inc., Miami, Fla.
March 6 (letter of notification) 724,687 shares of common stock (par 10 cents) to be offered for subscription by stockholders on a pro rata basis. **Price**—20 cents per share. **Proceeds**—For working capital. **Address**—Box 242, International Airport, Miami 48, Fla. **Underwriter**—None.

★ Rhode Island Development Co., Providence, R. I.
March 6 (letter of notification) 30,000 shares of capital stock (par $1). **Price**—$10 per share. **Proceeds**—To promote and develop business and industry in Rhode Island. **Address** — Box 1325, Providence 1, R. I. **Underwriter**—None.

★ Rittenhouse Fund, Philadelphia, Pa.
Marsh 12 filed 100,000 units of participating interests in the Fund. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

Rocky Mountain Oil Corp., Denver, Colo.
March 4 (letter of notification) 237,500 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Underwriter**—Steele & Co., New York.

★ Rowe (T.) Price Growth Stock Fund, Inc.
March 16 filed 50,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

Scott & Fetzer Co., Cleveland, Ohio (3/30)
March 10 filed 64,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To five selling stockholders. **Underwriter**—McDonald & Co., Cleveland, O.

● SeaPak Corp., St. Simons Island, Ga.
Feb. 25 (letter of notification) 38,933 shares of common stock (par $1) being offered for subscription by stockholders of record March 3 at rate of one new share for each 6.4 shares held; rights expire on March 20. **Price**—$5.25 per share. **Proceeds**—For new equipment. **Underwriter**—None.

★ Security Oil Co., Denver, Colo.
March 5 (letter of notification) $250,000 of series A 1953, five-year 10% debenture bonds. **Price**—At par (in denominations of $25 and multiples thereof). **Proceeds**—To drill wells. **Office**—501 Empire Bldg., Denver, Colo. **Underwriter**—Underwriters, Inc., Denver, Colo.

Seiberling Rubber Co., Barberton, Ohio
Feb. 19 (letter of notification) 15,420 shares of common stock (par $1) to be offered in exchange for 7,710 shares of common stock of Seiberling Rubber Co., Ltd. (Canada) on the basis of two shares of the Ohio firm for each share of the Canadian company. The offer will expire on March 23. **Underwriter**—None.

Shirks Motor Express Corp. (Del.)
Jan. 8 (letter of notification) 20,000 shares of 6% cumulative preferred stock **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—Manheim Pike, Lancaster, Pa. **Underwriter**—Alex. Brown & Sons, Baltimore, Md.

★ Silver Creek Precision Corp.
March 13 (letter of notification) 18,000 shares of common stock (par 40 cents). **Price**—At market (approximately $1 per share). **Proceeds** — To Sembodja Corp. of New York, 50 Broadway, New York 4, N. Y. **Office**—Chautauqua County, N. Y. **Underwriter**—None.

★ Southeastern States Telephone Co. (3/31)
March 16 filed 60,000 shares of cumulative preferred stock (par $25). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—Central Republic Co. (Inc.), Chicago, Ill.

★ Southern Co. (4/15)
March 13 filed 1,004,869 shares of common stock (par $5) to be offered to common stockholders of record April 16 on the basis of one new share for each 17 shares held (with an oversubscription privilege); rights to expire on May 7. **Price**—Expected to be named by the 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); The 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 11:30 a.m. (EST) on April 15 at 20 Pine St., New York 5, N. Y.

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Southern Indiana Gas & Electric Co. (3/25)
March 3 filed 114,167 shares of common stock (no par) to be offered for subscription by common stockholders of record March 25 at rate of one new share for each six shares held; rights to expire on April 10. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter** — Smith, Barney & Co., New York.

Star Air Freight Lines, Inc., N. Y.
Feb. 4 (letter of notification) 149,000 shares of common stock (par $1) in units of 20 shares. **Price**—$20 per unit. **Proceeds**—To purchase Quaker City Airways, Inc. (Pa.), to purchase operating certificates and for working capital. **Office**—2 East 33rd St., New York. **Underwriter**—None.

Television & Radio Broadcasting Corp.
Feb. 26 (letter of notification) 299,900 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For operating capital. **Office**—c/o Morton M. Goldfine, 82 Devonshire Street, Boston 9, Mass. **Underwriter**—Jackson & Co., Inc., Boston, Mass.

Texas Electric Service Co. (4/13)
March 9 filed $7,000,000 of first mortgage bonds due 1983 and 100,000 shares of cumulative preferred stock (no par). **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.

Texas Oil Exploration Co., Ft. Worth, Tex.
Dec. 5 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—To drill oil and gas wells and for acquisition of properties. **Underwriter**—Peter W. Spiess Co., New York.

Texas Western Oil Co., Houston, Tex.
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**—Date not set.

★ **Textron Incorporated, Providence, R. I.**
March 9 (letter of notification) 10,000 shares of $1.25 convertible preferred stock (no par). **Price**—At market (approximately $17 per share). **Proceeds**—For general corporate purposes. **Underwriter**—Blair, Rollins & Co., Inc., New York City. This is not a new offering.

★ **Thalhimer Brothers, Inc., Richmond, Va. (4/1)**
March 12 filed 101,500 shares of common stock (par $5), of which 99,000 shares are to be offered by the company and 2,500 shares by a selling stockholder. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Kidder, Peabody & Co., New York.

★ **Trans Caribbean Airways, Inc.**
March 9 (letter of notification) 2,000 shares of Class A common stock (par 10 cents). **Price** — At market (approximately $2.25 per share). **Proceeds** — To O. Roy Chalk, President. **Office** — 1010 Fifth Ave., New York. **Underwriter**—None.

★ **Tropical Laboratories, Inc.**
March 11 (letter of notification) 36,000 shares of common stock (par $1) to be sold in units of 25 shares and up. **Price**—$1 per share. **Proceeds**—For working capital. **Office**—104 No. Tennessee Ave., Atlantic City, N. J. **Underwriter**—None.

★ **United Minerals Corp., Salt Lake City, Utah**
March 13 (letter of notification) 250,000 shares of 5% cumulative convertible preferred stock (par $1) to be offered in 50,000 units, each unit to consist of 50 shares of this stock and 50 shares of United Sulphur & Chemical Co., Inc. **Price**—$50 per unit. **Proceeds**—For erection of sulphur plant. **Office**—518 Felt Bldg., Salt Lake City 1, Utah. **Underwriter**—Greenfield & Co., Inc., New York.

★ **U. S. Gold Corp., Spokane, Wash.**
March 5 (letter of notification) 200,000 shares of non-assessable common stock. **Price** — 50 cents per share. **Proceeds**—For working capital. **Office**—Empire State Bldg., Spokane, Wash. **Underwriter**—None.

★ **United Sulphur & Chemical Co., Inc.**
March 13 (letter of notification) 250,000 shares of common stock (par 10 cents) to be issued as a bonus in connection with offering of 250,000 shares of preferred stock of United Minerals Corp. and to be offered in units, each unit to consist of 50 shares of preferred stock of United Minerals and 50 shares of common stock of United Sulphur. (See also United Minerals Corp. above.)

★ **United Telephone Co., Bellefontaine, Ohio**
March 12 (letter of notification) 2,500 shares of 5% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds** — For plant expansion. **Office** — 127 No. Main St., Bellefontaine, Ohio. **Underwriter**—None.

● **United Utilities, Inc., Abilene, Kan. (4/1)**
March 10 filed 319,122 shares of common stock (par $10) to be offered for subscription by common stockholders of record on or about March 31 at the rate of one new share for each 2½ shares held; rights to expire on April 14. **Price**—To be supplied by amendment. **Proceeds**—To acquire a two-thirds stock interest in Investors Telephone Co. **Underwriter**—Kidder, Peabody & Co., New York.

★ **Vandersee Engineering Co., Reno, Nev.**
March 11 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For equipment and plant. **Office**—139 No. Virginia St., Reno, Nev. **Underwriter**—None.

Vault Co. of America, Davenport, Iowa
March 2 (letter of notification) 10,000 shares of common stock. **Price** — $10 per share. **Proceeds** — For working capital. **Underwriter**—A. J. Boldt & Co., Davenport, Ia.

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.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price** — To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sale of $55,000,000 first mortgage bonds, to be used to build a 1,030 mile crude oil pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Expected in the Spring of 1953.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Expected in the Spring of 1953.

West Coast Telephone Co. (3/30)
March 9 filed 50,000 shares of common stock (par $20). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

Westinghouse Electric Corp.
Feb. 27 filed 200,000 shares of common stock (par $12.50) to be offered under "Employee Stock Plan" to Employees of corporation and six subsidiaries, and 498,735 shares of common stock to be offered under "Restricted Stock Option Plan" to certain officers and other executive employees of corporation and its subsidiaries.

★ **Williams Phosphate Corp., Rexburg, Idaho**
March 5 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To lease government property for mining purposes. **Underwriter**—None.

★ **Wyoming National Oil Co., Inc., Denver, Colo.**
March 5 (letter of notification) 1,500,000 shares of common stock (par 5 cents). **Price**—10 cents per share. **Proceeds**—To drill wells. **Office**—1608 Broadway, Denver, Colo. **Underwriter**—None.

★ **Young (Thomas) Orchids, Inc.**
March 10 (letter of notification) 3,300 shares of common stock (par $1). **Price**—At market (about $33 per share). **Proceeds**—To John W. Hanes, and Hope Y. Hanes. **Underwriter**—None, but Smith, Barney & Co., New York, and Newhard, Cook & Co., St. Louis, Mo., will act as brokers.

Prospective Offerings

Agricultural Insurance Co.
March 2 it was reported company may offer rights to its stockholders to subscribe for 100,000 additional shares of capital stock (par $10) on a 1-for-3 basis. **Underwriter**—Blyth & Co., Inc., New York. **Offering**—Expected in April or May.

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.

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).

★ **Atlantic Refining Co.**
March 16 it was stated that the company may be in the market later this year with a sizable debt issue. The exact nature and timing of the financing are still to be determined. Stockholders will vote May 5 on increasing authorized debt to $150,000,000. **Proceeds**—To be used to help pay for a $100,000,000 construction program for 1953. **Underwriters** — Smith, Barney & Co. may head group.

Blackstone Valley Gas & Electric Co.
Feb. 20 it was reported company plans sale of $5,800,000 first mortgage bonds. **Proceeds**—To repay bank loans. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harriman Ripley & Co. Inc.; White, Weld & Co., Kidder, Peabody & Co. and Lee Higginson Corp. (jointly); Estabrook & Co. and Stone & Webster Securities Corp. (jointly); Lehman Brothers; Union Securities Corp. **Offering**—Expected in April.

★ **Central Foundry Co.**
March 16 directors voted to offer rights to present preferred and common stockholders to subscribe for additional common stock in the ratio of one share of common stock for each four shares of either common or preferred stock held. **Underwriter**—To be named later.

Central Hudson Gas & Electric Corp.
March 3 it was announced that some portion of the company's financing program for 1953-1954 will involve the sale of $16,550,000 new securities, a portion of which will involve common stock or debt securities convertible into common stock. Stockholders will vote at the annual meeting March 24 on authorizing an additional 1,000,000 shares of common stock. **Underwriters** — Kidder, Peabody & Co. and Estabrook & Co. handled offering in November, 1949, of $6,000,000 2% convertible debentures.

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 1st & gen. mtge. bonds sold March 10, 1953), 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 Power & Light Co.
March 2 it was reported company may issue and sell 50,000 shares of new preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Glore, Forgan & Co. (jointly); Blyth & Co., Inc., Harriman Ripley & Co., Inc. and Smith, Barney & Co. (jointly); Salomon Bros. & Hutzler.

● **Chicago Great Western Ry.**
March 17 company asked ICC permission to issue and sell $6,000,000 collateral trust bonds due 1978, to be secured by $9,000,000 first mortgage bonds held in the treasury. **Proceeds**—To pay off $3,000,000 of notes and for working capital. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane.

Cinerama Productions Corp.
Jan. 9 it was reported company plans issuance and sale of about 500,000 shares of common stock. **Price**—Expected to be around $10 per share. **Underwriter**—Hayden, Stone & Co., New York. **Offering**—Postponed.

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.

Commonwealth Edison Co.
March 10 company announced that in the next four years it expects to raise about $280,000,000 of new capital to help finance a $500,000,000 construction program during that period. No conclusion has been reached as to the type of securities to be issued or when they will be sold. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Lehman Brothers and American Securities Corp. (jointly); Glore, Forgan & Co.; The First Boston Corp. (Glore, Forgan & Co. and The First Boston Corp. underwrote an offering of convertible preferred stock to common stockholders last November.)

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.

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.

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.

★ **Denver & Rio Grande Western RR. (3/31)**
Bids will be received at the office of the company, Rio Grande Bldg., Denver 1, Colo., up to noon (MST) on March 31 for the purchase from it of $3,300,000 equipment trust certificates, series S, to be dated May 1, 1953, and to mature in 30 equal semi-annual instalments of $110,000 each from Nov. 1, 1953, to and including May 1, 1968. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

● **Detroit Edison Co.**
March 6 company sought permission of the Michigan P. U. Commission to issue and sell $40,000,000 35-year general and refunding mortgage bonds, series M, to carry interest at not to exceed 4%. If competitive, bidders may include: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Coffin & Burr, Inc. and Spencer Trask & Co. (jointly). Proceeds would be used to pay for new construction.

Detroit Stamping Co.
March 5 it was reported public sale of 120,000 shares of common stock is soon expected. **Proceeds**—To selling stockholders. **Underwriter**—White, Noble & Co., Grand Rapids, Mich.

Eastern Utilities Associates
Feb. 20 it was announced company plans sale of $7,000,000 collateral trust mortgage bonds due 1973. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Estabrook & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Glore, Forgan & Co. and Harriman Ripley & Co. Inc. (jointly). **Bids**—Tentatively expected in April.

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.

Inter-Mountain Telephone Co.
Feb. 25 it was reported company is considering additional financing. **Underwriter**—Probably Courts & Co., Atlanta (Ga.) and New York.

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. and Drexel & Co. (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly); Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Harriman Ripley & Co., Inc.

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.

Louisiana Power & Light Co. (4/21)
Feb. 25 it was reported company may issue and sell 60,000 shares of cumulative preferred stock (par $100). **Proceeds**—To refund present outstanding preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Equitable Securities Corp. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp. **Bids**—Expected at noon (EST) on April 21. **Registration**—Scheduled for March 19.

★ **Maremont Automotive Products, Inc.**
March 6 it was reported early registration was expected of approximately 210,000 shares of common stock, part for account of company and part for selling stockholders. **Underwriters** — Hallgarten & Co., New York; Straus, Blosser & McDowell, and McCormick & Co., both of Chicago, Ill.

Marion Power Shovel Co.
March 5, John P. Courtright, President, reported that company plans some long-term debenture financing. The proceeds are expected to be used to retire bank loans and to pay preferred dividend arrearages.

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); Blyth & Co., Inc.

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).

★ **Minneapolis-Honeywell Regulator Co.**
March 11 it was announced stockholders will on April 28 vote on increasing authorized common stock from 3,440,000 to 3,950,000 shares and the preference stock from 160,000 to 210,000 shares. **Underwriter**—Probably Union Securities Corp., New York.

Mobile Gas Service Corp.
March 6, Maurice White, President, announced that, after proposed two-for-one split-up to be voted upon April 24, the company will offer to its stockholders 40,000 shares of additional common stock on a five-for-one basis. **Proceeds** — For construction program. **Underwriters** — May be determined by competitive bidding. Probable bidders: First Boston Corp.; Blyth & Co., Inc.; Bear, Stearns & Co. and Wertheim & Co. (jointly).

Monongahela Power Co.
Dec. 11 it was announced company plans issuance and sale near the middle of 1953 of $10,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co. and the First Boston Corp. (jointly); Kuhn, Loeb & Co.; Kidder, Peabody & Co. 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.

★ **Montana Power Co. (5/5)**
March 16 it was reported company may issue and sell an issue of $18,000,000 debentures due 1978. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., Blyth & Co., Inc., and Lee Higginson Corp. (jointly); Union Securities Corp. **Bids**—Expected to be opened on May 5.

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 York State Electric & Gas Corp.
Feb. 27 it was reported that company may, later in 1953, issue and sell $20,000,000 first mortgage bonds (following private sale of 75,000 shares of 4.40% preferred stock, par $100, and $5,000,000 of 3¾% debentures due 1991 (latter expected in April). **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Glore, Forgan & Co. (jointly); Blyth & Co., Inc. and Smith, Barney & Co. (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly); Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Harriman Ripley & Co., Inc.

New York Telephone Co. (6/23)
Feb. 26 company applied to New York P. S. Commission for permission to issue and sell $35,000,000 of refunding mortgage bonds, series G. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Merrill Lynch, Pierce, Fenner & Beane and Glore, Forgan & Co. (jointly); Kuhn, Loeb & Co. **Bids**—Tentatively scheduled to be received on June 23. **Stock Offering**—Company also plans to issue and sell to American Telephone & Telegraph Co., its parent, 700,000 additional shares of common stock (par $100).

Northern Indiana Public Service Co.
Jan. 7 it was announced that company plans to issue and sell an additional $23,000,000 of new securities in the near future (in addition to 80,000 shares of cumulative preferred stock recently offered). **Proceeds**—For new construction.

Northern Natural Gas Co.
Feb. 27 it was announced company has informed the Nebraska State Railway Commission that it proposes to make an offering of 548,100 additional shares of common stock (par $10) to its common stockholders on the basis of one new share for each five shares held. **Proceeds**—To repay short-term loans and for new construction. **Underwriter**—None. **Offering**—Expected in May.

Feb. 27, H. H. Siert, Treasurer, announced that following the proposed offering in May of 548,100 shares of common stock to stockholders, the company plans to issue and sell $40,000,000 of new debentures. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. and Kidder, Peabody & Co. (jointly).

Oklahoma Gas & Electric Co.
March 6 it was announced company plans in April to offer to its common stockholders 241,000 additional shares of common stock at the rate of one new share for each 10 shares held. **Proceeds** — For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc.; Union Securities Corp. **Registration**—Expected about March 19.

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. Probable bidders: Stone & Webster Securities Corp.; Shields & Co.; Lehman Brothers and Harriman Ripley & Co., Inc. (jointly). **Offering**—Expected in June.

★ **Ormond Corp., Albuquerque, N. M.**
March 10 it was announced company plans to register with the SEC an issue of stock, which will be offered nationally. **Office**—5003 Central Avenue, N. E., Albuquerque, N. M.

Pacific Northwest Pipeline Corp.
Jan. 29 company received FPC permission to file a third substitute application proposing to construct a 1,466-mile transmission line extending from the San Juan Basin in New Maxico and Colorado to market areas in the Pacific Northwest. Estimated overall capital cost of the project is $186,000,000, including $2,000,000 for working capital. Financing is expected to consist of first mortgage pipe line bonds and preferred and common stocks. **Underwriters**—White, Weld & Co. and Kidder, Peabody & Co., both of New York, and Dominion Securities Corp. Ltd., Toronto, Canada.

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.

Public Service Co. of Indiana, Inc.
March 2 it was announced company plans in May or June to issue and sell 600,000 shares of new cumulative preferred stock (par $25), subject to approval of an increase in authorized capitalization. **Proceeds**—For construction program. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

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 Oklahoma
March 2 it was reported company may issue and sell 40,000 shares of new preferred stock (par $100). **Underwriters**—To be determined by competitive bidding. Probable bidders: Glore, Forgan & Co.; Smith, Barney

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& Co.; Kuhn, Loeb & Co.; Harriman Ripley & Co., Inc. and Central Republic Co. (Inc.). **Proceeds**—For additions and improvements.

Public Service Electric & Gas Co.
Feb. 25 it was announced company plans issuance and sale in June 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.

★ Southern California Edison Co.
March 11, William C. Mullendore, President, stated that company is considering selling $25,000,000 of first mortgage bonds and $15,000,000 of preferred stock. **Proceeds**—For 1953 construction program. **Underwriters**—May be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly); Blyth & Co., Inc.; Kuhn, Loeb & Co. Probable bidders for preferred: The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly).

● Southern Natural Gas Co.
Feb. 27 it was reported that approximately $30,000,000 of first mortgage bonds will be publicly offered, probably in June. This is in addition to an additional $30,000,000 to be raised through sale of stock or bank loans. Proceeds will be used for new construction. 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 Gas & Electric Co.
Feb. 25 it was reported company later this year may issue and sell 50,000 shares of cumulative preferred stock (par $100). **Underwriters**—May be determined by competitive bidding. Probable bidders: White, Weld & Co. and Kidder, Peabody & Co. (jointly); W. C. Langley & Co.; Harriman Ripley & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers; Blyth & Co. Inc., and Stone & Webster Securities Corp. (jointly).

Texas Illinois Natural Gas Pipeline Co.
Feb. 24 it was announced that company will issue and sell bonds and common stock in the ratio of 75% and 25%, respectively. It is anticipated that Peoples Gas Light & Coke Co. will subscribe for about 67% of the common stock and for any additional shares not subscribed for by other stockholders or their assignees. Proceeds would be used for expansion program.

★ Texas-New Mexico Ry. (4/15)
Bids will be received by the company up to noon (EST) on April 15 for the purchase from it of $960,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.: Salomon Bros. & Hutzler.

Texas Power & Light Co. (5/19)
Feb. 26 it was reported company may sell about $5,000,000 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; Salomon Bros. & Hutzler. **Bids**—Tentatively expected to be received up to 11:30 a.m. (EST) on May 19.

Texas Power & Light Co. (5/19)
Feb. 26 it was reported company is planning issue and sale of $7,000,000 of cumulative preferred stock. **Proceeds**—For additions and improvements. **Underwriter**—May be determined by competitive bidding. Probable bidders: Union Securities Corp., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); White, Weld & Co.; The First Boston Corp.; Kuhn, Loeb & Co., Lehman Brothers and Salomon Bros. & Hutzler (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EST) on May 19.

Texas Utilities Co.
Feb. 26 it was announced company plans to sell additional common stock (no par) sufficient to raise about $15,000,000 of new money. **Proceeds**—To increase investments in subsidiaries. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp., Blyth & Co., Inc., First Southwest Co., Rauscher, Pierce & Co., Inc. and Dallas Union Trust Co. (jointly); Union Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Goldman, Sachs & Co. and Harriman Ripley & Co., Inc. (jointly). **Bids**—Tentatively scheduled to be received in early June.

Union Wire Rope Corp.
March 6 it was announced that, following proposed two-for-one split-up of the common stock to be voted upon March 24, company plans to sell 100,000 additional shares of common stock, part to stockholders and part privately. **Underwriter**—Probably P. W. Brooks & Co., Inc., 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).

Walworth Co.
Feb. 20 it was announced stockholders on March 25 will vote on increasing authorized common stock from 1,900,000 shares to 2,500,000 shares and on granting directors right to issue all or part of increased stock without prior offering to stockholders; also on reserving part of the additional shares for issue upon conversion of convertible 3¼% debentures due May 1, 1976. **Underwriter**—May be Paine, Webber, Jackson & Curtis, New York and Boston.

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).

West Texas Utilities Co.
March 2 it was reported that company plans issuance and sale of 100,000 shares of new preferred stock. **Underwriters**—May be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Harriman Ripley & Co., Inc.; Union Securities Corp.

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As We See It

the President's thinking in regard to them, the public at the moment has little precise information. It may well be that the President's own ideas have not fully "jelled" as yet. Possibly some organization such as the Council of Economic Advisers, if properly manned and used, could be of real help to the President in reaching conclusions on this basic subject itself.

Sound Advice Needed

But however all these things may be it seems to us that the President needs and must have sound advice on matters economic. All Presidents and all times have had need of it. Most of them have sought and obtained economic advice of one quality or another, in one way or another. Any Chief Executive who must sit at the head of a major government of this day and time simply must have it.

Popular demand now insists that government play a larger role in the economic affairs of the nation probably than ever before. Even those who profess hardy belief in *laissez-faire* tend to wince and relent and refrain at various points and at various times in their political behavior. Apparently for the time being at least any Administration must, at least in some measure, yield to this popular trend of thought—even if, as we hope to be the case, the movement (if such it may be called) is losing some of its momentum.

Aside from all this, however, we live today and the Administration must function today in a world of political nationalism run wild and of economic nationalism at an extreme probably not equalled since the days of rampant mercantilism a century or two ago. It has undertaken the guidance and control of a government which is today overgrown and so interwined with the day-to-day affairs of the citizens and of the business enterprises of the day, and so under the necessity of maintaining a state of international preparedness that almost any major move it may make or it may contemplate is fraught with extensive and often profound economic significance and effect.

Whatever its own economic philosophy or beliefs it simply can not proceed without very careful and realistic consideration of the economic consequences of actions it may have under advisement. Action under advisement may be either positive or negative—that is to say it may contemplate withdrawing from some activity or sphere of action or it may be considering entering some field not now occupied—or it may merely be studying the advisability of altering policies now in operation. In each and every case it may be taken for granted that there is a question of economic consequences to consider. In many, if not most instances, economic consequences may be by far the most important of the desiderata.

Must Be Level-Headed

It follows that the President needs constantly available to him the very best and the very soundest economic advice from advisers who are competent to study the issues presented and bring to the Chief Executive in brief and authoritative form the results which may reasonably be expected from this or that line of action. This counsel must, of course, be enlightened, and level-headed; else it may well be, probably would be, worse than none at all.

The advice provided President Truman during recent years by the Council of Economic Advisers has been anything but competent, and hence the functioning of the organization has for the most part been a liability rather than an asset to the Administration and to the country. It has upon occasion had among its membership or on its staff economists with every considerable formal training and some experience. Some of these have entertained ideas which could have been helpful. The Council has, however, been dominated by those who had neither formal training in economics nor experience in business. What might be termed the economics of the Council has often been little short of bizarre.

Nor is that the only, possibly not even the most vital, defect of this system as it has been practiced in recent years. In Europe, certainly in Russia or any of the satellite countries, and for that matter in Hitler's Germany or Mussolini's Italy, the Council would have been labeled the "Propaganda Ministry." It has been often said that it regularly adopted the "line" President Truman desired, and served chiefly as a sort of political (or possibly economic) evangel of the Administration. We have no way of knowing, of course, how much it had to do with shaping or formulating the official "line" of the Administration. It may have had much or it may have had little to do with it, but there can be no doubt that it worked earnestly and diligently to spread the gospel once it had been determined.

Apart from the fact that the gospel in this case was not good gospel, we do not think that this is the real function of such an organization. What the President needs is sound advice from a sound economist. If he needs a propaganda minister, let him find him elsewhere.

Public Service Co. of New Mex. Pfd. Offered

Allen & Co. and associates are offering 30,000 shares of $100 par value cumulative preferred stock, series A 5% of Public Service Co. of New Mexico, to which are attached common stock subscription warrants expiring April 1, 1957 entitling holders to purchase an aggregate of 150,000 shares of $5 par value common stock. The preferred stock is priced at $100 per share and accrued dividends from March 15.

Proceeds from the sale of the new preferred stock will be added to the company's general funds and together with other funds will be used primarily to finance the company's construction program which was started in 1951 and is scheduled for completion in 1954. It is estimated that construction costs during the years 1953 and 1954 will approximate $11,963,000.

Each share of series A preferred stock has attached a non-detachable warrant entitling the holder to purchase five shares of common stock at $11.37½ per share on or before April 1, 1955 and at $12.37½ per share thereafter on or before April 1, 1957. The new stock may be redeemed at $105 per share prior to March 15, 1954 and at receding prices thereafter until March 15, 1963 after which the redemption price is $100.

Public Service Co. of New Mexico is an operating public utility company engaged principally in the generation, purchase, distribution and sale of electricity and in supplying various communities with water. Territory served includes a large area in north central New Mexico and a section of southwestern New Mexico having a population of approximately 250,000.

Waddell & Reed Add

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Richard B. Barnitz has been added to the staff of Waddell & Reed, Inc., 8943 Wilshire Boulevard.

Our Reporter's Report

Little or no change developed in the complexion of the investment market this week. The situation remains on "dead-center" with more and more people inclined to look for a continuation of the stalemate pending the marketing of the big Allied Chemical deal due early next month.

There was, however, a glimmer of hope that things may be looking better before that time. Some dealers reported evidence of the mildest reawakening of buyer interest though not with any great emphasis on current new offerings.

Rather this potential business took the form of a willingness on the part of portfolio men to at least look at offerings of bonds which have been on the market for one to three years. And, if prices and yields are to their liking these people, it is argued, show an inclination to take on bonds.

Market observers frankly admit that the $200 million Allied Chemical issue stacks up as "a lot of bonds." But they point out also that "a lot of money is being built up in anticipation."

Perhaps some of those who are now feeling around for attractive situations are leaning to the view that if they wait for the big deal to come and go the general market may experience a change of heart and leave them behind.

Meeting the Change

One of the reasons why underwriters prefer to do business over the negotiated route rather than through the competitive bidding medium, is the greater degree of latitude prevailing under the first procedure.

In these instances bankers are able to revise their ideas on price right down to the wire. A case in point is the current offering of $10,000,000 of 4% debentures of the Union Sulphur & Oil Corp. along with 101,000 shares of its common stock, the latter a secondary operation.

Until about a week ago, it develops, the sponsoring group had been contemplating a price for the debentures that would have afforded a 3.65% yield. But the actual offering this week was made on a 4% return basis. And the reception was reported decidedly good.

Atlantic Refining Plans

Atlantic Refining Co., which did some financing a few months back, evidently has plans for returning to the new money market on a substantial scale in the months ahead.

At any rate its shareholders, at the annual meeting early in May, will be asked to approve an increase in the limit of indebtedness to $150,000,000.

Since the company closed the year 1952 with about $37,500,000 of funded debt on its books, it is apparent that new borrowing is in prospect.

Good Equity Demand

Bankers bringing out this week's big block of Public Service Electric & Gas Co. common stock are reported to have found the market in a receptive mood.

Involving a block of 750,000 additional shares, with a value of around $20,000,000 at the offering price of 26⅞, the operation, according to dealers, was attracting broad interest.

The issuing utility will use the proceeds to help finance contemplated property additions and betterments.

Joins Bennett & Co.

(Special to THE FINANCIAL CHRONICLE)

HOLLYWOOD, Calif.—Earl M. McKelvey has been added to the staff of Bennett & Co., 6253 Hollywood Boulevard.

Joins Hogle Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Frank W. Nelson is now affiliated with J. A. Hogle & Co., 507 West Sixth Street.

A. C. Karr Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John A. Einecke is now connected with A. C. Karr & Co., 523 West Sixth Street.

With Oscar F. Kraft Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Wayne E. Carter is now connected with Oscar F. Kraft & Co., 530 West Sixth Street.

Maurice D. Galleher With Lamson Bros. & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Maurice D. Galleher has become associated with Lamson Bros. & Co., 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges. Mr. Galleher was previously with Carter H. Harrison & Co., Merrill Lynch, Pierce, Fenner & Beane, and Lazard Freres & Co.

Arcturus Electronics Debentures Offered

An issue of $200,000 five-year 6% convertible debentures, due April 1, 1958, of Arcturus Electronics, Inc. is being offered today (March 19) by Gearhart & Otis, Inc., of New York; White & Co., St. Louis, Mo.; and McCoy & Willard, Boston, Mass., at 100% of principal amount.

The net proceeds are to be used to repay a chattel mortgage; to install machinery and equipment in plant to be leased in Clifton, N. J., to repay bank loan; and for working capital.

Joins Beil & Hough

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Juanita M. Smithe has become associated with Beil & Hough, 33 Fourth Street, North, members of the Midwest Stock Exchange. Miss Smithe was previously with King Merritt & Co., Inc.

Two With Frank Edenfield

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Mark J. Hanna and Nathaniel F. Hoxie have become affiliated with Frank L. Edenfield & Co., 8340 Northeast Second Avenue.

With Paul C. Rudolph Co.

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif.—Garland B. Hall has become affiliated with Paul C. Rudolph & Company, Bank of America Building.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Strikes between V-J day and Dec. 31, 1952 nullified, so far as the output of steel was concerned, all the increased steelmaking capacity which U. S. Steel installed during this period, it was disclosed in the company's annual report.

Thereby hangs quite a story, and the story bears not only upon the very immediate present, but on a perhaps suspended move in the era which followed the War to Make the World Safe for Communism.

Louis H. Bean, a $12,000-employee of the Department of Agriculture, was credited with being the sire of the Fair Deal's drive to boost to more than 120 million tons, the annual steelmaking capacity of the United States. The CIO took up Mr. Bean's drive and naturally the Truman Administration was not long in adopting the cry as its own.

There followed the notorious "Spence bill," Administration-written, of 1949. Under this bill if private industry did not boost basic production capacity for steel and other raw materials, the government would do the job.

The Spence bill failed, of course, to get to first base. Only former Chairman Brent Spence (D., Ky.) of the House Banking Committee, among the Hill leaders, no particular radical himself, was complaisant enough to introduce this bill. Former Chairman Burnet R. Maybank (D., S. C.) of the Senate Banking committee, refused to author the bill, even "by request."

What the combined power of the CIO and the Truman Administration failed to do, the Korean War succeeded in doing. There is now installed an annual steel producing capacity well in excess of 120 million tons. U. S. Steel brings home again the consequences — the increased capacity merely provided "elbow room" for the production-expensive steel strikes.

U. S. Still Employs Bean

Mr. Bean, who fathered this drive for increased steel-making capacity, is still employed by the United States Government, despite the advent of an allegedly Republican Administration.

Upon the succession of Ezra T. Benson as Secretary of Agriculture, Mr. Benson decided he had no further use for Mr. Bean as an "Assistant to the Secretary of Agriculture," the title which Mr. Bean had when Charles Brannan was the Secretary.

Mr. Bean raised cain to the press, when this word was passed to him, and demanded his rights as a "civil servant." So the department now employs Mr. Bean at his same salary as a "consultant" in the office of the Chief of the Bureau of Agricultural Economics.

Louis H. Bean, when he joined the staff of the BAE in 1923 as a "junior agricultural economist," was literally a civil servant. As the New Deal wore on, Mr. Bean's influence rose in the high councils of the Department of Agriculture. This influence rose to its zenith under Henry A. Wallace, when the latter was Secretary of Agriculture. When Mr. Wallace moved over to the Board of Economic Warfare, Mr. Bean in due course went along.

Staying there a short time, Mr. Bean moved over to the Budget Bureau, from 1943 to 1947, before returning to his old stamping grounds at the Department of Agriculture. He was an Assistant to the Secretary. This was the title which Mr. Brannan recognized. Mr. Brannan did not recognize the title which Mr. Bean occasionally used in signing letters, that of "economic adviser" to the Secretary of Agriculture.

Pearson Rated Unfriendly

Lester B. Pearson, Canada's "Foreign Minister" (Secretary of State for External Affairs), who is supposedly being offered to the United Nations as a candidate for Secretary General, is rated in governmental circles in this capital as strongly anti-American. He has criticized or inferred criticism publicly in Parliament of the Eisenhower Administration's bent on foreign affairs.

Pearson whilst ignoring the tremendous several hundreds of millions of dollars the U. S. has spent in buying and donating Canadian farm commodities to Europe is pressing for Canadian "retaliation" on the so-called "cheese amendment" to the Defense Production Act.

Asks For New Bill

Canada, like Britain, is using all its drag to get the White House to persuade Congress to pass a Customs Simplification Act and an extension of the Reciprocal Trade Agreements Act "without crippling amendments."

Congress will refuse again to pass the Customs Simplification bill proposed by the Truman Administration. It is explained in Congress that this bill would have enacted bodily important provisions of the proposed International Trade Organization, to which Congress is hostile.

Furthermore, in the form this bill passed the House and went into a Senate pigeon-hole, it proposed to exempt from duty, all items of a value of $10 or less coming into the U. S. by mail. The theory of this was that it cost more to collect tariff duties on these small transactions than the duties paid.

However, immediately after the House passed the bill, firms prepared to set up a mail order business in New York, permitting the ordering of foreign goods by mail.

Informally, Congress has asked the Eisenhower Administration to draft a new Customs Simplification bill limited strictly to the objective of simplifying customs practices and procedures, "with no monkey business." If such a bill is forthcoming, its passage is expected to be easy.

Reciprocal Trade Will Have Amendments

Barring the most intense pressure from the Eisenhower Administration, Congress will vote a "mandatory peril point" and a tougher "escape clause" to any bill it enacts extending the Reciprocal Trade Agreements Acts.

If these provisions are accepted by the White House, the bill will have easy passage, unless the White House stand against the Reed bill should later sour the key committees against the whole reciprocal agreements program.

The Army and Mr. Long

Senator Long has some advice for the new Defense Secretary, Charles E. Wilson.

Senator Long is the son of the late Huey Long, and never has been rated as a roaring conservative. However, both Russell Long and Wayne Morse, another "liberal," got genuinely riled at the evidences they discovered of what they thought was gross waste in the construction of military installations.

What happened was that up until the new Congress, both Morse and Long were members of the Military Public Works subcommittee of the Senate Committee on Armed Services. It was in this capacity that they toured some of the defense installations and issued their recent scathing report which has caused the military brass to gang up on them.

The Public Works subcommittee prepares the bill authorizing the construction of "military public works," i.e., naval bases, air bases, cantonments, and so on. It is up to the Appropriations Committees later to propose the actual appropriations for authroized projects.

As Chairman of the subcommittee, Senator Long last year managed to knock off about $700 million of the $3 billion of authorizations for new projects then requested by Defense. What the Louisiana Senator discovered later, he publicly charged, was that even before the subcommittee completed and published its report, and while the information was still secret a Defense Department official, with a three-star General to carry his papers, was going around from the office of Senator to Senator, disclosing just how each state would lose from the expected cuts.

The Senator said that what has happened since the report in which he and Senator Morse participated, is that the Pentagon officials have been "planting" stories with Washington correspondents of local papers, deprecating the economies the Senator proposed, and the Senator's judgment on military matters.

Senator Long said that his Committee forced the Pentagon to take an Assistant Secretary whose exclusive job it was to review the Services' demands for military public works. This official has stopped dead—for the time being any way—an additional $4.5 billion of military public works the Pentagon was demanding.

Pull the Snow Job

What a Secretary of Defense has got to realize, when he is trying to save money, is that the military brass pulls what the Senator calls "the snow job." What they do, he said, "is present the Secretary with so many big and vast proposals and keep coming at him all the time with new ones, and keep the Secretary so busy he can't dig himself out from the snowdrift under which they blanket him. The Secretary has no chance to try to study the merits of individual projects. They always snow him under.

"In the end," explained the Senator, "a civilian Secretary finds that he just cannot get out from under the mountain of work they pile on him. He is constantly kept off balance. So the civilian head of a military service finds that about all he can do, surrounded and captured as he is, is to become first the slave, then the attorney, for the military."

Long says, however, that the corporals and sergeants keep writing him letters, reporting waste and extravagance, and cheering him on in his drive for economy in the Defense Department.

(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

"Boy! Was that last income tax a humdinger!"

Business Man's Bookshelf

Democracy Begins in the Home—Ernest Osborne—Public Affairs Committee, 22 East 38th Street, New York 16, N. Y.—Paper 25c (quantity prices on request).

Outstanding Books on Industrial Relations, 1952—Selected References—Industrial Relations Section, Princeton University, Princeton, N. J.—Paper—20c.

Statistical Yearbook, 1952—United Nations Publication No. 1952, XVII. 1—Columbia University Press, 2960 Broadway, New York 27, N. Y.—Cloth—$7.50.

The Exchange Magazine—Monthly magazine issued by the New York Stock Exchange—$1 per year — Department C, The Exchange Magazine, 20 Broad Street, New York 5, N. Y.

United States Government Securities and the Money Market: Review of 1952 and Outlook for 1953—Bankers Trust Company, 16 Wall Street, New York 15, N. Y. —Paper.

When to Retire—Pamphlet—Pension Trust Department, Chemical Bank & Trust Company, 30 Broad Street, New York 15, N. Y. —Paper.