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EDITORIAL

As We See It

Concatenation of a number of events has brought the international situation sharply to the fore. This same course of developments has led the President to make what is described as a "major foreign policy address." We are faced with vital issues, and, it may be, with epoch-making decisions. If one permits his imagination to run unchecked, it would not be difficult to convince oneself that the course of history for some time to come may well be shaped within the next few months, or so it might well be if the Russians are sincere and the Western powers prove themselves competent to meet the challenges by which they are, or would be, faced.

At this moment it is far from fully clear what the new regime in Russia—if it is indeed really a new regime—intends or is planning. It could be, of course, that all our hopes will presently be dashed once more against the rocks of double talk and double dealing. These things can not be foretold at this moment, but it is certain that we must not fail to take these overtures of the Kremlin seriously and at face value until events have proved them counterfeit. But this is only the beginning of the story. Even if we assume that the new masters in Moscow are now ready to yield their doctrinnaire nonsense and are prepared to give up their zeal for world communization—and in a real as well as a technical sense wish now to "co-exist" peacefully—even if all this is true, problems fit to try the patience and test the statesmanship of the world await those who must guide the destinies of the noncommunist world.

None of us can afford to forget that neither

Continued on page 38

"No Reason to Fear Peace"

By HON. GEORGE M. HUMPHREY*
Secretary of the Treasury

Asserting we are not heading for a depression, Treasury Secretary foresees a sounder U. S. economy despite arms race. Reveals new Administration will move to achieve a sound currency, but opposes tax reductions until a balanced budget is achieved. Admits taxes are too high and should be revised to encourage more jobs and more production, while the National Debt should also be reduced. Warns against excesses of speculation in a boom, and urges dealing with readjustments when they are necessary

There is no reason to fear peace.

We are not headed for depression.

Some people in this country are talking as though they were afraid of peace. Peace is what we are working and striving to attain. To achieve peace we are helping our friends and strengthening our own defenses on the theory that an ounce of prevention is worth a pound of cure. In peace America grew great. It was in peace that we grew strong and rich and accumulated the homes, plants, farms, mines and transportation, that saw us through two wars. It was wars that brought us debts, taxes and inflation.

George Humphrey

Why, then, should anyone fear peace? The reason, as I understand it, is that some people fear for the strength of our own economic position if government spending for defense is reduced. They fear a free economy devoted to the pursuits of peace. Such thinking is entirely unjustified. We are not going to have a depression in America whether we have an armistice, a real peace, or continue to develop a proper and balanced posture of defense. There is no reason for a depression unless we fail ourselves to do the things we ought to do and lack the courage and the foresight to do them.

There will be readjustments, of course. There are

Continued on page 20

*An address by Secretary Humphrey at the Annual Luncheon Meeting of the Associated Press, New York City, April 20, 1953.

Tongue in Cheek!

Stock purchase plans offered by American business corporations to their employees should not be regarded as a public offering. SEC proposed Form S-8 no genuine simplification and press conference ballyhoo only a smoke screen to divert attention from valid criticism of the Commission. SEC should not inject itself into employee-employer relations. There should be no registration requirements for employee stock purchase plans. Relief sorely needed from some registration requirements of primary public offerings. SEC should direct its efforts along those lines.

The longer we consider some of the octopus-like activities of the Securities and Exchange Commission, the more convinced we become of the correctness of the view that the Commission ought to be abolished, and that definitive legislation be enacted containing the existing safeguards against a recurrence of the objectionable practices of the late '20s.

This sentiment is provoked by the recent SEC release offering a proposed Form S-8 which deals with employee stock purchase plans.

The Commission tells us that this form is intended to act as a **simplification** for the registration under the Securities Act of 1933 of securities to be offered for sale to company employees under certain types of stock purchase and savings plans.

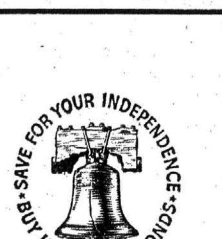
If the maze of instructions which constitute this new proposal be regarded as a **simplification**, then indeed the original instructions and requirements for registration as they now exist — and mind you these are the creature of the SEC — must be terrifying.

The need for the registration of securities where the employer-employee relationship is involved eludes us completely.

Why should any regulatory body in the securi-

Continued on page 44

SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 48.



The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Bank of America N. T. & S. A.—H. Theodore Birr, Jr., President, First California Co., San Francisco, Calif. (Page 2)

Investment Co. of America Stock Purchase Warrants — Ben S. Lichtenstein, Partner, B. S. Lichtenstein & Co., New York City. (Page 2)

Foremost Dairies, Inc.—Charles A. Taggart, President, Charles A. Taggart & Co., Inc., Philadelphia, Pa. (Page 2)

H. THEODORE BIRR, JR.

President, First California Company, San Francisco, Calif.

Bank of America N. T. & S. A.

The complete investment in California is Bank of America. And in the recorded history of banking, no other bank has demonstrated such growth so swiftly and so soundly.

H. T. Birr, Jr.

The four cornerstones for the Bank's solid progress are: (1) a philosophy of maximum banking service to the greatest number of people, (2) an enlightened management-employee staff which enthusiastically translates into action the Bank's philosophy of service, (3) California — a growing state with a diversified and dynamic economy, and (4) an expanding, robust population.

During 1952, California chalked up new records augmenting further its position of preeminence among the states of the Union. For example: agricultural income reached $2.7 billion, public and private construction expenditures exceeded $3.6 billion, personal individual income from all sources skyrocketed to $23 billion and 5 million of the state's population of 11.8 million were gainfully employed. The foregoing facts point to a high level of business activity. This in turn had a favorable impact on Bank of America with its 538 statewide branches strategically located to render complete and efficient banking services.

The word "growth" has become extremely fashionable in investment parlance in recent years. All too often, claim to its usage leaves one dubious when the facts concerning some institutions are carefully scrutinized. The word "growth" as applied to Bank of America has validity based on its record as a bank and as an investment.

Fifteen years (1937-1952) provide a good historical setting to measure the "growth" factors in Bank of America. This period was selected for two reasons: (a) 1937 was the year in which the Bank's stock first became available to the public through distribution of a portion of the holdings of Transamerica Corporation and (b) 1937 also was a high-water mark for security prices in general.

First, as a bank: resources increased from $1.4 billion to $8.2 billion — a 485% gain. Deposits increased from $1.3 billion to $7.4 billion — a gain of 469%. Loans and investments increased from $1.1 billion to $6.4 billion — a gain of 481%. Customers served increased from 2.1 million to 5.1 million — a gain of 142%. Number of loans made increased from 476,000 to 2,472,000 — a gain of 419%. Capital funds (excluding reserve for possible loan losses) increased from $111.9 million to $424.3 million — a gain of 279%. Spectacular gains in all of the foregoing factors as a bank constitute the *raison d'etre* for the Bank of America as an investment outside of its function as a privately owned public servant.

Second, as an investment: during the same period (1937-1952), net profits increased from $12.8 million to $50.3 million — a gain of 293%. Cash dividends paid increased from $8.8 million to $38.4 million — a gain of 336%.

Appraised at bid prices, an investment in 100 shares of Bank of America, valued at $4,525 at the end of 1937, increased to 400 shares (through 2 stock dividends and 1 split) worth $12,400 at the close of 1952 — a gain of 174%. This is **growth** in the value factor. The same investment produced cash dividend income of $240 (5.1%) then and $640 (13.5%) now. This is **growth** in the income yield factor. The same investment produced earnings of $322 to support the dividends then paid. For 1952, earnings of $840 were produced to support the much larger dividends paid. This is **growth** in the earnings factor.

When viewed from factors that count — earnings, dividends, income yield and value — Bank of America is a sound investment with built-in growth factors. These are the end results of Bank of America's preeminence as a bank based on a successfully proven and continuing historical record. It is not surprising, therefore, to find its 220,000 stockholders the sixth largest stockholder group in the U. S. A. Numbered among them are over 6,000 institutional investors, such as: savings banks, insurance companies, investment trusts, foundations, and labor, fraternal and fiduciary organizations. The number of stockholders grows daily and is eloquent testimony that the Bank's record as an investment commends itself to the investor seeking sound value and dependable income with growth. It has been one way for the prudent investor (not interested in speculating) to protect investment income against the rising cost of living and depreciation in principal value as well as from the experienced decline in the value of the dollar.

Bank of America common is traded in the over-the-counter market.

BEN S. LICHTENSTEIN

Partner, B. S. Lichtenstein & Co., New York City

Investment Co. of America Stock Purchase Warrants

At this level of the market and considering its action over the past three months, many investors and speculators are at a loss as to the proper procedure. The ideal vehicle for speculation would be one with unlimited profit potentials and meager possibility for loss. **Investment Company of America Stock Purchase Warrants** are such a vehicle.

B. S. Lichtenstein

The Investment Company of America is an open-end investment trust originally organized in 1933. At the end of 1952 it reported total assets in excess of $22 million. The portfolio is extremely well diversified and contains many outstanding growth situations. Both Moody's Investors Service and Standard & Poor's carry the complete portfolio for anyone who cares to see it in detail.

The company has in effect a research and management contract with Capital Research & Management Company which also manages the affairs of Pacific-American Investors, Inc. and American Mutual Fund, Inc. The three trusts managed by Capital Research & Management Company have done so well in the past that it is reasonable to expect stellar performances in the future.

Each Investment Company of America Stock Purchase Warrant entitles the holder to buy 5.485 shares of common stock at $20.-9664 per share in perpetuity. These warrants, in addition to being a perpetual call at a low price, give the investor the right to buy a large number of shares.

At the present time the Investment Company of America stock has a liquidating value of about $11.80 per share. It has been estimated that if this liquidating value should double, the warrants would have a value of over $27.00 each without giving any weight to the fact that they are perpetual. I might add that in 1942 the stock was selling around $6.50 per share and the present value is approximately double that figure. With the warrants available under $3.00 it seems an unprecedented opportunity to participate in any further rise in the market while taking very little risk.

CHARLES A. TAGGART

President, Charles A. Taggart & Co., Inc., Philadelphia, Pa. Members, Philadelphia-Baltimore Stock Exchange

Foremost Dairies, Inc.

Much is written and said about growth companies engaged in the development, production and sale of new products which under normal conditions should meet with consumer approval and result in prosperous operations.

Charles A. Taggart

I would like to write about a company which is growing through the acquisition and modernization of already established smaller concerns marketing products for which the demand is well known.

At the start, I would like to point out that while Foremost Dairies, Inc. slogan is "The South's Largest Independent Dairy Company," acquisitions in 1952 have increased Foremost's territory by seven states and 28 communities, so that the company now serves over 80 communities and their surrounding areas in 18 states, spanning the continent and ranging from Minnesota to Florida, in addition to overseas operations in Hawaii, Guam, Okinawa and Japan.

The present company was incorporated under New York laws

Continued on page 41

The Road Ahead

By W. W. TOWNSEND*
President Townsend-Skinner & Co., Inc.
Investment Counselors, New York City

Investment counselor maintains we cannot easily escape "fairly soon" a period of readjustment, retrenchment and recession, but says there is strong probability that "we do not now face a deep depression." Comments on danger of excessive use of credit and "still mounting invested pyramid of consumer debt."

In a world more than ordinarily beset with uncertainties, it is not to be expected that any finite mind can peer very far into the future. There are visible, however, just enough of the economic "signs and portents" to warrant two conclusions:

W. W. Townsend

The first conclusion is that we cannot easily escape a period of readjustment, retrenchment and recession some time fairly soon. This, in fact, is already in progress. The background for business and the three major markets, as disclosed in the banking figures, began to deteriorate very early in 1951. Commodity prices reacted at once and have about completed their readjustment. Bond prices began to break about six months later and may have almost completed their readjustment. Stock prices are just now entering on their readjustment phase and it probably is a fortunate thing that this recession is a "rolling" recession in which the readjustments are taking place consecutively and not concurrently.

The second conclusion is that we do not face the strong probability of a deep depression and, once our economic machinery has been overhauled, we should be able to move forward into a fairly protracted period of sound rather than synthetic prosperity.

The word recession has come to mean something sinister. This is not good semantics. A recession is a retreat from an abnormally high level of activity to a normal level of activity and is healthy.

A depression, on the other hand, is a retreat from a normal level of activity to a sub-normal level of activity and is most unhealthy. It is sometimes hard to keep a recession from extending itself into a depression and it is true that they look alike. The resemblance, however, is that between the glow of health and the flush of fever.

We have an Adminstration in Washington which is pledged to a policy of retrenchment wherever possible. This is already under way. Their major problem is to bring about a slowdown and avoid a breakdown.

For years we have been for all the world like the little boy on the bicycle for the first time. The only way he can stay on is to ride fast. He hasn't learned how to slow down and step off. The little boy always falls off, because he isn't strong enough to pedal like mad for very long. Russia hopes we are that little boy. We have to prove that our recent burst of speed was from choice rather than necessity and we really do know how to slow down. It's almost as simple as that.

Unfortunately for some of us, the process of slowing down cannot be uniform. Where excesses are great, corrections must be drastic. And we have several examples of such excesses before us, the most serious of which is the almost fantastic growth of consumer debt. This figure has rocketed in seven and one-half years from $5.6 billion to $24.3 billion and the growth of installment debt has been even more spectacular. This is up, in the same period, from $2.0 billion to $16.7 billion, an increase of over 700%, with $3.3 billion of that increase coming within the last fourteen months.

The only valid criticism which ever has been leveled against our own system of free-enterprise capitalism has been the inflexibility of debt. And the reason why this particular discussion should be of much more than academic interest to a group of bankers is because their business consists almost entirely of transactions in dollars and in debts.

The finance industry in the United States, of which you are a part, is the greatest middleman industry the world has ever known. Without it this country could not have grown great. But the power to create implies the power to destroy and it is this same finance industry which has helped to produce our most pressing internal problems. Most of them have involved the abuse rather than the use of credit.

Credit, like alcohol, is only good when used in moderation. Like alcohol, also, it is a stimulant at first, a narcotic beyond a certain point and in the end a deadly poison. Those who provide the credit which keeps the wheels of industry spinning should recognize their responsibility to see that it does not also start the heads of the industrialists to spinning.

Speaking more specifically, the banker should discourage rather than encourage the excessive use of credit, particularly when the loan does not produce an income out of which it can be repaid. This brings our discussion back to today's most serious element of potential danger, the high and still

Continued on page 40

*Abstract of an address by Mr. Townsend before Group 3 of the Pennsylvania State Bankers Association at Wilkes-Barre, Pa., April 18, 1953.

INDEX

Articles and News

Regular Features

*See article "Canadian Pulp and Paper Industry" on page 18.
†Discontinued. See "The Market . . . and You," by Wallace Streete on page 5.

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Book Values

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

A short reading stint about book publishing; and the investment merit of certain literary-product companies whose shares are publicly held.

While the radio and television have made their well known inroads on the traditional reading habits of the American people, and tended to make our youngsters more planet pundits than bookworms, books, in all truth, are in no danger of joining the trolley, the celluloid collar, the band concert and the stereopticon, into the non-repeating section of history. Books are still our most powerful educational tool, and they do not have to be "light reading" to gain great general readership. The "Bible," in the United States, is a perennial best seller, and the most pervasive book, in its influence among us, of all the works of literature. Equally, and quite unfortunately, "Das Capital" by Karl Marx, although a dull, badly written, prejudiced and error-laden tract on political economy, was a source book for Socialist England, and, coupled with the "Communist Manifesto," has become a virtual modern bible for the Communist heresy.

Ira U. Cobleigh

On the lighter side, books such as "Gone With the Wind," "Anthony Adverse" and "The Robe" have in book (and later movie) form had a wide influence on our times, and have helped to sustain the book reading tradition of our peoples. And, of course, our schools and colleges have never swerved from their major emphasis on text books as a road to scholarship and wisdom. We cannot quite agree with Fred Allen's classic quip that the 20-inch screen has replaced the "Five Foot Shelf"!

Granting, then, the durability of the book in our sociological scheme of things, it's appropriate to inquire who puts them out, are publishing companies profitable, and can you buy stock in them?

About the first question, book publishing, unlike steel, railways, or motor cars in America, is an aggregation of small businesses. Distinguished book family names, such as Harper, Putnam, Brentano, Doubleday, Scribners, Dutton, etc., come to mind; and their enterprises have usually been privately owned and personally managed by a small and closely knit group. Thus it is not a business where, historically, wide ownership of the equity among the general public was at all common.

The Macmillan Company

There are a few companies, however, where for one reason or another, stock purchase has been made available to John Q. Public. The Macmillan Company is an example. Way back 110 years ago there opened in London a book store, under the proprietorship of Alexander and Daniel Macmillan. It grew, and in 1869 an American branch was started which, in 1896, become The Macmillan Company, with its stock owned and controlled by its British parent.

The march of years, plus the internal British taxation and financial erosion caused by two World Wars, dictated, in 1951, the sale of the American unit for dollars; and today all save 5,000 common shares are owned in the United States. And Macmillan is quite a company. It has paid dividends in every year since 1898, and while evidencing a lot of corporate stability, this enterprise has by no means stagnated. Macmillan is the largest publisher in the U. S., in the general field, and derives its sales and earnings from a very broad base. Its complete publishing list would embrace well over 7,000 titles, and some 500 different books are published each calendar year. The screening of material for this production is, in itself, an editorial stint of mammoth proportions, when you consider that Macmillan is bombarded by over 7,500 manuscripts each year. Of course, the mortality rate on these is bound to be high, but editors can't use a pitchfork type of rejection. They have to look 'em all over. That's how they can come up with a real beauty every so often like "Gone With the Wind" which sold 10,000,000 copies and was the Macmillan sensation of 1936.

Macmillan is the second largest college text publisher, and for 1952 (fiscal year ending April 30) got about 30% of net sales from this and technical book sources. Slipping down a little in the educational ladder, Macmillan is also big in high school and elementary school texts. Altogether, from kindergarten to college and post grad, Macmillan derives over 60% of its gross; and if you will refer to population growth statistics, particularly the bumper crop of kids now on the educational escalator, this text trade should be pretty wonderful for years to come.

What is called the Trade Department, including a wide assortment of popular titles, turned in 17% of sales for the 1952 year, but another GWTW, which bulged the 1937 dividends to an all time high, is always a possibility.

Finally, catalog diversity is achieved by Medical and Religious editions plus works for juveniles and lovers of the great outdoors.

Conservative Finances

About finances, the equity is merely 280,553 shares of common with a book (ledger not text) value, most conservatively arrived at, of approximately the current market price of $21. Net current assets are above $14 a share; and good will, which must be worth a couple of million, is meekly stated on the last balance sheet at $3.

The sustained dividend record running back to 1898 was mentioned earlier. For the last 12 months, the dividends per share (including extras) totalled $1.675. For stability of investment, quality of balance sheet, and dividend durability, Macmillan Company beckons. The stock is traded in the over-the-counter market.

American Book Company

Another company in the same general line of endeavor is American Book Company, which showed 1952 net earnings of $472,000 or $4.89 on each of 96,468 shares outstanding. American Book is a leader in publication of college and school texts and it also offers a line of juvenile books through its Alladin Books division. In 1950, as a pioneer advance into new educational techniques, this company acquired a 50% interest (with Decca Records) in Audio Education Inc., to produce and distribute instructive records. The possibilities in this field are favorably regarded, and this project further diversifies company operations.

American Book has been a fine and steady dividend payer since it was formed in December 1907. Cash distributions have been generous and these have been pleasingly supplemented by stock dividends of 60% in 1922, and a two for one split in 1952. Present dividend rate is $2.50 and the shares are traded on the American Stock Exchange at around 45. Additional working capital was supplied by a $1 million loan arranged last year.

American Book portrays well the corporate serenity that an entrenched book publishing enterprise can offer to shareholders, particularly when the main emphasis is on text books.

Int'l Textbook Company

A third, and lower priced entry among our book values, is International Textbook Company, whose earnings and dividends have displayed more volatility than the others we've mentioned. This company draws its main income from the sale of books and courses of instruction offered by its International Correspondence Schools, postal Alma Mater of tens of thousands of successful people. About 70% gross comes from these course materials, which are turned out in company-owned printing plant and bindery, at Scranton, Pa. In addition, printing and binding for outside customers is done extensively. Further, there is a wholly owned subsidiary, International Correspondence Schools Canadian, Ltd., and a 16% interest in a world company.

Earnings have been a little bit on the erratic side, running up to $2.72 a share in 1952 against 63 cents in 1951 and actual deficits in 1948 and 1949. There were no dividends 1948/50 but 20 cents was paid in 1951 and 50 cents in 1952. 181,566 shares of common (selling over-the-counter at 15) follow $161,553 of long-term debt.

Assuming the current rate of operations, International now sells about five and one-half times earnings, and indicates ability to pay $1.00, or perhaps more, in 1953. The price range of the common from 1944 to date is between five and one-half in 1949 and a high of 30 racked up in 1946. Americans are always eager to improve themselves, and International Textbook stands in line to profit from that proclivity.

Book-of-the-Month Club

Skipping over to the popular fiction and non fiction, you might be interested in Book-of-the-Month Club, which has devised and perfected a plan for the sale of four (or more) books each year to a subscribing membership averaging well over 500,000. Supplementing revenues from the Book Club are a line of Metropolitan Miniatures (art reproductions) and a line of phonograph records for children.

Nine hundred thousand shares of Book of the Month Club, Incorporated are listed on the NYSE and selling around 11. Unbroken dividends since 1937 are now indicated at $1 a year; and the custom of the company has been to pay out a high percentage of net earnings. Management is adroit, and shrewd selection of books to be offered to Club Members, plus aggressive promotion, suggest that this company can sustain its profitability. Financial position is sturdy.

Other Candidates

Of course, in this rapid book review, the field has only been touched upon. Your further interest in this topic may impel you to investigate **Prentice Hall,** publisher of business books, **McGraw-Hill,** which has a large book publishing division, **Henry Holt & Co.,** and others.

In any event, you will note that book publishing, historically, has been better insulated against the ravages of the business cycle than most industries, and some of these book values are also interesting and not unworthy investment values.

SEC Uses Blackjack To Push Pet Reform

By LESLIE GOULD*
Financial Editor, New York "Journal-American"

The Securities and Exchange Commission is one of those little law-unto-themselves bureaus, and as the following shows is not averse to doing a little blackjacking.

Leslie Gould

The Florida Power Corp. operates in northern Florida and southern Georgia, the latter service being provided by a subsidiary, Georgia Power & Light Co.

The company is exempt from the provisions of the Holding Company Act, which the SEC administers. It is exempt because even though it serves two states it is an integrated system and covers a compact region.

Whether it comes under the Holding Act provision is a matter of law. It is quite clear that the company is exempt.

The SEC, though, has a pet reform—cumulative voting for corporation directors. This is a debatable question, and strong arguments can be made on both sides—for there can be and are abuses.

Cumulative voting is where a share-owner may bunch his votes for less than the full slate of directors. Say he has 500 shares and there are 10 directors up for shareowner approval. He can cast 500 votes for each director, or he can cast 5,000 votes for one, or 2,500 for two and so on.

Abuses by Outside Groups

Abuses of this have come in where some outside group has attempted to muscle—and we mean muscle in the waterfront acceptance of the term—into the management. On the other hand, some managements have abused the non-cumulative voting privilege by keeping off the board or denying representation to long-time minority interests. Recently, the abuses have been where cumulative voting is permitted.

To get back to Florida Power. This company has cumulative voting, but had decided to put up its abandonment to shareowners at this year's annual meeting.

The SEC was notified, as it is on all matters coming up at meetings of listed companies. The SEC then gave an "informal" opinion that it looked with disfavor on such a move and that if it were done, the SEC threatened to take steps to end Florida Power's exemption from the Holding Company Act.

That is just a plain hold up—black jacking. So, the company gave up its plan.

Clear Case of Federal Abuse

This is a clear cut case of abuse of power by a government agency. Florida Power is either exempt or it is not from the Holding Company Act by the law, but its exemption is not determined by whether it has cumulative voting for its directors. That is beside the point, but the SEC with its power—or rather the staff of the utility division—has put a shotgun at the company's head.

The SEC is not the only bureau to so abuse its power. Practically everyone of the other autonomous agencies follow the same tactics. The Federal Power Commission, the Federal Communications Commission, CAB, Anti-Trust and Federal Trade Commission — to name a few—are others.

*Reprinted with permission from the New York "Journal-American" of April 20, 1953.

The State of Trade and Industry

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

Increases in over-all output in some industries for the period ended on Wednesday of last week worked to counteract declines in others leaving the level of total production close to that of the prior week. Further it displayed little variation from the postwar high reached a few weeks ago and was only about 3% below the all-time peak reached in the final quarter of 1943.

Employment continued to hold at a high level with claims for unemployment insurance benefits down to a new 1953 low and close to the lowest level in seven years.

Steel ingot output in the week ended April 18 averaged 98.8% of capacity, down 0.1 of a point from the preceding week. The effects of the recent labor-management dispute on a railroad near Pittsburgh were still felt by steel producers in that area.

Increase in extra charges by Republic Steel Corp. is the first price action by a major producer since price controls ended—but it won't be the last, according to "The Iron Age," national metalworking weekly, the current week. Consumers may expect extra increases by other producers who have been studying their prices carefully for some time.

It is doubtful, added this trade magazine, that the steel price structure will be finally clarified until the question of the seventh wage round has been settled. Meanwhile, steel firms will continue to adjust extras to compensate for changes in costs during the period of price stabilization.

Increases in steel extra prices had been expected for some time. They are supposed to be based on actual costs resulting from additional work, time, or ingredients in meeting customer specifications.

Extra charges, which average about 25% of total steel cost to consumers, have not been revised since producers agreed to a hold-the-line price policy at beginning of the Korean War, states this trade authority.

That steel companies are thinking seriously about raising base prices was made official last week with statements from three leading producers. Their statements bolstered an "Iron Age" prediction of several weeks ago that steel prices would be raised at least enough to cover any wage increase.

The price increases are expected to come by June, if not sooner. Increases would probably be made now if it were not for uncertainty of the cost of the seventh wage round coming up, states this trade weekly.

The Wage Policy Committee of United Steelworkers (CIO) meets in Atlantic City April 27, 28 to fix wage demands and plan strategy. It is taken for granted they will ask a healthy wage increase. And, with the cost-of-living crutch weakening, they will try to support their demands with productivity arguments. Such arguments will be hard to prove—or disprove.

Steelworkers' contract is reopenable on wages only. Notice of desire for wage talks must be given on or before May 1. Following notice, bargaining must begin 30 days after May 1. If no agreement is reached by midnight June 30 union or company may resort to strike or lockout, asserts this trade journal.

If the steelworkers are finally able to wangle a moderate wage increase of say 10 cents an hour, the steel price increase will probably average about $4 to $5 a ton. It will be higher on some products, lower on others; it will not be an across-the-board increase, "The Iron Age" declares.

The scrap market, which had turned soft in recent weeks, took a beating this week. "The Iron Age" steel scrap composite price fell $1.75 a ton to $41.00 per gross ton. Sharp price declines were registered in nearly all areas.

In the automotive industry car and truck producers lost 20,000 units due to strikes last week.

Auto output dropped about 11% in the week to 120,038 from 135,754 last week, but was still 25% higher than the 96,084 in the year ago week, according to "Ward's Automotive Reports."

Ford Motor Co. production of cars tumbled 30% the past week as a result of a 15-day strike—now settled—at its Monroe, Mich., parts plant. An interplant trucker dispute cut Chrysler Corp.'s auto output 20%. Normal operations for both companies were restored by last Thursday.

Labor troubles so far this year have caused the industry to lose more than 35,000 new cars and trucks, said "Ward's." It believes this indicates workers' "unrest can crimp the industry's ambitious production plans" this year. A record 1,900,000 cars are planned for the current quarter.

Continued on page 46

THE MARKET . . . AND YOU

By WALLACE STREETE

Nervousness over a possible Korean truce seems to have lost much of its depressing influence on share prices. Selling pressure slackened this week and cautious demand bolstered the list moderately. Surprisingly good March quarter earnings statements failed to generate unusual enthusiasm, however, and rallying tendencies lacked the spark needed to bring in public interest.

Sentiment was helped by scattered advances in certain types of semi-finished steel, suggesting that producers considered demand sufficiently vigorous to warrant upward revisions in quotations. Assurances from Washington that no signs of a serious recession could be discerned were deemed helpful, although pessimists professed to scent a pattern reminiscent of 1929 in emphasizing the absence of danger spots in a readjustment to a peacetime economy.

Economists appeared less worried over the prospect of a slackening in armament output than in a possible letdown in demand for civilian products. The indication that industrial construction may settle back to a slower rate, assuming that the urgency of national preparedness is removed, may point to curtailment in production of machinery and other heavy goods accounting for a sizable part of the Gross National Product.

Actual military supplies may be produced in considerable volume for some time to come regardless of what takes place in peace negotiations. No one seems to feel that the Eisenhower Administration would approve of a slowdown in preparedness for a considerable period unless some unforeseen settlement on rearmament could be reached with Moscow—which seems wholly unreasonable.

Realism and imagination are vieing for control of the stock market's destiny. And the former seems to have been getting the better of the argument for the time being. This probably is because the realist's arguments are more readily appreciated by most investors. Contentions that peace implies a slackening in armament production, which in turn means reduced demand for all kinds of materials; and that a letdown in industrial activity frequently leads to keen competition,

Continued on page 43

Keep Our Economic Powder Dry!

By A. WILFRED MAY*

Predicting that next step on Russians' Peace-Offensive timetable will be early resumption of appeasement gestures on our vulnerable trade front, Mr. May cites their dual purpose of sowing dissension in business-hungry Western nations, and satisfying Soviet military machine's need for strategic materials. Citing long-time record of basic Communist philosophy, maintains reliance on their overall cooperation without definitive guarantees would rest on untenable assumption that Kremlin rulers suddenly have ceased to be Communists.

According to Washington dispatches, diplomatic officials are guessing the exact hour on which the expected Soviet proposals for German "unification" will arrive on the timetable of the Kremlin's new Peace Offensive. But on the trade front is the Kremlin's early relaunching of appeasing gestures even more certainly predictable.

A. Wilfred May

The dissension-creating aim of the Russians' peace-offensive technique in the trade sphere its dovetailing with their current appeasement strategy in the political field. It must be remembered that the creation of rift between the nations of the free world has, through the years, constituted one of the two controlling objectives of Soviet "economic policy"; the other aim being acquisition of strategic and near-strategic materials for the building-up of her military machine.

The growing soft spots among Europe's economies also makes the present a particularly propitious time for the dangling of trade bait. Even in the case of relatively prosperous Germany, will industry's incipient search for new markets provide fertile ground for the Kremlin's tempting blandishments.

Typically, such clever trade-bait strategy was effectively employed at last year's International Economic Conference in Moscow. The Soviet spokesmen and their satellite stooges incessantly agitated toward stirring up dissatisfaction in the Western democracies over the paucity of East-West trade; dangling before their business-hungry industries the fiction of Soviet demand for their surplus consumer goods. But practically no trade actually resulted from the Conference, because the Russians refused to make any goods unless they were to be tied-in with the raw materials and capital equipment sorely needed for their war machine.

The Russians similarly showed the insincerity of their protestations of their desire to trade in the negotiations following the termination of their three-year trade treaty with Norway. Attempts at renewal proved abortive except for a very few commodities, and then on a strictly barter basis, because the Russians were only interested in strategic materials, as molybdenum, aluminum, and steel alloys.

In blacklisting the many UN organizations genuinely devoted to the stimulation of international trade, the Soviet has shown its real colors of hostility to trade. For it has persistently shunned the ECE, the International Monetary Fund and Bank; as well as the other machinery erected to further trade expansion through lowered tariff barriers, such as

Continued on page 55

*Partial text of address by Mr. May before Institute of Arts and Sciences, Brooklyn Academy of Music, April 22, 1953.

Clouded Outlook for Second-Half Year's Business

By EDWIN G. NOURSE*
Formerly Chairman, Council of Economic Advisers

Though stating no one now can really know what is going to happen to American business in second half of 1953, Dr. Nourse intimates outlook for third and fourth quarters of year is not too bright. Lists as possible patterns economic affairs could conceivably follow: (1) a revived wave of inflation; (2) a recessionary break of moderate severity; and (3) a rather smooth transition from mobilization boom to high-level stabilized prosperity. Says we have not "licked the business cycle," but points out a stabilization program could be based on a price-income adjustment for all parts of the economy.

My title is an unblushing piece of economic double-talk. It can be taken literally—and most safely for your speaker — as meaning merely that no one can on, April 15, really know what is going to happen to American business in the second half of 1953. The clouds that still shroud that picture are being turbulently tossed about not only by the always nervous and often naive behavior of consumers and businessmen but also by the mysterious machinations of the fresh team of mischief-makers in the Kremlin. But my title can be read also as an intimation that the speaker thinks the business prospects for the third and fourth quarters of this year are not too bright.

Edwin G. Nourse

As a matter of fact, my choice of title reflected an intention to suggest both these things. First, I wanted to do a bit of debunking. Forecasting or prophecy or crystal-gazing has become an occupational disease with a large number of men whom I would refer to as "commercial economists." They "make book" on what is going to happen in terms of percentage points on the wholesale price index, the Federal Reserve Board's production index, or the various rates of interest, and bet their professional reputation, their jobs, or their chances of promotion or of consultant fees on the shrewdness of their guesses or the smiles of Lady Luck. The economist of more scientific leanings or inhibitions says: It is not only dangerous for the economist himself to offer "dope" on what will happen in the business scene. It is also mischievous for the businessman and the public because it encourages them to base their actions on some favorite soothsayer, and it checks their process of continuous study of constantly changing events and their probable impact on the trend of the economy or a particular business.

On the other hand, it is eminently proper for the economist and stimulating to the businessman and the individual spender and investor for the economist to use his tools of analysis to explore what may happen if various forces or factors in the economic picture maintain a discernible and more or less measurable trend, if they change from possibly foreseeable course, if quite new elements are injected into the process, or if certain alternative combinations should develop from external events (such as a truce in Korea) or internal policy-making—such as Chrysler's price cut or the Treasury refunding moves.

*An address by Dr. Nourse before the School of Business Administration, University of Buffalo, Buffalo, N. Y., April 15, 1953.

Three Ways from Here

With this general background, let me lay before you three possible patterns that our economic affairs could conceivably follow during the next few quarters. In doing so, I shall explain why I think one outcome, which would be dangerous, is now unlikely; what are the sources of danger in another direction; and what we as businessmen, officials, and citizens need to do to attain the most satisfying outcome. These three possiblities are (1) a revived wave of inflation, which would be the rather characteristic final "blow-off" of a boom period; (2) a recessionary break of greater or less severity but certainly more severe than anything we have had since 1937; (3) a rather smooth transition from mobilization boom to high-level stabilized prosperity.

In the year-end and New Year business outlook statements, there was a great deal of easy optimism about a "confidence" boom extending well into the future. By definition it would last for four years, and by that time it would be so well established that it could go on indefinitely. This optimism was based on the fact that current employment was high, business and consumer spending well-heeled and full of confident optimism, population growing vigorously, and government spending was reaching a plateau rather than a peak.

The "confidence boom" was fed by statements from the automobile industry that they were "going to make and sell 5.5 million cars this year" and by the statistics from week to week of actual operating rates which would add up to almost 6.5 million cars if maintained throughout the year. It was fed also by stated intentions of business management to make capital outlays this year which would match the previous top figure of $27 billion and by week-to-week figures of engineering contracts let and housing starts which would match or better the records of last year or the year before, "whichever was higher."

The optimism of January has been justified or aggravated — whichever would you prefer—by a February and March FRB production index which surpasses any previous peak. It has been buttressed also by a stock market rise (and a lowering of margin requirements) and by further expansion of business loans and consumer credit. A reassuring note has been given to the business picture by the fact that total inventory figures have not run materially ahead of ratios to sales or production that have in the past been regarded as sound.

In some quarters there was apprehension that what masqueraded as a confidence boom based on sounder Republican management of the economy might in fact be an over-confidence boom based on emotion rather than reason. There were some lurking fears that we had been sitting on the inflationary safety valve and that, with the removal of wage and price controls and the relaxing of CMP, prices would skyrocket and we would be off on a new wave of inflation.

Producers and distributors in fact took the liquidation of controls in their stride, but at the same time a new inflationary danger arose. This came from widespread talk of ammunition shortage in Korea, unidentified submarines off our coasts, inadequacy of the civil defense program, need for a greater further expansion of the air force, and the renewed apprehension of more Koreas or even a third World War in the wake of Stalin's death. Since all this coincided with Congressional consideration of the 1954 budget and the new Administration's disillusionment about the ease of cuts in current spending, there was a distinct possibility that, even under Eisenhower and Humphrey and Dodge, we might see continuing and larger deficits and that we might see the economy "break out on the up side" from its recent period of apparent stabilization. Such an outcome—accelerated and perhaps runaway inflation—cannot yet be dismissed from the range of possibilities which the provident businessman must keep in mind in his future planning.

Three Inflation Signs

May I suggest three directions in which we may look for signs of further inflationary danger or for reassurance that we may escape this kind of development? First is the area of fiscal policy. The United States Treasury, the Bureau of the Budget, and the Administration as a whole are committed to a policy of holding down on spending and holding up on taxes so as to produce or come as close as possible to a balanced budget—one of the stronges safeguards against runaway inflation. If Mr. Truman's 1954 budget is cut by $8 or $10 billion and the special post-Korean tax increases are simply allowed to lapse without any further tax slash, then we should be so close to balance in the consolidated cash budget that I think this source of inflation would be virtually removed or "contained."

The second area to watch for signs of new inflationary danger is in monetary policy. There is no denying that both business and private credit is heavily extended, and if mortgages, bank loans, and instalment sales are resorted to as a means of keeping up the feverish pace of business in the remaining quarters of '53, we might well feel the onset of dangerous inflation. But here too, I would say that the present situation is moderately encouraging. We have a competent money management agency in the Federal Reserve System working in accord with a strong team of debt management experts in the Treasury Department. Both are "feeling out" market conditions and imposing restraints wherever they can without demoralizing or unduly checking business activity and confidence. If the political influences that are brought to bear directly or indirectly through the Congress can be held in abeyance, I feel that the danger of inflation getting out of hand for monetary or credit expansion reasons likewise is not serious.

Watch Developments in Wages And Prices

Turning to the third field, we must watch developments in the area of wages and prices, particularly at this moment when the artificialities of direct control have been or are being removed and, incidentally, when new union leadership is being tested. If we get a further round of stiff wage advances and a leapfrogging of higher costs and higher prices, then you would want to hold your

Continued on page 26

McCormick Sees "Sad and Sick" Security Business

President of American Stock Exchange tells panel of National Industrial Conference Board few people are making money in the securities business, and for at least 50% of them "it is their own fault," while the other half suffer because of government regulations and taxation. Defends aggressive securities salesmanship, and sees over-the-counter business gaining.

In the course of a panel discussion on "Business Under the New Administration" conducted at the 339th Meeting of the National Industrial Conference Board held at the Netherland Plaza Hotel in Cincinnati, O., Edward T. McCormick, President of the American Stock Exchange and formerly a member of the Securities and Exchange Commission, engaged in a discussion of the state of the securities business which he characterized as being in a "sad and sick" condition.

E. T. McCormick

In addition to Mr. McCormick, other panel participants were Neal Dow Becker, Chairman of the National Industrial Conference Board and Chairman of Intertype Corporation; John S. Sinclair, President of the Conference Board; Fred Lazarus, Jr., President of Federated Department Stores; Professor Leo Wolman of Columbia University, and Charles J. Stilwell, President of Warner & Swasey Co.

The transcript of the portion of the panel discussion in which Mr. McCormick participated follows:

Chairman Becker: You think more highly of [The Federal Reserve Board] now than you did 60 days ago. All right. Do you still have any rankling criticism in your breast?

Mr. McCormick: About the Federal Reserve Board?

Chairman Becker: Yes. Would you like to lower it still lower, abolish it altogether, or is the margin requirement all right?

Mr. McCormick: I think, financially, I'd be satisfied with 50%. I believe their target was 40. They are entirely satisfied a sound, adequate stock market can be operated for the benefit of the public at 50%.

I thought I might be asked, as we started with Mr. Lazarus, how business was, and I had a ready answer for that.

Chairman Becker: I will ask you now, how is business?

Mr. McCormick: It is lousy.

Chairman Becker: Even with a reduction of the margin requirements?

Mr. McCormick: Yes. This is a fact; most industry is booming. With prices in the stock market going up, on the average showing increases, the security business is in a very sad and sick state. Few people are making money in the securities business and I think at least 50% of it is their own fault, and I think the other half is because of government regulations and taxation.

I think we have been alerted to the serious situation which our industry has come to and we are doing something to correct it. I think that the importance of the west has finally been recognized by New York, and last year they changed their trading hours from 3:00 to 3:30, and I am proud to say, as a junior exchange, we led the way on that.

Also, permissive corporations, which has been adopted as a very important aid to the industry, and I think the next big move is going to be the necessity of recognizing the importance of doing an intelligent selling job. We have done the poorest job, a miserable job, of selling the American capitalistic system to people of the United States.

Insurance companies, banks, everyone in the finance community, has made us look bad. Today we only have six and a half million stockholders. The way to become a small businessman in this country today is to become a stockholder and we have done nothing to put that program over.

I think it will be the biggest thing in smoothing out our labor-management relations, and I think it will be the death blow to Communism if we can sell the obvious advantages financially and socially of becoming a small businessman in America by buying common stock in the companies of the United States, and as I say, we have done a miserable job of putting this over.

I am very hopeful that within the next year or two we will do a lot better.

Mr. Stilwell: What does Mr. McCormick mean by six and a half million stockholders?

Mr. McCormick: As a matter of fact, Brookings Institution made a rather extensive study in the last year in which by certain statistical techniques, it was arrived at that in the United States there are six and a half million individuals who hold stock in American corporations.

Chairman Becker: Mr. McCormick, I am going to astonish you by asking every member of the audience who owns one or more shares of common stock in some company — it doesn't matter what company — to put up his hand.

Chairman Becker: Well, I would say roughly 90% of the people in this room own at least one share of common stock in a company, maybe an apple tree.

From The Floor: In view of the show of hands, maybe this question isn't proper, but Mr. McCormick mentioned that most of the firms are losing money. Possibly they are selling their services too cheaply. I wonder if you care to comment on that?

Mr. McCormick: I think you put your finger right on it.

The Exchanges have had a rigid commission schedule for many years. There is absolutely no sense to the present commission schedules for selling Stock Exchange securities, the New York Stock Exchange, the American, or the individual exchanges. It just does not pay for an intelligent man to go in the security business at the present schedule of commissions.

Why should a young man, a skilled security analyst who has the combination of being a good salesman, go out and find a person who has $2,000 and sell him a hundred shares, a single round lot of securities at $20, $2,000 worth, for $5? That is what the salesman, that is supposed to be trained and have at his finger tips the facts about the company — that is what he will get by finding a person who has $2,000 to put into equity securities.

I say that is simply stupid, and

Continued on page 25

Objectives of Treasury's Tax Policies

By MARION B. FOLSOM*
Under Secretary of the Treasury

Secretary Folsom explains current and prospective Federal budget situation and says it is desire of the new Administration to halt inflation arising from deficit financing. Stresses importance of reducing burden of taxation and keeping a proper balance among the three principal sources of revenue. Lists proposed tax reforms and cites simplification and removal of inequities as chief objectives.

While it is not yet possible to make any definite statement about either the prospects for tax reduction or the details of the Administration's long-range tax program, I am glad to have this opportunity to talk to you about some of our problems and to indicate some of the objectives which we have developed during the past three months in the Treasury. Secretary Humphrey in his statement before the Treasury Sub-committee on Appropriations stated the general goal of the Treasury as follows:

M. B. Folsom

"It is our purpose in the Treasury to help provide the proper economic climate in America. The fiscal policy is very important in determining that climate which is intangible but has a direct effect upon the lives of each of us every day. It is our purpose to establish and maintain such fiscal policies as will permit America to continue to grow and reach even higher standards of living for all its people."

This first problem is, of course, the immediate one of getting control of the budgetary situation. We were confronted with a prospective deficit of $5.9 billion in the fiscal year ending this June, and with a budgeted deficit of $9.9 billion for the next fiscal year. It now appears that receipts for the current fiscal year will be substantially below the estimates contained in President Truman's Budget Message of January. Though the amount involved is no greater than is likely to occur at times in view of the difficulties of forecasting revenue receipts, the error is on the wrong side.

The budgetary deficit for fiscal year 1954 was based upon the assumption that tax reductions would go into effect as scheduled under existing legislation. The excess profits tax is due to expire on June 30; this would involve an annual loss in taxes of a little over $2 billion. Its expiration has come to be tied up with H. R. 1, which would advance the scheduled Dec. 31 cutback on personal income tax to June 30, with a loss of revenue in the affected six months of about $1.5 billion, or $3 billion a year. The corporation income tax rate, under present law, will drop from 52 to 47% on March 31, 1954, resulting in a yearly revenue loss of about $2 billion. Also, on March 31, 1954, certain excise taxes, which bring in about $1 billion a year, are due to be reduced. These four changes would result in an annual decline in tax revenue of about $8 billion.

The deficit figures which I have cited are the familar ones from the so-called administrative or conventional budget. The January estimates of the deficits in the cash budget were $1.9 and $6.6 billion for the current fiscal year and 1954, respectively.

For many purposes, the position of the cash budget is important since it indicates the net impact of the Government's receipts and expenditures on the country's economic activities. On a short-run basis, a balance in the cash budget may be taken to indicate that the Government is paying its way by taxes and not pumping any new money or credit into the country's economic system.

The Trust Funds

Most of the differences between the two budgets are accounted for by additions to the trust account in the Old Age Insurance and other retirement funds. Under these systems funds have been collected on a contributory basis in excess of the payments. For instance, under the Old Age Insurance plan, there is now a balance of $17 billion resulting from the excess of receipts since 1936, including interest, over the expenditures. It is now generally agreed that further large additions to this fund are not necessary and it is expected that with the increase in expenditures that the system will gradually reach a pay-as-you-go basis. Under these conditions, the difference between the cash and administrative budgets will also gradually decline.

These reserve funds are invested exclusively in United States Government securities. It is rather surprising that criticism still exists to the effect that these excess receipts after being invested in Treasury securities are used to pay for governmental activities. It should be clear upon reflection that United States Government securities are the only proper form of investment for these funds. It would be foolish to hoard the cash and it would not be wise to invest these Government funds in private securities. The proceeds of the sales of these securities to the trust funds are used in the same way as the proceeds of sales of Government securities to private investors, and if these sums had not been available through the trust funds it would have been necessary to sell United States Government securities in probably the same amounts to private investors.

Regardless of which budget concept is used the deficit projected for next year would be seriously inflationary, especially with the very high level of business activities now prevailing. In line with objectives of the Administration to halt the inflation which has so seriously been cutting into the real value of the dollar for more than a decade, assurance that a balanced budget was in sight has been stated by President Eisenhower to be necessary before tax reduction could be made safely.

An intensive review of budgets has been proceeding since Jan. 21 in all Departments. Until the expenditure figures are finally determined, judgment on the proper timing of tax reduction must be suspended.

Though there is still uncertainty as to when recommendations for tax reductions may be made safely, there is no doubt or disagreement as to their desirability and to the direction of the first reductions.

It is not necessary to elaborate on the defect of the so-called excess profits tax. Almost everyone is agreed on this subject. Any long continuation of this form of taxation could not be justified because it is incompatible with healthy economic growth.

Great Importance of Lower Income Taxes

A reduction in individual income taxes is of great importance because of the very heavy tax burdens now pressing on people at all income levels. Again, I need not elaborate on the fact that tax rates are close to the all-time high in most brackets, with levels that at many points exceed even the peak rates reached during either of the two World Wars. The expenditures arising from the defense emergency require and justify such taxes as are necessary to avoid inflationary deficits, but when tax burdens are as onerous as they now are, the strictest economy is also necessary to keep these burdens at the minimum consistent with national safety. We want to return as much spending as possible from Government to private hands.

Beyond these two immediate problems, we have the more fundamental one of attempting to work out a structure of taxation which will have the least possible inequities and at the same time impose minimum restrictions on the country's economic system. You will note that I have in effect referred to the least bad, rather than the best, tax system. It is, I think, important to keep in mind the fact that no tax system can be positively good. It is inevitably burdensome and restrictive. We can hope only to minimize the impact of the sacrifices and the consequences of the restrictions.

The criteria for modification of the tax system were stated by President Eisenhower in his State of the Union Message when he said:

". . . We must develop a system of taxation which will impose the least possible obstacle to the dynamic growth of the country. This includes particularly real opportunity for the growth of small businesses. Many readjustments in existing taxes will be necessary to serve these objectives and also to remove existing inequities. Clarification and simplification in the tax laws as well as the regulations will be undertaken."

The most basic issue in any tax structure is the balance between the different major sources of revenue. During most of our country's history, we have relied on customs, the sale of public lands, and excises. After the adoption of the Sixteenth Amendment in 1913, income taxation, both individual and corporate, developed rapidly under the financial pressures of the first World War. It has been the principal source of revenue since 1918, with the exception of a few years in the 1930's when income tax revenues dried up during the depths of the depression.

Individual income taxation is considered by many to be the ideal form of taxation because it is direct in its impact and because the rates and definition of income can be adjusted to whatever may be the prevailing concepts of ability to pay. If only modest revenue were required, taxes on individual incomes might well be used as virtually the sole source. Since, however, the pressure of threats from abroad and the national desire to carry on a considerable variety of domestic governmental functions make it necessary to secure large total revenues, a dominant reliance on any single form of taxation is likely to lead to its breakdown.

Corporate income taxation is the second major source of taxation in this country. This tax also may be pushed to a breaking point.

Corporate profits, when distributed as dividends, are the necessary reward to the many millions of stockholders whose investments have provided the equity capital upon which our whole industrial system has been built. Without adequate dividends to justify continuing investment, we should have to look to a drying up of our traditional pattern of formation and expansion of industry. To the extent that corporate profits are not distributed as dividends, they constitute additional capital for expansion by existing successful companies. Thus, whether distributed or retained, reasonable legitimate profits are a part of the foundation of our whole economic system.

The critical point in corporate taxation cannot be predicted in advance or determined with any high degree of accuracy. I suggest, however, that at rates around 50% it becomes a major and not a minor factor in business considerations.

Excise taxation constitutes the third principal source of revenue in this country, and in this area we have both immediate and long-run problems.

Excise taxes are now imposed in a not very systematic manner on a variety of things, some of which are true luxuries and some of which are very common necessities. Furthermore, some of the items taxed are produced by prosperous industries while others are supplied by industries that are in some distress even at the present general high levels of business.

Excise Taxes Will Continue

In view of total revenue needs, it appears that continuing reliance will have to be placed on excise taxation. Excise taxes in the United States bring in a relatively small proportion of total tax rev-

Continued on page 36

*An address by Secy. Folsom before the Special Tax Conference of the National Industrial Conference Board, New York City, April 16, 1953.

Dealer-Broker Investment Recommendations & Literature

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

Bank Stocks—Brochure stating the case for these issues, including pertinent facts on 28 selected banks—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Canadian Companies—Analysis of 36 companies likely to participate in growth of Canada—Dominion Securities Corp., Limited, 50 King Street, West Toronto, Ont., Canada. In the same brochure are brief analyses of **St. Lawrence Corporation Limited** and **Cockshutt Farm Equipment Limited.**

Container and Packaging Industry—Analysis—Goodbody & Co., 115 Broadway, New York 6, N. Y. Also in the same bulletin are lists of bonds, preferred stocks and common stocks which appear interesting. A memorandum on **National Company** is also available.

Foreign Investment in Japan—Discussion of regulations concerning it—in current issue of "Nomura's Investors Beacon"—Nomura Securities Co., Ltd., 1, 1-chome, Kabutocho, Nihonbashi, Chuo-ku, Tokyo, Japan. In the same issue are discussions of the **Investment Trust Industry of Japan, Pharmaceutical Industry of Japan, Power and Rayon Companies,** Stock Market comments, etc.

New York Bank Earnings—Tabulation of preliminary figures for first quarter — New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

New York City Bank Stocks—Comparison and analysis as of March 31, 1953 of 17 New York City Bank Stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

New York City Bank Stocks—Comparative figures at March 31, 1953—The First Boston Corporation, 100 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.

Price Performance — Comparison of "War" stocks, "War or peace" issues, "Peace" equities, leverage securities and defensive shares—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

* * *

American Car & Foundry—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y. Also available is a memorandum on **Union Oil of California.**

American Insurance Company — Analysis — J. R. Williston, Bruce & Co., 530 West Sixth Street, Los Angeles 14, Calif. Also available are analyses of **Fireman's Fund Insurance Company, Hanover Fire Insurance Company, Great American Insurance Company,** and **National Fire Insurance Co.**

Bridgeport Brass Co.—Data in current issue of "Davis Investment Digest" — Paul H. Davis & Co., 10 South La Salle Street, Chicago 3, Ill. Also in the same issue is a summary of **Newport News Shipbuilding and Dry Dock Company** and follow-up reports on **Cincinnati Milling Machine, Pullman, Inc., Pepsi-Cola, Cutler-Hammer, Gardner-Denver,** and **Republic Steel.**

Duquesne Light Company—23-page illustrated analysis—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

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

Continental Casualty Company—Analysis—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Thomas A. Edison, Incorporated—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Fruehauf Trailer Company—1952 Annual Report—The Secretary, Fruehauf Trailer Company, Detroit 32, Mich.

Goodyear Tire & Rubber—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y. Also available is a memorandum on **United Air Lines.**

Great-West Life Assurance Company (Winnipeg, Canada)—Analysis—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y. Also available is a bulletin on **"Capital Gain Opportunities in Life Insurance Stocks."**

Interstate Bakeries Corporation—Review—Kerr & Company, General Petroleum Building, Los Angeles 17, Calif.

Iowa Southern Utilities—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

P. R. Mallory—Information—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y. Also available is information on **American Enka** and **Universal Match.**

Mead Johnson & Co.—Memorandum—Zuckerman, Smith & Co., 61 Broadway, New York 6, N. Y.

Missouri-Kansas-Texas Railroad Company—Analysis (bulletin No. 121)—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **Philco Corp.**

National Life and Accident Insurance Company—Analysis—Clark, Landstreet & Kirkpatrick, Inc., 515 Fourth Ave., N., Nashville 3, Tenn.

Safeway Stores — 1952 Annual Report — The Librarian, CF, Safeway Stores, Incorporated, P. O. Box 660, Oakland, Calif.

Standard Oil Company of Indiana — 1952 Annual Report — Standard Oil Company, 910 South Michigan Avenue, Chicago 80, Ill.

Victor Products Corp.—Memorandum—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Wisconsin Hydro Electric Company—Analysis in current "Business and Financial Digest"—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also in the same issue in an analysis of **Hamilton Manufacturing Company.**

From Washington Ahead of the News

By CARLISLE BARGERON

The opponents of the Tidelands legislation, in carrying on their long debate which smacks very much of a deliberate filibuster, have at no time had any serious hope of defeating it. Their purpose has been to sell to the country at the outset of the new regime the propaganda that the Administration plans to "give away" our natural resources to private interests. The Tidelands constitute only the first skirmish in what promises to be a continuing war throughout the Eisenhower Administration. It is only a dramatization of what is to come.

Carlisle Bargeron

Comprising the anti-Tidelands forces are the public power advocates, one of the strongest political blocs in the country; the reclamationists, the so-called conservationists, the apostles of Federal spending and the so-called Liberals generally. You would be surprised at how many livelihoods, political as well as otherwise, these professional activities afford. There are, to my knowledge, three well-heeled "organizations," national in scope, operating in Washington in public power advocacy alone: the American Public Power Association, the National Rural Electrical Co-ops Association and a third whose name escapes me at the moment. They flourished in the 20 years of the New and Fair Deals but they seem to have lost none of their steam since the return of the Republicans. It is truly amazing how they can make "cheaper power" a fetish with so many Americans when electricity is the smallest item in their household budgets at a time when taxes and the cost of living are at an all-time high. But they do. So-called cheap public power is a religion with millions of people; politicians ride into office on it.

The Eisenhower Administration is committed to arresting the trend toward Federal ownership of the electric power industry. It does not intend to try to undo such an octopus as the TVA, but it is against any additional TVA's and is committed to letting the private companies build and operate those projects which they are capable of building and operating and, where a compact of states is necessary for a project, to let those states get together to build it with the Federal Government staying out.

In this category, President Eisenhower has said several times that he would like to see New York State granted a license by the Federal Power Commission to build the power plant, in conjunction with Ontario, in the International Rapids section of the St. Lawrence River. This is somewhat bold and of questionable propriety on the part of the President because the Federal Power Commission which within the next few weeks is expected to pass upon New York State's application is supposed to be an independent, quasi-judicial agency. But the Washington perspective in recent years has become so cloudy that newspapermen have asked him at press conferences, without any subtlety but with bluntness, if he planned to take any action to make the Commission act, and he saw nothing objectionable in the questions.

Granting of this license would be a setback to the Public Power crowd as they have wanted the Federal Government to build and operate the plant. In lieu of this, they are demanding that in the event the license does go to New York State it should carry provisions requiring that, in the distribution of the power, preference be given to municipally operated and rural co-op set-ups. It is seriously doubtful whether such provisions would not be too onerous for New York to accept.

Anyway, you are going to hear a great hue and cry in the next few years about the "Big Business dominated government" turning over our natural resources to the "exploitation of selfish interests." It is an issue that made political capital back in the days of Theodore Roosevelt. It is a tremendous political fraud but men can get blue in the face about it. Natural resources in the ground, undeveloped, are worth nothing to anybody. There is no Tidelands oil unless somebody develops it and the real issue in this particular fight is whether this oil is developed or not. By the Federal Government it would not be. And I have never been able to bring myself to grief over the millions of kilowatts that are "going to waste" in our unharnessed streams. There are many times more tons of coal lying idle in the ground. The whole issue is one of private interests being permitted to develop our power needs, with three highly competitive fuels vying for markets, or of steadily increasing the stranglehold of Federal bureaucracy under the guise of giving the people cheaper power, but instead giving them higher taxes.

Prof. O. G. Saxon to Address NY Dealers

Harry R. Amott, Amott, Baker & Co., Incorporated, President of

Dr. O. Glenn Saxon

New York Security Dealers Association, announced that Professor O. Glenn Saxon of Yale University, Department of Economics, will address the dinner meeting of the Association at the Hotel Biltmore, Thursday, April 23, 1953.

Two With H. M. Grove

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla. — Robert D. Peacock and Benjamin F. Ricker are now connected with H. M. Grove Associates, 801 Euclid Ave.

French & Crawford Add

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Davidson Henry is now with French & Crawford, Inc., 22 Marietta Street.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Lionel S. Peck has become affiliated with King Merritt & Co., Inc., 1151 South Broadway.

Joins R. A. Harrison

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif.—Yubi G. Separovich has become connected with Richard A. Harrison, 2200 Sixteenth Street.

With First California

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Irving N. Boren is now with First California Company, Incorporated, 647 South Spring Street.

Geo. D. Clarke Ltd. Formed

George D. Clarke, Ltd., has been formed with offices at 50 Broad Street, New York City, to engage in a securities business.

Geldzahler Opens

BROOKLYN, N. Y. — Mendel Geldzahler is engaging in a securities business from offices at 1534 Fifth-third Street.

In Defense of the Full Gold Standard

By JAMES WASHINGTON BELL*

Secy.-Treasurer of the American Economic Association
Head of Department of Economics, Northwestern University

Dr. Bell describes operation of the full gold standard, and explains why it fell into disfavor. Says we got off on the wrong track in 1933 when we abandoned the gold standard "in the belief what was good for England was good for us." Points out how our currency system differs from the full gold standard and why it is not a wholesome and stable one. Lists advantages to be gained from an all-out full gold standard, instead of continuing to operate on our present hybrid standard. Contends our monetary system has made possible a build-up of a weak credit structure through monetization of the huge public debt.

I

Revival of Interest in the Gold Standard

It seems to have become respectable to talk about the gold standard again. The subject is no longer taboo. It fact, a revival of interest in the gold standard has occurred during the postwar years. I am glad to be able to talk freely about the gold standard without being considered politically suspect, without being accused of being a minion of Wall Street or some other pressure group interest, operating a gold mine, or perhaps even being considered an unconverted, orthodox economist (of the old orthodoxy and not the new).

J. W. Bell

It is hard to explain why the gold standard, after a long and satisfactory record, became so thoroughly discredited in recent years, but I believe that the explanation can be found in England's failure to adjust herself to the gold standard in the 1920's, and in the association of the gold standard with economic collapse and depression in the United States in 1929-1933.

The impact of Keynesian economics destroyed the gold standard tradition as well as many other orthodoxies. However, a more "scientific" monetary system did not prove to be a satisfactory substitute. It has not prevented mismanagement and inflation, and the fear that unlimited or unrestricted management might come to grief has prompted many to reconsider the virtues of the gold standard system.

Summary of Address: Thesis

My purpose is to describe briefly the operation of the full gold standard; why the gold standard fell into disfavor; how the present status of the dollar differs from the full gold standard and why it is not a wholesome and stable one; and the advantages to be gained from an all-out, full gold standard, rather than continuing to operate on our present hybrid standard.

My conclusions may be briefly summarized:

We got off on the wrong track in 1933 when we abandoned the gold standard in the belief that it rather than monetary and economic management was to blame for the collapse and the great depression that followed, and in the belief that what was good for England was good for us.

With the resulting freedom from gold standard restraints we built up a weak credit structure, principally by monetizing the huge public debt. The political management of the people's money lacked the discipline which would have been set by gold standard limitations and was none too successful in accomplishing what was promised.

The devaluation of the dollar and the magnitude of public debt monetization have created a vulnerable credit structure which may jeopardize public confidence if not well managed. Conscious of this condition, numerous proposals have been made to isolate the public debt from the market, e.g., freeze a substantial portion of the debt in the banking system, separate the monetary and loan functions of commercial banks, establish a 100% reserve money (and incidentally destroy commercial banking), and set arbitrary limits to the Federal debt, to taxes and to expenditures. These proposals lack realism. We should face the problems of regaining public confidence in our credit structure by returning to a fully convertible currency.

It is not yet too late to return to gold convertibility with safety. We have enough gold to support the credit structure in both domestic and international relations.

The benefits to be gained by a return to the full gold standard are: Confidence in the dollar because it would be convertible into something which would satisfy all people as a store of value; it would give a reasonably stable money with political controls limited by economic forces; and it would tie the currencies of the world to a single measure of value and thus greatly facilitate the free movement of capital and trade.

II

Operation of the Gold Standard

Monetary Systems Are a Product of Evolution.

Every student familiar with the standard works from W. S. Jevon's "Mechanism of Exchange" down to contemporary texts on money and banking knows the story of money, viz.: How commodity money grew out of bartering one commodity for another, how representative tokens or promises became more convenient media of exchange and effectively served as substitutes for commodity money, and how, after long and painful experiences, other assets than commodities were monetized when Goldsmith and other modern bankers assumed demand or cash obligations on the basis of fractional cash reserves; the next stage of the evolution was reached when central-bank debt came to serve as member bank reserves, thus providing for the pyramiding of debt-money through the operation of a secondary credit expansion; and a final stage is reached when the gold reserve was abstracted from the monetary system completely and inconvertible debt-money rests on nothing but debt, as in the case of United Kingdom and, domestically in the United States.

Before the mysteries of debt monetization were understood it did not seem illogical to skip the "useless" stages of evolution and to print "John Law debt money," or assignats, mandats, or "Continentals" directly without provision for the redemption of the paper into appropriable assets. Experiments of this kind were tried in many countries and nearly always failed because of the obvious fraud. Then, in order to disguise the fiat character of these promises, governments sold their obligations to central banks in exchange for bank notes. When this was done directly, as in the case of Germany after World War I, the Reichskassenscheine became virtually the only assets back of the Reichs marks and these became worthless. A more sophisticated method is bank-credit deficit financing through the market, as was the practice in World Wars I and II. This gives debt money the appearance of having assets back of it, assets which, if not immediately appropriable, will eventually become so. In the meantime the status of money in relation to gold is not clear and different interpretations are given. Even before Keynes, D. H. Robertson, in the early 1920's, in his delightful little Alice-in-Wonderland-style book on "Money," described the relationship of the John Bradbury's (British Treasury Notes) to the "ghost of gold," and he related stories about the South African foreman with a glass eye and stone money on the Island of Uap. These latter two examples of token money have been cited so often that they might almost be considered the stock-in-trade of critics of the gold standard. The implication of these stories is that if superstition and mysticism work with primitive peoples they should work with us; we can bury our gold and live successfully and happily in a ghost world.

Despite the lessons of history we haven't yet, it seems, learned the character of credit (debt), nor do we understand the rules or laws of its behavior.

Gold Standard had a creditable history for neary a century prior to World War I. It broke down occasionally but was always reestablished and on the whole its purchasing power remained relatively stable. J. M. Keynes called attention to this in his "Monetary Reform," 1923.

Example of Smooth Operation of Gold Standard.

The smooth operation of the gold standard in the United Kingdom say from 1890 to 1913 seems almost incredible to us in these days. Under the Act of 1844 the Bank of England was limited (except during three suspensions) in its note issue powers to pound for pound cover of gold vs. notes, i.e., over and above a fixed fiduciary amount. The Bank of England held gold varying normally from about £33 to £38 million. The amount held was reported week by week and was carefully watched in the market since it had an effect on the Bank Rate. If the lower figure was approached the bank rate was likely to be raised; if the higher figure was approached a reduction in the bank rates might be expected. In fact, the effect was almost automatic: at £38 million the rate might be as low as 2% and at £33 million as high as 6%. A charge of 1% would attract gold from Europe, 2% from the rest of the world, and 10% "from the moon."

Hartley Withers maintained that not many men in "The City" understood how this "automatic" gold-flow exchange system worked, but the important thing is that it did work. It worked according to expectations and businessmen and bankers could count on it and the significant point is that both internal stability and international stability were achieved to a remarkable degree by adhering rigorously to but one objective, viz: maintaining the pound on a convertible gold basis; they were not guided by prices, employment, income or even such a general objective as "accommodating commerce and business." Its secret was to keep the credit structure sound at home and the pound sterling sound abroad by making the pound convertible into gold.

Another important point to note in this connection is the small amount of gold reserve which was needed to keep liquid and in balance billions of pounds of finance and trade. This is understandable when we realize that all buying and selling is essentially barter — exchange of goods for goods (or services), and that lending and borrowing involve credit-debit operations which eventually cancel or wash out. For example, I was once greatly impressed to see the debtor-creditor transactions of 52 banks, involving almost $600 million settled at the New York Clearing House for the minute sum of 3 cents.

In general, the gold standard breaks down in debtor countries with low reserves and doubtful assets; with a currency usually inflated for fiscal purposes. And such countries are usually handicapped by inflexible cost price and wage systems, trade restrictions, tariffs, etc., which obstruct the free operation of market supply and demand forces. Naturally the conditions under which the gold standard works are the same as those required of any credit system.

The gold standard system breaks down when people at home or abroad loose confidence in money claims and ask for the gold commodity money itself. Then critics of the gold standard blame people for hoarding. But when credit collapses do we blame the credit system? Sometimes we do, and then nothing goes but spot-cash or barter transactions. Usually when that occurs we attempt to reestablish the credit-debit system on a sound basis—either deflate the debt to the debtors' willingness and ability to pay—or build up the assets to support outstanding obligations at par.

III

Why the Gold Standard Broke Down. Why It Fell Into Disfavor in the United Kingdom.

Views of British Economists

Nobody questioned the advisability of returning to the gold standard after World War I. The Cunliffe Committee recommended it in 1918-19 in Great Britain and it was taken for granted at the international monetary conference at Bruxelles and Genoa in the early 1920s; and the Gold Del-

Continued on page 33

*A talk by Dr. Bell before the Midwest Economics Association, Cedar Rapids, Iowa, April 9, 1953.

Life Insurance Companies And Securities Markets

By GEORGE T. CONKLIN, JR.*
Second Vice President
Guardian Life Insurance Company

Life company executive discusses leading factors which determine life insurance investment policy and its importance because of guaranteed fixed interest rate on reserves. Explains life insurance company investments in various investment categories and finds direct placements of corporate bonds becoming a dominant factor in this field. Says life insurance companies have shown a decreasing interest in common stocks in recent years, despite legislation permitting them to invest in equities.

The influence of the life insurance companies upon the security markets may best be understood in the light of the background factors which determine life insurance investment policy. The more important of these factors will be discussed briefly.

G. T. Conklin, Jr.

The life insurance industry is just about the most regulated industry there is. Such regulation is on the state level and is co-ordinated by a National Association of Insurance Commissioners. A further factor tending toward conformity of regulation is the fact that an insurance company domiciled, say in Iowa, and wishing to conduct business in another state, must conform substantially to the regulation standards of that state. New York State insurance law has had wide influence in this respect, since companies doing business in New York hold well over 80% of all U. S. companies assets.

As far as investment policy is concerned, regulation affects it in three ways.

(1) State laws delineate specific allowable fields of investment. In New York State these fields are U. S. Governments, municipals, Canadian Provincial and Government obligations, corporate bonds, preferred stocks, common stocks, equipment trusts, real estate and housing.

They likewise frequently regulate the extent of the investment permitted in any one field, and set up minimum standards to qualify an investment.

(2) They limit the accumulation of surplus. New York State prohibits the accumulation of surplus in excess of 10% of reserves and other policy liabilities. This is an extremely important factor conditioning life insurance investment, for it means that the risk cushion which can be accumulated is strictly limited. Consequently, it severely limits the risks which a life insurance company can appropriately take.

(3) They regulate the valuation of assets. Certain assets may be carried at amortized values, others such as commons and preferreds must be carried at market values. The wide fluctuation in the prices of these latter securities, coupled with the limitation upon surplus accumulation, means that life insurance investment in the equity field must necessarily be limited.

Considerable work on valuation is now being carried on in an attempt to arrive at a method to provide greater stability of investment values.

*An address by Mr. Conklin at the Sixth Annual Convention of the National Federation of Securities Analysts Societies, Philadelphia, Pa., April 13, 1953.

Growth and Stability of The Industry

A striking characteristic of the life insurance industry and one which has had a primary influence on its investment policy, has been the growth and stability of the industry. For the last 70 years, in prosperity and depression, life insurance assets have continued to grow; there has been no year in this entire period in which assets did not increase over the previous year. This continued growth and cyclical stability of assets, coupled with the long-term and predictable nature of policy liabilities, has meant that the life insurance industry could afford to take a long-term point of view in investment. It has meant extremely low liquidity needs, with gross cash inflow running three to four times benefit payments, and has thus allowed for full investment of funds on a long-term basis. It has given the industry the economic ability to ignore short run market price fluctuations and depressed values of distressed business conditions, and to hold for long-term recovery. It is emphasized that the industry has the economic ability to do these things; it does not necessarily have the legal ability to do this, which in many ways is unfortunate.

Furthermore, policy liabilities represent a fixed dollar amount; hence inflation hedges are unnecessary as a part of a life insurance investment operation.

Guaranteed Fixed Interest Rate On Policy Reserves

Interest rates on policy reserves are fixed and guaranteed, and cannot be changed for any existing policies. Any downward or upward change affects only new policies and since the relation of new business to business in force is relatively small, any change in guaranteed rates takes place only over along period of time. Thus, the severe decline in interest rates from the depression until 1947 seriously affected the life insurance industry, for not only were their new investments made at lower rates, but their existing investments were taken away by call and refunded at lower rates.

This means that the past is a weighty determinant of the required interest earnings of the life industry and exerts a heavy pressure on investment officers to secure a rate of return at least equal to that guaranteed on policy reserves.

Competition and Free Enterprise In the Life Insurance Industry

The life insurance industry over its history has been characterized by a high degree of competition. It has continually demonstrated a disposition to accept the risks of the private sector of the economy in order to achieve a higher interest return, in turn to achieve the lowest net cost position for its policies in competition with the market, rather than to seek the riskless safety and low return of investment in government bonds. Thus, wherever possible life insurance investment has been directed away from governments and into private enterprise.

Trusteeship

The trusteeship characteristic of life insurance is so ingrained with life insurance management and the public alike, and so taken for granted that at first blush it seems unnecessary to even mention it. However, 75 years ago trusteeship was far from a reality in the insurance industry. Neither was another present day accepted truism, the absolute safety of life insurance. In the decade of the 1870's practically one-half of all life insurance companies failed, and the fundamental cause of failure lay in dishonesty and fraud in the investment side of business.

As a result of these abuses of management, steps were taken to correct the situation by the industry and the regulatory authorities. Gradually there evolved a strong industry with a high sense of public responsibility and trusteeship. This has meant that safety has developed over the years as the primary consideration of life insurance investment. Thus, by the very nature of its trusteeship, the life insurance industry cannot be expected to furnish speculative or venture capital to new enterprise.

Given these background factors, it is only natural that life insurance investment should be directed primarily toward fixed income investment, of a longer-term nature, with the backing of an equity risk cushion and demonstrated earning power.

Consequently, as far as the security markets are concerned, the primary influence of life insurance investment policy is felt in the bond market. At the present time approximately $42,000,000,000 or somewhat less than 60% of total life insurance assets are invested in bonds, and in the past year, net additions to the account amounted to about $2,250,000,000.

This market is a highly competitive market, and the influence of the life insurance companies is no greater than the influence of a single factor on the supply side of any supply-demand equation. The industry has been accused by a few of dominating the bond market—A. A. Berle has stated that we have in our hands the power to determine the long-term interest rate for capital in the U. S.

This is simply not so. The life insurance companies represent only a portion of one side of the market, namely the supply side. The other and more important side of the market is the demand side for funds. The supply side of this market plays a more passive role in the determination of interest rates than the demand, because the supply is much steadier than the demand. Thus, money for investment flows rather constantly into the life insurance companies and is invested just as constantly, for as a matter of investment policy, they do not build up large cash balances. The demand for these funds in the form of mortgages, corporate bonds issues, etc., fluctuates widely from year to year in response to trends in capital formation. A decline in new capital formation usually results in a greater relative decline in new bond issues, for the demand of industry for outside funds to finance its capital requirements is largely a marginal demand. Internal funds, including large relatively constant depreciation charges are the primary source for corporate capital outlays. For the period 1946-1952, corporate bonds issues supplied only 12% of the total corporate demand for funds as against 62% from internal funds. When the

Continued on page 28

Responsibilities of Bankers

By J. L. ROBERTSON*
Member, Board of Governors, Federal Reserve System

Although stating principles of sound banking and credit are the same, regardless of a bank's size, Reserve Board member points out, in small bank, director must have more comprehensive knowledge of all the bank's activities. Urges country banks be made attractive, and warns credit expansion in recent years places heavier burden on bank directors.

The principles of sound banking and of sound credit practices are the same in every bank regardless of size or location. When a director is asked to approve a given loan, it makes little difference whether he is sitting on the Board of a $1 million bank in Broken Bow, Nebraska, or a $100 million bank here in Louisville. In either case, he is going to look for the traditional three C's: Capital, Capacity, and Character. One bad loan of $1,000 is just as serious to that bank in Broken Bow as one of $100,000 to the larger bank.

J. L. Robertson

Everyone would agree that the techniques of administration in the two banks might be quite different; nevertheless, the basic principles are identical. Thorough and regular inspections and appraisals are just as important in the case of livestock and machinery securing a farm loan as they are for the accounts receivable or inventories pledged to secure a manufacturer's loan. The importance of adherence to amortization or repayment schedules is surely no less in one bank than it is in another merely because one is classified as a city bank and the other as one of its country cousins.

Small Bank Director Must Follow All Bank's Activities

I am willing to concede one difference between these two types of institutions—if anyone insists upon it. In a small bank, the director must have a more comprehensive knowledge of all the activities of his bank. The so-called "country banker" must know the answers. He is not in the position —as his city friend may be—to hire a flock of specialists to furnish him with the answers. Still, a bank is a bank, and the job of being a good bank director is not altered by any artificial label like "country bank" or "city bank."

Today, top-notch directors are insisting on being furnished with broad-scope reports from management concerning every aspect of the bank's operations—from lending and investing policies and practices to the special methods devised to deal with criticized assets. They are insisting upon the establishment of adequate internal audit controls, realizing that the old idea that small banks cannot afford such measures has been exploded, that in fact they cannot afford *not* to have them. They are devising methods to check up on performance, to see how Board policy decisions are working out in actual practice, to reveal elements of strength and weakness of which they should be cognizant. They are paying particular attention to personnel policies with a view not only of providing good management but of assuring a continuation of it. They are aware of the pitfalls ahead of the bank which has no management succession program.

*An address by Gov. Robertson before the Country Bank Workshop of the American Bankers Association, Louisville, Ky., March 20, 1953.

Even more encouraging than the awareness today by bank directors of their detailed responsibilities is the widespread evidence of their realization of the importance of their jobs — jobs which cannot be delegated to others, jobs which in a sense constitute a trusteeship not only for shareholders but for the entire community. With this realization, our banking system should be in a position to make an even greater contribution to the maintenance of the high degree of economic stability and progress which our country has achieved.

The program presented here today has touched upon many aspects of the job of a bank director—responsibility for the selection and supervision of personnel, for safeguarding the bank's assets, for evaluating operating performance, and for relating general economic developments to local business conditions.

Bank Face-Lifting

Against this background I would like to explore a slightly different path. We hear a great deal these days about three-dimensional films designed to give motion pictures new depths of perception and realism. Let me try to use a somewhat comparable vehicle to lift away the facade of present-day banking and perhaps enable us to get a fresh and clearer view of our subject.

The easiest way I know to do this is to tell about an old friend of mine. Back in the early 1920's he was a director of one of the 30,000 banks then in existence in this country. About 30 years ago he dropped off into a deep sleep, much as Rip Van Winkle had done. He woke up for a short while in the early 30's—just long enough to hear the bankers being roundly damned—and went right back into hibernation.

He came to the other day—and discovered that his bank was now one of less than 15,000 serving the country. There were many other changes equally astounding to him. He was not quite sure—and neither am I—which were good and which bad. But he was greatly impressed by these changes and that is the reason I want to repeat to you now what he told me.

You can imagine his surprise when he saw what a face-lifting the bank premises had had, both inside and out. "Why," he said, "this looks positively inviting. What happened to that cold, stony, atmosphere for which we were so well known?" In the lobby, he missed the wire tellers' cages. He didn't see a single Prince Albert, but he found a great many everyday folks—clerks, laborers, factory workers, farmers, and housewives—and not one of them looked sheepish, as though it were not the proper place to be seen.

He was dumbfounded—but not displeased — to find a bevy of pretty girls behind the counters. He reacted very much as one might expect to the baby pen where banking mothers could leave their children, and to the drive-in service, complete with "snorkel." He sarcastically in-

Continued on page 27

Problems of International Investment

By G. KEITH FUNSTON*
President of the New York Stock Exchange

Maintaining it is high time that government back out of foreign investment and have the private investor step in, Mr. Funston outlines as a three pronged program for encouragement of international flow of private capital: (1) removal of export and import quotas along with multiple exchange rates, discriminatory taxes and restrictions on profit remittances; (2) removal of capital gains taxes and double taxation of dividends as well as international double taxation; and (3) establishment of closer working relations between stock exchanges, business organizations and financial concerns in different countries.

I'd like to talk over some problems concerning the employment of capital in national and international channels — employment in such a manner as to secure the greatest benefit for each country and for each individual concerned.

G. Keith Funston

Such benefits, of course, are social and political as well as economic—if, indeed, the three areas can be separated. These are problems which are not indigenous to Canada or to the United States. They are global in scope and upon their successful solution hinges the economic health and political sanity of the whole world.

It seems to me that our countries have come closer to a workable solution of the investment problem than any other nations—certainly than any other team of nations. Each country has been fortunate in having been endowed with bountiful natural resources. But there are other factors which are even more important — an intense love of freedom and the will to fight to preserve our freedom, the imagination of peoples who have have the courage and daring to risk in the hope of gain, the faith of peoples who believe in their own future.

I don't mean to imply that our two countries already have established political and economic utopias and that now we can afford to sit back and let nature take its course. I do say that we have established a sound working relationship which can still be greatly improved — but which even now we may commend to the rest of the world for its information and benefit.

Canada's Economic Progress

Canada seems to be telescoping into a handful of years what it took the United States decades to accomplish: you are building a great manufacturing plant to complement your achievements as an agricultural nation, as a trading nation, and as a producer and processor of raw materials.

The success of your efforts has been — to put it mildly — sensational. And not the least extraordinary phase of your rapid growth is the financial solidity on which it is based. The United States today has an investment surplus—we have been an exporter of capital for some 30-odd years—but it took a century of growth to reach that position. I was really astonished, in all frankness, to learn that Canada, while consuming huge amounts of money in the postwar growth period, has also been in several recent years an exporter of capital.

Just as astonishing to me is the relatively small contribution which foreign capital has made to your postwar growth. While United States investors, individual and corporate, have been privileged to put to work a substantial amount of money in Canada, most of your expansion has been financed by capital created by your own efforts. The United States has not been exactly an economic laggard in recent years but you have outdistanced us in the percentage of your national product which you have reinvested for the creation of new wealth.

While the amount of United States capital employed in Canada is small in relation to your own investments, the total nevertheless is large and increasing. At the end of 1951 total foreign investments in your country were $9½ billion; of this United States investors supplied $7¼ billion.

In 1951 Canadian companies paid out to United States share owners $284 million in dividends; in the past 10 years those dividend payments have added up to almost $2 billion.

These figures have much more than a mere dollars-and-cents significance. We are allowed by you to invest in Canada, to share in your future, just about as easily as I might drive across the International Bridge. And the Canadian investor who wants to own a share in a United States company can invest his money with the same ease that he can buy a share of a Canadian enterprise.

This flow of capital, I need hardly say, is not all from South to North. As I have already pointed out, the interest of United States investors in Canada's spectacular growth is intense—but the per capita Canadian investment in the United States is larger than per capita United States investment in Canada and has been larger for some time. The latest available figures showed that, on average, each Canadian citizen had a per capita United States investment of $84 while every United States citizen had a Canadian investment of $39.

Surely here is a magnificent example of international trust, respect and confidence. I hope that relationship flourishes for as long as our two countries have a common border.

Does anybody consider this unimpeded flow of capital an encroachment on the sovereign rights of the United States or Canada? I think not. Rather, it is an economic pattern which I suspect some day will prevail among all civilized countries, once they learn that political freedom and economic freedom walk hand in hand. It is a pattern symbolized by the International Bridge connecting our two countries across the St. Lawrence. Eventually many such international bridges —bridges to accommodate the free flow of private capital — will stretch from Canada and the United States across the seven seas to Europe, Africa, South America, the Near and Far Easts.

Securities Market—Core of Investment Process

Whether the investment is national or international, the core of the investment process is the securities market. On stock exchanges in Toronto, Montreal, New York, London, Tokyo, minute by minute and day by day, the immediate worth of hundreds of billions of dollars of corporate property is constantly and publicly measured. It is in such markets that the seller of securities can always find a buyer, the buyer can always find a seller.

Securities exchanges are not mechanical devices imposed upon an economy at the whim of a group of brokers. They are an integral part of the capitalistic system without which that economy cannot function.

In the words of John B. Braithwaite, Chairman of the London Stock Exchange, who visited the Toronto Stock Exchange last Fall, "The Stock Exchanges of the world are the ball-bearings upon which the wheels of industry and finance revolve."

The roots of the New York Stock Exchange go back to the days when an infant nation was struggling to its feet. One of the first acts of George Washington's government was to consolidate the national debt, which amounted then to a staggering $80 million. People were willing to buy the bonds of the new government—but, at the same time, they wanted some means of quickly exchanging those securities for cash. The New York Stock Exchange was developed to meet this need.

One hundred and sixty years later our Exchange—like its Toronto counterpart—exists for exactly the same reason. The investor in the United States or Canada is willing today to put his savings to work in industry mainly because of the existence of our national market places. He knows that he can sell his shares at a fair price five minutes after he has bought them.

The value of stock exchanges is not limited to their immediate and direct importance as market places. A capitalistic economy will stagnate unless great sums of money are constantly pumped through the system — money for growth, for the development of new products, new industries. And without a healthy securities market the raising of new funds by equity financing is all but impossible.

An unhealthy market for securities is rightly regarded by businessmen everywhere as a danger signal, a signal that the complex mechanism of the economy needs inspection and perhaps repair. For it is the stock exchange which provides the machinery to spread the ownership of industry throughout our lands.

And it is on our exchanges that

Continued on page 38

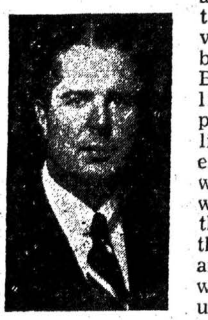
*An address by Mr. Funston at a luncheon meeting of the Empire Club of Canada, Toronto, Can., April 16, 1953.

What Can We Do About Taxes?

By JOHN J. MANN*
Chairman, Board of Governors
American Stock Exchange

Mr. Mann, commenting on the burden of taxation and its ill effects on equity investment, points out where government expenditures can be reduced. Stresses importance of equity investment and lists as means of making equity investments more attractive: (1) reduction of individual taxes; (2) abolition of the Excess Profits Tax; (3) reduction of capital gains tax and shortening period of its application; (4) abolition of double tax on dividends, and (5) increase of the capital loss offset to capital gains.

Taxation has been a bad word, in the minds and mouths of citizens of every nation subject to the burden, from the time of the ancient Egyptians, and very likely before that. But, we who live in this present enlightened generation, might well laugh with scorn at the gripings of the ancients and others who preceded us on this earth, knowing full well that with all their dolorous wailing about the tax burdens levied upon them, they "never had it so good." Unlike ourselves, they could not appreciate to the full, the meaning of the maxim that "the power to tax is the power to destroy." Though they complained about the payment of tithes, they could never wholly realize their existing good fortune, or know that we, their descendants, might in some instances be permitted to retain only the tithe, and required to pay the rest.



John J. Mann

Of course, we all know that taxes are necessary. And so long as those levied upon us are essential, equitably imposed, and uniformly collected, we have no just cause for complaint. We fully appreciate that we all must bear, in proportion to our ability to pay, a fair share of the costs of government, of preserving our national security, of the interest on the public debt, and other legitimate costs of living in the most powerful and productive nation on earth.

What we can demand of the new Administration, in return, is that it act the part of the good steward it should be, that it so budget its costs that our money is expended only for essentials, that the costs thereby incurred be equitably assessed upon us, and that our just debts accruing therefrom be collected without fear or favor. What we ask of those who expend our tax monies is that they act more like the fiduciaries they should be, than as spendthrifts, and that they approach their budgets not from the viewpoint of how much they can spend, but how much they can save.

Difficulty of Cutting Budget

All of us fully appreciate, of course, that it is much easier to say "cut the budget" than to take pen or pencil in hand and actually do so. This is particularly true on the government level during the present period of international tension. As you know, proposed government income and expenditures for the year 1954 amount to $68.7 billion on the one hand and $78.6 billion on the other, with a looming deficit of $9.9 billion.

Of the $78.6 billion expenditures, the military will absorb 59%, international endeavors 10%, interest on the national debt 8.7%, veterans 6%, and other costs 17%.

The $68.7 billion in potential receipts will be obtained as follows: 47% from taxes on individuals, 34% from corporations, 14% from excise taxes, and 5% from customs and other sources.

While we all hope for relief from individual and corporate taxes in as short a period as possible, and while many of us had fond hopes that some such relief might come in the very near future, it is apparent that we would be naive in the extreme to expect significant, if any, tax reductions during the current year, unless some perspicacious gentleman or group thereof, can divine a satisfactory formula for making government expenditures equal receipts during 1954, or in the reasonably foreseeable future.

As you know, President Eisenhower stated in the middle of March that taxes should not be cut until a balanced budget is "in sight." In an informal talk to the Business Advisory Counsel of the Commerce Department, he said: "We claim that unless we balance the budget, there will never be any lowering of taxes, because we thoroughly believe that an unbalanced budget is the greatest possible spur to a continued cheapening of our money. If the money continues to cheapen, our idea is that we will never catch up with the indebtedness, never have a balanced budget in sight, a proved capability, before we can begin to lower revenues. Which does not mean you may not reform taxes but you must never lower revenues."

We have the Gordian knot apparently, so now all we need is a Hercules to cut it.

Reduce Expenditures

The trick of it is, of course, to reduce expenditures. How can this be done and retain efficiency and safety? There is a hard core of costs which is now irreducible as a practical matter—interest on government debt and veterans' obligations arising out of past wars. So far as the national defense is concerned, we are confronted with the dilemma of striking from the budget the cost of the shells that may save us. While some savings can be made here by pulling the purse strings more tightly and making certain that a dollar's worth is received for each dollar spent, it is doubtful that a sufficient sum can be saved to give real hope to those who look for consequent tax relief in the immediate future. The same is generally true so far as our foreign aid program is concerned and for costs of other domestic governmental operations, which have, for all practical purposes, become part of our existing way of life so far as the majority of the voting populace is concerned. We must understand that the Congress and the Administration in reducing expenditures will be political as well as practical. And, as we know, the political decision will not always be the one which the application of hard-headed business principles would indicate.

In a recent publication of the "Legislation Daily," on March 31, The Chamber of Commerce of the United States took its own cut at the knot. They approach the problem by stating initially that the 1954 budget is really two budgets, an administrative budget and a cash budget. The former indicates a deficit of $9.9 billion, to which I have previously adverted and the second, or cash budget, a deficit of $6.6 billion. In the light of the customary approach by budgeteers, to estimate expenditures too high and revenues too low, they say, that, assuming the revenue estimate is too low by $1.5 billion, a new cash deficit of $5.1 billion emerges. Taking $2.6 billion from foreign aid, by leaving the same amount for this purpose as in prior years, and reducing civil programs by about $2.2 billion, they conclude that the cash budget can be balanced by cutting only $0.3 billion from the estimated $45.5 billion ticketed for military expenditures. And they note that in this last element, Defense Secretary Wilson has spoken of $4.5 billion, and Senator Taft has talked of $4 billion, as possible figures to be arrived at in reducing military costs.

Whether such a program is feasible, I cannot say, but certainly it is worthy of serious consideration by the Congress as a studied approach in the right direction. Let us hope that some such formula will be found feasible in the near future.

I earnestly hope for a reasonable and prompt solution to this paramount difficulty—not merely as an individual taxpayer, bearing his share of the present staggering load with all others, but also as a businessman and a shareholder in America's corporations.

For, I believe that a reduction in individual taxes and relief from several inequitable tax measures presently imposed would be highly beneficial to American business and to the country as a whole, and believe me, such relief is long overdue.

For the first time since 1875, the Congress is now working on a complete revision of the existing tax laws. One of its principal tasks should be to study the adverse impact that taxes have had on the raising of equity capital by American corporations and the potential dangers to our free enterprise economy thereby resulting.

Importance of Equity Investment

As you know, equity capital is the basic prop of our free enterprise economy. And those who, in the past and at present, have been willing to take the calculated risk involved in supplying such capital to corporate enterprises have been responsible in large measure for the growth of our industry and for our present pre-eminent standard of living.

Continued equity investment on a large scale is essential not only to maintain our present powerful productive position, but also to contribute to the growth of new business, the development of new inventions, the expansion of existing plants and equipment, and the discovery and development of new mines and oil fields.

Such equity investments are the lifeblood of our economic system and is critically needed, particularly at the present time to insure that our corporations will not become too dependent on debt.

A recent National Industrial Conference Board study shows that the investment per member in all manufacturing establishments has about doubled in the last six years. In 1945, the capital invested for each production worker was about $5,700. In 1951, this figure increased to approximately $11,000. In the oil, chemical and public utility industries, the cost of new plants and equipment averaged over $30,000 per worker. And, in the new United States Steel Plant at Morrisville, Pa., it is estimated that the original invest-

Continued on page 40

*An address by Mr. Mann at the Fifth Annual Management Conference of the School of Business and Public Administration, Cornell University, Ithaca, N. Y., April 17, 1953.

Reaching the Purple Twilight

By CLIFFORD F. HOOD*
President, United States Steel Corporation

Picturing the "purple twilight" era as it affects the steel industry, Mr. Hood foresees no immediate changes in steel production technique which may result from use of atomic power. Stresses importance of steel industry in the economy, and reveals iron and steel production account for 35% of national income. Says this is an "Age of Materials," and calls attention to decentralization of industry resulting from competitive rather than cartelized markets. Holds we have a two-fold challenge in the atomic age: (1) how to use atomic development for constructive purposes; and (2) how to keep this greatest of developments from engulfiing our freedoms. Stresses importance of human rights.

In the year 1842, Leonard Case, Jr., the founder of Case Tech, was graduated from Yale. That same year, across the Atlantic—which science from the viewpoint of time and space has made comparable to the English Channel—found Alfred Lord Tennyson putting the finishing touches on his manuscript of "Locksley Hall." This work embodied an astounding prophecy in the light of time. All of us remember how Tennyson related that he had "dipped into the future, far as human eye could see" and that he had seen "the heavens fill with commerce . . . and pilots of the purple twilight. . ."

Clifford F. Hood

If we look into the sky, it doesn't seem purplish at all. But let us go up, say, five or six miles—as many of our planes do today—and everything takes on a lavender tinge. Let us go up a little farther, and we find the eternal purple twilight of the stratosphere. Every major power in the world has been trying to reach that purple twilight in recent years—and a few are succeeding.

Tomorrow — who knows — the purple twilight may be merely another road sign on the way to our rendezvous with destiny.

The steel industry is sharply aware of the purple twilight era into which man is pushing as he springs from one startling development to another. It has been little more than 10 years since scientists—perhaps a few of whom are here this evening—first unleashed and controlled the awesome energy of the atom beneath the West Stands of Stagg Field in Chicago. And here we are in this two-day convocation just a few years later, considering some of the far-reaching implications of atomic energy.

The Transistor

Mysteries — earthly and cosmic —are unfolding in bewildering sequence. A tiny, bug-like object called a transistor has opend up new vistas for the electronics engineer. And we may soon be wearing wrist-watch radios, just like Dick Tracy. I am told that a television camera, small enough to fit inside a briefcase, may soon permit me to sit in my office in Pittsburgh or in New York and watch an Open Hearth being tapped at one of our plants at Gary or Lorain. If Alexander Graham Bell's telephone helped to speed the course of business, let us consider for a moment what may be accomplished with jet air transportation which would allow you to have luncheon in London and indigestion in New York.

Of course, steel-making, while it has a romanticism of its own, is not at all as glamorous as many of our present-day undertakings. The steel industry has evolved its technology gradually over the centuries and is characterized by massive plant facilities and heavy capital investment. The chances of radical, overnight changes in the technical phase of such an industry are rather remote. Although advances and improvements constantly are taking place, their cumulative effects are usually spread over a period of many years; thus they are less apt to catch the public fancy than changes in other industries producing direct consumer goods, and whose products can change radically from one year to the next. It is certain that over a five or 10-year period many important advances will occur in the technology of the steel industry, but few will ever make the headlines.

Atomic Energy and Steel Industry

As of now, we see no specific sweeping changes in our industry as a result of the splitting of the atom. But who knows today what the developments of next week may be? If atomic power plants become the order of the day—sometime in the future—the steel industry undoubtedly will use them in common with other industries. Atomic energy as a source of heat for some few of the steel industry's metallurgical operations is conceivable—even a possibility. Obviously, this is something for the future. But the steel industry, even now, is exploring and using atomic by-products in some of its experimental programs and in some of its newer inspection devices. These developments will continue at an accelerated pace and will undoubtedly be extended into new fields.

It has been a long—sometimes discouraging — sometimes exciting — road the iron and steel industry has travelled from the day when the sternest of all Spartans, Lycurgus, established iron as a medium of exchange. Within the past hundred years, however, there has been a steadily growing conviction that we have been moving toward a so-called "steel standard," not as a medium of exchange, but in terms of national wealth. In all of its manifestations today steel forms a substantial portion of the nation's wealth. The iron and steel and allied industries, along with those businesses which are greatly dependent upon iron and steel production, account for almost 35% of the national income.

Our industry is not unaware of the responsibilities that this places upon us and I believe that I can speak for the industry in saying that our expansion programs completed and in progress should eliminate any concern about an adequate supply of our products for the economy. But our anxiety is, as it is with atomic energy, whether our people and the peo-

Continued on page 28

*An address by Mr. Hood before the Case Diamond Jubilee Convocation at the Music Hall, Cleveland, Ohio, April 10, 1953.

Eisenhower Urges Russia Prove She Wants World Peace

President, after explaining vain hopes in 1945 and thereafter for peace because of the adverse attitude of Russia, points out our zeal for peace stays unchanged and that U. S. and its allies have no aggressive purpose, but will continue to oppose aggression. Calls attention to heavy cost of armaments and terror of atomic war. Says "we welcome every honest act of peace," and the first great step in that direction is an honorable truce in Korea. Holds progress toward peace awaits Soviet intentions. Sets forth a disarmament proposal.

In an address to the American Society of Newspaper Editors in Washington, D. C. on April 16, President Dwight D. Eisenhower outlined the position of the United States and her allies in a bid for peace in the world, and pointed out a first step in that direction would be an honorable truce in Korea. He stated that progress towards peace awaits a demonstration of Soviet intentions, and challenged the new leadership in the Soviet Union to use its decisive influence to bring not merely a truce in Korea, but genuine peace in Asia.

Pres. Eisenhower

The text of the President's address follows:

In this spring of 1953, the free world weighs one question above all others: the chance for a just peace for all peoples.

To weigh this chance is to summon instantly to mind another recent moment of great decision. It came with that yet more hopeful spring of 1945, bright with the promise of victory and of freedom. The hope of all just men in that moment, too, was a just and lasting peace.

The eight years that have passed have seen that hope waver, grow dim and almost die. And the shadow of fear again has darkly lengthened across the world.

Today the hope of free men remains stubborn and brave, but it is sternly disciplined by experience.

It shuns not only all crude counsel of despair, but also the self-deceit of easy illusion.

It weighs the chance for peace with sure, clear knowledge of what happened to the vain hope of 1945.

In the spring of victory, the soldiers of the Western Allies met the soldiers of Russia in the center of Europe. They were triumphant comrades in arms. Their peoples shared the joyous prospect of building, in honor of their dead, the only fitting monument —an age of just peace.

All these war-weary peoples shared, too, this concrete, decent purpose: to guard vigilantly against the domination ever again of any part of the world by a single, unbridled aggressive power.

This common purpose lasted an instant—and perished. The nations of the world divided to follow two distinct roads.

The United States and our valued friends, the other free nations, chose one road.

The leaders of the Soviet Union chose another.

The way chosen by the United States was plainly marked by a few clear precepts which govern its conduct in world affairs.

First: No people on earth can be held—as a people—to be an enemy, for all humanity shares the common hunger for peace and fellowship and justice.

Second: No nation's security and well-being can be lastingly achieved in isolation, but only in effective cooperation with fellow-nations.

Third: Every nation's right to a form of government and an economic system of its own choosing is inalienable.

Fourth: Any nation's attempt to dictate to other nations their form of government is indefensible.

And, fifth: A nation's hope of lasting peace cannot be firmly based upon any race in armaments, but rather upon just relations and honest understanding with all other nations.

U. S. Defines Way Toward True Peace

In the light of these principles, the citizens of the United States defined the way they proposed to follow, through the aftermath of war toward true peace.

This way was faithful to the spirit that inspired the United Nations: to prohibit strife, to relieve tensions, to banish fears. This way was to control and to reduce armaments. This way was to allow all nations to devote their energies and resources to the great and good tasks of healing the war's wounds, of clothing an feeding and housing the needy, of perfecting a just political life, of enjoying the fruits of their own toil.

The Soviet government held a vastly different vision of the future.

In the world of its design, security was to be found—not in mutual trust and mutual aid—but in force; huge armies, subversion, rule of neighbor nations. The goal was powerful superiority—at all cost. Security was to be sought by denying it to all others.

The result has been tragic for the world and, for the Soviet Union, it has also been ironic.

The amassing of Soviet power alerted free nations to a new danger of aggression. It compelled them in self-defense to spend unprecedented money and energy for armaments. It forced them to develop weapons of war now capable of inflicting instant and terrible punishment upon any aggressor.

It instilled in the free nations —and let none doubt this—the unshakable conviction that, as long as there persists a threat to freedom, they must, at any cost, remain armed, strong and ready for any risk of war.

It inspired them—and let none doubt this—to attain a unity of purpose and will beyond the power of propaganda or pressure to break, now or ever.

There remained, however, one thing essentially unchanged and unaffected by Soviet conduct: This unchanged thing was the readiness of the free nations to welcome sincerely any genuine evidence of peaceful purpose enabling all peoples again to resume their common quest of just peace. And the free world still holds to that purpose.

The free nations, most solemnly and repeatedly, have assured the Soviet Union that their firm association has never had any aggressive purpose whatsoever.

Soviet leaders, however, have seemed to persuade themselves or tried to persuade their people—otherwise.

And so it has come to pass that the Soviet Union itself has shared and suffered the very fears it has fostered in the rest of the world.

This has been the way of life forged by eight years of fear and force.

What can the world—or any nation in it—hope for if no turning is found on this dread road?

The worst to be feared and the best to be expected can be simply stated.

The worst is atomic war.

The best would be this: A life of perpetual fear and tension; a burden of arms draining the wealth and the labor of all peoples; a wasting of strength that defies the American system or the Soviet system or any system to achieve true abundance and happiness for the peoples of this earth.

Cites Armament Costs

Every gun that is made, every warship launched, every rocket fired signifies—in the final sense —a theft from those who hunger and are not fed, those who are cold and are not clothed.

This world in arms is not spending money alone.

It is spending the sweat of its laborers, the genius of its scientists, the hopes of its children.

The cost of one modern heavy bomber is this: A modern brick school in more than 30 cities.

It is: Two electric power plants, each serving a town of 60,000 population.

It is: Two fine, fully equipped hospitals.

It is some 50 miles of concrete pavement.

We pay for a single fighter plane with a half-million bushels of wheat.

We pay for a single destroyer with new homes that could have housed more than 8,000 people.

This—I repeat—is the best way of life to be found on the road the world has been taking.

This is not a way of life at all, in any true sense. Under the cloud of threatening war, it is humanity hanging from a cross of iron.

These plain and cruel truths define the peril and point the hope that come with this spring of 1953.

This is one of those times in the affairs of nations when the gravest choices must be made—if there is to be a turning toward a just and lasting peace.

It is a moment that calls upon the governments of the world to speak their intentions with simplicity and with honesty.

It calls upon them to answer the question that stirs the hearts of all sane men: Is there no other way the world may live?

The world knows that an era ended with the death of Josef Stalin. The extraordinary 30-year span of his rule saw the Soviet empire expand to reach from the Baltic Sea to the Sea of Japan, finally to dominate 800 million souls.

The Soviet system shaped by Stalin and his predecessors was born of one World War. It survived with stubborn and often amazing courage a Second World War. It has lived to threaten a third.

Now a new leadership has assumed power in the Soviet Union. Its links to the past, however strong, cannot bind it completely. Its future is, in great part, its own to make.

This new leadership confronts a free world aroused, as rarely in its history, by the will to stay free.

This free world knows—out of the bitter wisdom of experience—that vigilance and sacrifice are the price of liberty.

It knows that the defense of Western Europe imperatively demands the unity of purpose and action made possible by the North Atlantic Treaty Organization, embracing a European Defense Community.

It knows that Western Germany deserves to be a free and equal partner in this community; and that this, for Germany, is the only safe way to full, final unity.

It knows that aggression in Korea and in Southeast Asia are threats to the whole free community to be met by united action.

This is the kind of free world which the new Soviet leadership confronts. It is a world that demands and expects the fullest respect of its rights and interests. It is a world that will always accord the same respect to all others.

New Opportunity of Soviet Leadership

So the new Soviet leadership now has a precious opportunity to awaken, with the rest of the world, to a point of peril reached, and to help turn the tide of history.

Will it do this?

We do not yet know. Recent statements and gestures of Soviet leaders give some evidence that they may recognize this critical moment.

We welcome every honest act of peace.

We care nothing for mere rhetoric.

We care only for sincerity of peaceful purpose — attested by deeds. The opportunities for such deeds are many. The performance of a great number of them waits upon no complex protocol but upon the simple will to do them. Even a few such clear and specific acts—such as the Soviet Union's signature upon an Austrian treaty, or its release of thousands of prisoners still held

Continued on page 39

The Institutional Acceptance Of Consumer Credit

By WILLIAM J. CHEYNEY*

Executive Vice-President, National Foundation for Consumer Credit, Inc.

Mr. Cheyney, in upholding consumer credit as a function of and in the private enterprise economy, finds as much reason for the public to invest in household durables as to save, buy life insurance, and invest in stocks. Points out American industry carries a debt of 35% on its assets, and its solvency is not questioned. Cites huge appliances industry built up through instalment credit, and deplores "dissemination of statistical data reflecting on consumer credit markets."

Strangely, when you examine carefully, there are very few aspects of our national economic and political economy which can be said to have complete "institutional acceptance." Only when one speaks in very general terms, such as of Americanism, can universality of agreement be axiomatic.

William J. Cheyney

For our purpose, let us say that consumer credit is a function of and in the private enterprise economy. It is used by business and industry as an adjunct to the development of the durable products segment, particularly that part which deals with products which are in themselves packages of services which can be extracted only over long periods of time by consumers; hence, which, as packages, cost more than most consumers can pay for out of immediate payroll or salary cash in hand. Without some provision to spread the purchase payments, industry could not distribute these long-term packages of services, for the people of the United States can be expected only to pay as they go, economically speaking, which obviously, as a quasi-scientific fact, rules out any presumption that they should pay in 1953 for all of the goods and services they use plus paying for services they will be unable to extract until 1954, 1955, 1956 and on perhaps for 10 or 15 years. Such long-term sequences of services are wrapped in the packages of durable products the people purchase right now daily, on terms.

Against this descriptive background it is obvious that in general we refer here to consumer credit as it is used to finance the purchase of goods and services which will render them satisfaction in periods beyond the immediate income time capsule in which they are purchased.

Notice that this applies to a surgical operation performed in 1953, the lasting good from which is expected to accrue through years to come, just as it does to the deferred payment plan used to purchase a refrigerator.

Consumer credit likewise includes, by this definition, financing which consolidates obligations which in themselves conform to our definitive limits.

Only in minor degree do we speak of and defend the use of credit by consumers to finance services consumed and enjoyed, i.e., its use by way of mortgaging future income to satisfy current desires.

In passing I should say that it is my belief the average person would not consider the use of a charge account as truly involving consumer credit, that is, to the extent that a charge account concerns purchases made in a given 30-day period and paid for in full out of income earned by the purchaser within approximately the same time stretch. If the charge account represents consumer credit, and in use it conforms to this definition, it follows that we must offset such indebtedness with a corresponding notation of an account receivable to the credit of such debtors to designate their work performed for our economy, but not yet paid for to them in wages or salary.

It is upon this general set of definitions and understanding that one must explore the institutional acceptance of consumer credit.

The consumer, on his side, if he uses credit, should realize that he does so to buy major packages of services from which he will extract his satisfaction over periods of time beyond the date of purchase, his true thought being that in the transaction he is accumulating personal belongings; possessions which will make life more comfortable in a physical way; which enhance his standard of living— possessions which in the most tangible way represent to him true savings.

Many are the texts and current admonitions which extol the virtue of accumulating cash. So much so that savings and cash savings are made to seem synonymous.

Accumulation by the public also looked upon with favor through recent decades is the accumulation of home ownership. (Notice however for how few years of the world's history this has been set out as an economic goal for common folk.)

It is interesting, however, that once one leaves the realm of accumulated cash, home ownership and insurance, the fervor of economists for channels in which consumers may save dwindles rapidly. We discuss here today a type of piecemeal saving by consumers through their purchase of durable products and services. The end goal here is the accumulation of "wealth" in the form of useable possessions as contrasted to cash, insurance, or ownership of real property. To the common family the ownership of real estate without an accumulation of personal possessions to house therein represents, to say the least, an empty satisfaction; does it not seem so?

If, on the other hand, a successful family should commence to accumulate savings in the form of stocks and bonds, the fervor of the economists toward this sort of accumulation similarly dwindles rapidly; the accumulation of U. S. Government bonds excepted, although even here their enthusiasm is attributable more to patriotic impulse than to economic soundness. Note the redemption today of these gilt-edge securities in 50-cent dollars, when they were purchased 10 years ago out of 100-cent dollar savings.

I received just a few days ago the very usual report of a large banking concern, "Few and far between are those who purchase stocks through the years and end up with accumulated wealth." How true this is.

Yet many Americans who are happy in their own steady dribbling accumulation of stock holdings, look askance at the neighboring family which is accumulating household equipment piecemeal. I know men who buy stocks by setting aside $100 a month, who proudly say they would never purchase anything on the instalment plan.

It is my opinion that the average American family if it were given a choice between just two alternatives, (1) the right to accumulate equipment for their homes, or (2) the right to accumulate cash in bank—the one or the other—quickly would tell you their choice is the accumulation of wealth in the form of home equipment. We must not overlook the fact that scholars so frequently have treated wealth as a purely exchange measurement that the public mind is confused as to its real definition.

It is true that economists have difficulty in measuring the value of accumulated useable wealth contrasted to the ease with which they can add the figures of bank balances. This contributes to an underestimate of the wisdom of accumulating useful goods and corresponding over-estimate of the virtue of accumulating dollars.

Goods depreciate you say. Certainly, they do, but we who explore the economics of instalment buying should be cautioned that it is in error to consider the value of the consumers' accumulated plant and equipment in terms of what it would bring on the second-hand market. People do not buy their home equipment to sell it. Consumer accumulation is not for future market speculation. Consumers as such are not in business. The true depreciation on a 15 year lived refrigerator is a straight line depreciation of 1/15 of the original cost each year (allowing, of course, if one wishes, for changes in the value of the dollar or price levels in the interim, if one would become technical).

The accumulation of stocks in the securities markets leaves perhaps five out of six investors with less money at the end of a lifetime of saving than they in the aggregate invested. The fallacy of assuming the accumulation of stocks is better than the accumulation of home equipment becomes apparent. Yet stocks represent the very essence of ownership in America itself and stock ownership should be encouraged for obvious social as well as economic reasons.

Consider also that four out of five new business concerns fail in the first five years of their existence. This means that the use of small capital by would-be businessmen and their families to enter private enterprise is far more risky than the use of the same capital to accumulate household, satisfaction-giving durables.

There is a limit, of course to the total value of durables a given family ought to accumulate for its own status and comfort. There is advantage in maintaining some sense of balance between the physical equipment of one's home and the growth of a bank balance and other savings, including life insurance, if, of course, there is any considerable "on going" margin for savings out of the family's income. Nonetheless, it is false economics and misleads the people to teach that the investment of savable funds each month or year by the American family in household equipment constitutes expenditure while the placing of similar funds in banks and securities constitutes investment.

Thus, it is my belief that the institutional acceptance of con-

Continued on page 30

*An address by Mr. Cheyney before the 1953 National Consumer Credit Conference, New York University, New York City, April 8, 1953.

Powerful Forces Leading Us Toward Ruinous Inflation!

By HOWARD BUFFETT*

Former Congressman from Nebraska

Former Congressman and investment dealer, saying he "would not be surprised if we do not soon have shake-ups that will jar the foundations and break some of the windows in our economic house," holds present paramount economic peril is continued deterioration of the dollar. Urges bankers to protect themselves and their customers, and advocates restoration of redeemable gold currency as only way to permanently halt inflation. Lists current forces leading to continuous inflation.

With good reason I welcome the opportunity to speak to you Third District Bankers. No group of businessmen can do more to encourage a sound economy in America than its bankers. Moreover, I know that you have been doing your best to bring about sound financial conditions.

Howard Buffett

You have operated carefully and conservatively, and have urged your customers not to take undue risks and unnecessary chances. For all this I salute you. Your task has not been easy in a boom-crazy land.

I want to confess at the outset that 27 years in the investment business, shortened by eight years spent in Congress, has thoroughly convinced me that I don't have all the answers on economic matters —and it has taught me that some answers I do have, just "ain't so."

We have a saying in the investment business that he who looks back dies of remorse. So in this discussion I am going to look ahead. But in so doing I want to make one point clear. My observations are not predicting what may happen in the next six to 18 months.

With minor interruptions, we have experienced a steady deterioration of the dollar since 1939. A reversal, even though temporary, is overdue. So what I say today about inflation and higher price levels, may sound out of place in the near future.

For I will be surprised if we do not soon have shake-ups that will jar the foundations and break some of the windows in our economic house. The depression in the textile industry and the collapse in cattle prices are storms that indicate rough weather in other areas.

And so please understand that this discussion is not about the immediate outlook, but is concerning the future—five, ten and 20 years ahead.

What I want to talk about is the long-term paramount economic peril—continued deterioration of the dollar.

Primarily what I hope to picture is the fearful combination of forces operating to destroy the 53% that is left of the 1939 dollar.

Secondly, I want to discuss briefly what you can do business wise to protect yourself and your customers.

Finally, and most important, I hope to suggest a course of action that could prevent the national catastrophe that is the certain end of continued inflation.

You may decide right now— this fellow has set out a big order for himself. I agree.

Now to my first topic — the major forces operating to cause the American dollar finally to deteriorate like a ripe banana.

Inflation Force No. 1—The American Foreign Policy

The so-called bipartisan foreign policy tells us that we have unlimited political, economic and military obligations in the world. The result is that the U. S. Treasury is financing deficits for most of the non-communist world, and our military is trying to police the world. The pattern varies from place to place, and year to year, but the facts are indisputable.

Taxes are being levied against Americans for government budgets in 30 or more countries. This foreign policy has us making military expenditures in 50 countries on six continents and in the seven seas. There is no stated limit or terminal point in this pledge of our youth and our resources. When one scheme goes stale, like UNNRA or later the Marshall Plan, a new name is created. Like dope, these handouts and meddling habits are more difficult to halt each year that they go on.

On the domestic front our foreign policy raises a question our bigwigs don't talk about. I will tell you about it, and you can consider its political significance.

Can an elected government play Santa Claus to the world and be Old Scrooge at home?

The new Administration is working earnestly to achieve economy in domestic civilian affairs. That effort is commendable. But I suspect the voters will take a dim view of economy that squeezes them while we pour billions overseas.

Currently that policy sends $10 to $20 billion of American wealth overseas each year. It is not feasible to compile accurate figures. There are too many items, too many variables, and too many rat holes. There are direct handouts, Point 4, military aid, American army expenditures, off-purchase defense spending, Export-Import Bank loans, World Bank loans, stockpile material purchases, etc.

I repeat the question I want you to chew on: Can any Administration require the American people to tighten their belts, give up extravagant habits acquired in the last 20 years — while our wealth is being funneled overseas at the rate of $250 million a week or faster? Do you believe that a conservative Congress can be elected on a platform of pinchpenny for the home folks—spend-like-crazy on the foreigners?

I suggest to you that Americans won't go for it, and that the only way that policy will be endured is by financial policies of loose spending and extravagance at home as well as abroad—in other words, ruinous inflation.

Inflation Force No. 2—The Dominance of the Military in America

For the first time in our history, America is now dominated by the military in so-called peacetime. There is no reward in military life for economy or retrenchment. Pressures for larger spending are automatic. It is a one-way street. Today our military expenditures—on an overall basis

Continued on page 41

*An address by Mr. Buffett before the Nebraska Third District Bankers Convention, Omaha, Neb., April 22, 1953.

What New Administration Means to Banking

By DR. E. SHERMAN ADAMS*
Deputy Manager in Charge of Department of Monetary Policy
American Bankers Association

Citing as most significant fact about new Administration its advocacy of "sound money," Dr. Adams says aim of President Eisenhower is to restrain inflation while mantaining prosperity. Warns, however, return to a highly competitive economy, with stable price level, may mean elimination of marginal producers and many painful readjustments may be ahead, for which bankers should be prepared. Urges banks appraise adequacy of their capital and reserves, and guard against laxity in lending. Holds banks are in sound current condition.

The election of General Eisenhower last November brought one era to a close and ushered in a new one. Let us consider what the new Administration means to American banking.


Dr. E. S. Adams

From the standpoint of economic policy, probably the most significant fact about the new Administration is that it is dedicated to "sound money." Throughout his campaign and since, President Eisenhower has repeatedly expressed his determination to prevent further inflation. What does this portend for the American economy?

Does it mean that we are headed for a serious decline in prices and business activity? Over a long period of years, our economy has been subjected to repeated doses of inflation. Many people have come to regard this treatment as being necessary to prevent depression.

This viewpoint partakes of the ancient fallacy that more money is the cure for all our economic ills. It is a modern version of the old bubble theory of John Law. The trouble with a bubble is that it always bursts. Bankers have never bought the Nostrum that the secret of enduring prosperity lies in the creation of more and more debt and more and more money.

Prosperity Without Inflation

Prosperity without inflation is the aim of the Eisenhower Administration. This is not a new idea, certainly; indeed, except for the past few decades, it has always been the traditional objective of American public policy.

I do not mean to imply that public policy in this country has been chiefly responsible for the inflation. Most of it, of course, is part of the cost of defending our civilization against the would-be conquerors who came to power in Germany, Italy, Japan, Russia, and China.

Neither do I wish to imply that there is any certainty that inflation will be halted abruptly. Federal expenditures for defense are bound to remain very high and might conceivably increase. This will be true even if peace is achieved in Korea.

Moreover, even if we are able to cut our military spending somewhat, the task of achieving a sound economy with a sound dollar will pose many very difficult problems. Overhasty action might endanger the rather precarious balance of our high-employment economy. The Eisenhower Administration has evidenced its awareness of this fact.

What "Sound Money" Portends

Yet, despite all these provisos, the dedication of the Eisenhower Administration to the concept of "sound money" is highly significant. Over a period of time, it will probably exert a profound influence upon economic developments.

This new approach has important implications for the banking business. For more than two decades now, there has been no serious test of banking assets. For many years, the trend of prices has been strongly upward. Most businesses and farms have been prosperous. Losses on bank loans have been few and far between.

We may be headed for a real testing period. A return to a highly competitive economy and to a price level which is not always rising will mean the elimination of marginal producers. When public policy shifts away from paternalism and inflation, losses and failures are to be expected as part of the normal pattern even in good times.

In many fields, therefore, painful readjustments may lie ahead. What has been happening in recent months in the livestock industry may be a preview of what will take place in other areas over the next several years.

The import for banking is clear. Bankers must make sure that their institutions are prepared to withstand any pressures that may develop in a noninflation economy.

Are the Banks Strong Enough?

By and large, the banks are in good condition. Their assets, generally speaking, are both more liquid and of better quality than formerly. For years, most banks have been following conservative dividend policies and have been building up their capital accounts and reserves. The possibility of a banking collapse appears to be completely out of the question.

But simply to avoid another debacle is not, of course, enough. Banks must be able to do much more than simply exist. They must have sufficient financial strength to be able and willing fully to serve the legitimate credit needs of their communities even under adverse circumstances.

There were some banks which managed to survive the holocaust of 1929-33 but which, nevertheless, were unable to serve their customers adequately. This not only made the situation more serious, but it also retarded recovery. It also contributed to the establishment of numerous governmental credit agencies. A repetition of this, even on a reduced scale, would create a real threat to our independent banking system.

Lessons from Past Experience

Our first concern, therefore, must always be the stability of the banking system. On the basis of past experience, we might summarize the essential lessons as follows:

(1) Every banker should periodically reappraise the adequacy of his capital and reserves. If he

Continued on page 37

*An address of Dr. Adams before a Dinner Meeting at the Fourteenth Annual Pacific Northwest Conference on Banking, State College of Washington, Pullman, Washington, April 10, 1953.

COMING EVENTS
In Investment Field

April 23, 1953 (New York City)
New York Security Dealers Association annual spring dinner at the Fountain Room, Hotel Biltmore.

April 24, 1953 (Chicago, Ill.)
Municipal Bond Club of Chicago annual meeting at the Union League Club.

April 28, 1953 (Boston, Mass.)
Boston Investment Club dinner meeting at the Boston Yacht Club.

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

May 6-9, 1953 (San Antonio, Tex.)
Texas Group Investment Bankers Association of America Spring Meeting at the Fort Clark Ranch, Brackettville, Texas.

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 2, 1953 (Detroit, Mich.)
Bond Club of Detroit annual summer golf party at the Meadowbrook Country Club.

June 3-4, 1953 (Minneapolis-St. Paul, Minn.)
Twin City Bond Club annual picnic at the White Bear Yacht Club.

June 5, 1953 (Chicago, Ill.)
Bond Club of Chicago 40th annual field day at the Knollwood Club, Lake Forest.

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

June 10-13, 1953 (Bigwin, Ontario, Canada)
Investment Dealers' Association of Canada Annual Convention. Bigwin Inn, Lake of Bays District

June 12, 1953 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual summer outing at the Whitemarsh Valley Country Club.

June 18, 1953 (New York City)
New York Security Dealers Association Annual Outing at the Pelham Country Club.

June 19, 1953 (New Jersey)
Bond Club of New Jersey annual field day at Rock Spring 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.

Aug. 20-21, 1953 (Denver, Colo.)
IBA Rocky Mountain Group-Bond Club of Denver annual summer frolic at Albany Hotel (Aug. 20) and Park Hill Country Club (Aug. 21).

How Sound Is Our Farm Credit?

By EMMET J. DIGNAN*
Vice-President, U. S. National Bank, Denver, Colo.

Calling agriculture an extremely hazardous business, Western bank executive harks back to agricultural distress in the '20s, and lays down principles bankers should follow in granting farm loans, so as to avoid a bad credit situation. Says bankers are now at point where "they must either fish or cut bait," and they should assume their responsibilities in financing agriculture without government aid. Advocates action to stabilize agricultural credit.

As bankers, I believe it is practical for all of us to review the past, check up on the present, and try to visualize the future and the policies we should adopt in extending agricultural credit. If we, as bankers, have made mistakes in years gone by, let's frankly and honestly admit our folly.

At the present, if our policies are unsound, let's take the necessary steps to remedy and rearrange our program in order that it will be sound, both for the bank and for the borrower. As for the future, let us analyze our philosophy for determining the soundness of agricultural loans and let us examine the program that we are using and see if it is not possible to harmonize sound banking practice with practical agricultural development and production. We must never lose sight of the real problems of agricultural producers and keep in mind that you, as bankers, have some responsibility in this matter to your community. Above all, agriculture has a grave and serious responsibility to the American housewife, in order that a fast-growing American population continues to be well-fed and well-clothed. It is also essential and important that our great industries, which depend upon agricultural production for their raw materials, have at all times ample available supplies. Agriculture cannot fulfill these responsibilities without the assistance of the banks, within their capacity, in making production loans.

Is this a simple task? It is not. First of all, you are dealing with an extremely hazardous business. Many of you bankers of Indiana have lived through years when, due to excessive rainfall, infestation of insects or the many other hazards that beset the farmer are prevalent, you know too well that your farm and livestock producer does not prosper. This, to say nothing of price fluctuations in farm commodities, which is always one of the hazards of financing agriculture.

Amazing as it seems, through it all your best operators survive and prosper and, best of all, the future in this respect looks brighter. Science is being helpful. More and better insecticides, veterinary medicine has marked progress in the cure and prevention of animal and poultry diseases. Better soil conservation is common practice nowadays in most States. Crop rotation is being adopted and diversified farming with livestock operations or dairy projects are, in many localities, surplanting the "one-time" "one-crop" program and, to be fair, let's not overlook the fine contribution that modern farm tools and equipment have made to the American farmer, enabling him to do a better job and to do it when it needs to be done.

In the last two decades "know-how" has had a remarkable boost by great institutions such as Purdue University. Their experimental work has been the marvel of the past 20 years. The advancement in livestock feeding would make the oldtimer feel he was living in a new world. These institutions have contributed much more to the present and the future of agriculture and livestock feeding than we are willing to admit, and your great institution here in Indiana, in my humble judgment, is one of the great leaders in this march of progress. I salute your great University, Purdue!

No Law of Averages For Agriculture

Now, in spite of all this very impressive progress, we are still not dealing with the law of averages. You and I are asked to finance the individual producer. In most cases, you and I realize that repayment of the loan depends on his marketing this year's production. This is just as true in the corn belt and feeding areas as it is in the area where range cattle or range sheep and wheat are the predominant repayment factors. The ultimate repayment depends upon the type of operation being financed and yet, in each case, we are looking at the individual borrower.

The old-time banker has a wealth of past experience to use as a guide, but what about you young bankers. You fellows who were babies in 1921, 1922 and 1923, or those of you in high school in 1933, 1934 and 1935—is it possible that you must learn the hard way by taking losses, or can we lay down some rule to follow that will be a sure-fire slide rule process that can govern all conditions and all cases? My answer is as yours—no. I do think, however, that you can benefit and profit by the mistakes of the past and not only try to avoid them for the sake of your bank, but for the sake of your customer across the desk, the citizen of your community, your neighbor.

Let me say, here and now, that I do not claim to have all the answers, but I would like to discuss one or two glaring examples of the years I have experienced. Some of you older men can well remember the overexpansion of 1918, 1919, and 1920, when, throughout our great agricultural area the old home place was mortgaged to buy the adjoining farm. Oh yes, the farm being purchased was also to be mortgaged, and, worse than that, a sizable bank loan was necessary to make up the additional amount. This promptly blossomed into a capital loan for the bank. All of you know the final result. During 1922, 1923 and 1924, we saw wholesale foreclosure and literally thousands of good men flat broke and many banks with substantial losses staring them in the face, with no possibility of recovery.

Why did it happen?—too ambitious a program—in short, overexpansion. The long-term debt might have been digested, but short-term borrowings for capital investment, on top of the heavy long-term debt, was beyond the producer's ability to pay in a pe-

Continued on page 45

*An address by Mr. Dignan before the Agricultural Clinic of the Indiana Bankers Association, Purdue University, Lafayette, Ind., March 27, 1953.

Speeding the flow of vital iron ore with a new "Leviathan of the Lakes"

Early in the present shipping season, National Steel's fleet of iron ore freighters will be joined by the ERNEST T. WEIR . . . the largest ship ever built on the Great Lakes.

Before navigation is halted again by next winter's ice, it is estimated that the WEIR will transport approximately 900,000 tons of iron ore from National's mines in the Lake Superior District to the docks of Great Lakes Steel Corporation in Detroit and to lower lake ports for rail shipment to the Weirton Steel Company at Weirton, West Virginia.

Named for National's founder and chief executive, this proud vessel is 690 feet long, has a cargo capacity of more than 20,000 tons and incorporates the most advanced features of marine design. It is a sturdy link in the vital chain of transportation which now must move the greatly increased supplies of raw materials demanded by National's large expansion of facilities . . . an expansion which will bring steel-making capacity to a total of 6,000,000 tons during 1953.

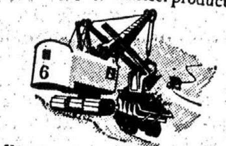
The new ERNEST T. WEIR is a symbol of the progress of steel production in America. More particularly, it is a symbol of the consistent progress of National Steel . . . completely integrated . . . entirely independent . . . one of the country's largest and fastest growing producers of steel.

SEVEN GREAT DIVISIONS WELDED INTO ONE INTEGRATED STEEL MAKING STRUCTURE

GREAT LAKES STEEL CORP. Detroit, Mich. A major supplier of standard and special carbon steel products for a wide range of applications in industry.

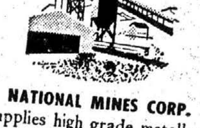
WEIRTON STEEL COMPANY Weirton, W. Va. World's largest independent manufacturer of tin plate. Producer of many other important steel products.

STRAN-STEEL DIVISION Ecorse, Mich. and Terre Haute, Ind. Exclusive manufacturer of famous Quonset building and Stran-Steel nailable framing.

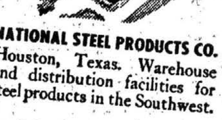


HANNA IRON ORE COMPANY Cleveland, Ohio. Producer of iron ore from extensive holdings in the Great Lakes area.

THE HANNA FURNACE CORP. Buffalo, New York. Blast furnace division for production of various types of pig iron.



NATIONAL MINES CORP. Supplies high grade metallurgical coal for the tremendous needs of National Steel mills.



NATIONAL STEEL PRODUCTS CO. Houston, Texas. Warehouse and distribution facilities for steel products in the Southwest.

NATIONAL STEEL

NATIONAL STEEL CORPORATION
GRANT BUILDING PITTSBURGH, PA.

AN INDEPENDENT COMPANY OWNED BY MORE THAN 19,000 STOCKHOLDERS

The Canadian Pulp And Paper Industry

By R. M. FOWLER*
President, Canadian Pulp and Paper Association

Stressing the rapidly increasing demand for wood pulp and paper products, Mr. Fowler points out importance of Canada's huge forest reserves in meeting world's demands. Points out there are 90 pulp and paper companies in Canada operating 130 mills, producing all grades of paper, and says this development is in response to consumer demand. Notes industry is entirely conducted under competitive private operation.

As this session is devoted to Canada's resources, some statistics cannot be avoided, but I will try to make them as brief as possible. First, you should know that Canada has one of the major forest resources of the world. Her wooded area is exceeded only by the tropical forests of Brazil and the forests of Russia. Canada is a country green with trees, her forests occupy over 1,300,000 square miles, or 60% of the land area of the 10 provinces. Our productive forest area totals 764,000 square miles, some 10% larger than that of the United States. But there is one important difference between the two: almost all of your productive forests are economically accessible, whereas Canada has over 260,000 square miles that the Dominion Forest Service now classifies as productive but economically inaccessible. In other words, this area almost the equal in size, although not in fertility, of the commercial forest area which supports your great pulp and paper industry in the Southern States, is growing trees which cannot at present be harvested economically.

R. M. Fowler

In addition, much more wood will be obtained from the forests now occupied as we improve our silviculture and reduce on the serious losses from fire, insects, and disease. As much wood is consumed in Canada by these scourges each year as goes into the manufacture of pulp and paper. To date, Canada has had ample supplies of wood; and there still appears to be a comfortable margin to meet growing world demands. With proper care, raw materials can be provided for a substantial additional production. But it is now clear that the Canadian forests are not inexhaustible, and I am glad to say that the pulp and paper industry is taking a leading part in forest conservation.

Increasing Rate of Paper Consumption

I may perhaps appear to be laboring the size of Canadian forest resources, but the point is important for in recent years there has been a major shift in the world wood supply picture. In many countries demand for forest products has caught up with the rate of forest growth. European forests were seriously overcut during the war and postwar years. In the countries of Northern Europe, where they practice excellent forest conservation, wood utilization appears to be just about in balance with the forest growth. Here in this country great and successful strides are being made to increase the supply of trees, but your demands for wood fibre are growing at a great rate also. Only in Canada is there such a substantial potential for increase production of pulp and paper products to meet the world's needs. And these needs are growing rapidly.

Here in the United States, the growth has been spectacular. At the beginning of this century the average citizen of the United States consumed about 60 pounds of paper and paperboard a year; today he consumes about 390 pounds. In other countries the rates of individual usage are much lower: in Iran, for example, less than 2 pounds is consumed per person per year; in Egypt, 8 pounds; Japan, 23 pounds, and France, 63 pounds. But as the economies of older nations recover from the effects of the war and as the underdeveloped areas progress and raise their living standards, there will be a growth in their demands for pulp and paper products which could be substantial.

It is fair to say that consumption of pulp and paper is both a good measure of modern economic development and also a prerequisite to improvement in living standards. In the last 20 years we have seen a great growth in the use of books, magazines, and newspapers; and increasingly as new human needs and wants develop they are being met by turning to wood fibres as the raw material: paperboard containers have largely displaced wooden boxes; paper milk bottles have claimed part of the market from glass bottles; and in a non-paper field, rayon and acetate fibres made from wood have challenged the textile markets of wool and cotton. These and many other developments have been reflected in the per capita consumption.

In addition, the number of heads in the world is increasing rapidly. We can picture this increase by imagining a new city of 60,000 people appearing somewhere on the map every 24 hours. These new people will need supplies of pulp and paper products.

Against this picture of rising population and increasing per capita usage, Canada's forest reserves take on great importance. It is fortunate—for Canada and for the world—that this potential for growth exists for as I have said, pulp and paper is in many ways the basis for industrial development and a raw material of democracy.

Today the pulp and paper industry is Canada's largest industry. Here in the United States you have a great and growing pulp and paper industry. In absolute terms it is larger than the Canadian industry—in fact about 2½ times as large in volume of production. But in relative terms, it is less important to the American economy than the Canadian pulp and paper industry is to Canada. Among Canadian industries pulp and paper stands first in value of production, employment, total wages paid, and by a substantial amount first in capital invested. It is the largest industrial buyer of goods and services in the Dominion; it uses one-third of all the electric power generated for industry and Canada is the second-largest producers of hydro-electric power in the world. The annual value of Canada's pulp and paper output is $1¼ billion. Its exports this year will be close to a billion dollars in value and will account for 23% of all Canadian exports and about 35% of our exports to your country. Thus not only will you receive commodities you need but also we will obtain the wherewithal to be by far the largest buyers of U. S. goods in the world.

The Factual Story

I will summarize the factual story by saying that there are some 90 pulp and paper companies in Canada operating 130 mills in seven of our 10 provinces. Their major products in volume are newsprint and pulps. But, in addition, the mills produce fine papers, wrapping paper, tissues, paperboard and many other products made from cellulose. Between them these mills make over a thousand varieties of pulps, papers and paperboards, and specialty products.

But any such statistical summary is apt to be a dull thing. It does not give a picture of the color and romance of an industry such as this; nor of the scope and magnitude of the industrial skills required to provide you with your morning newspaper or the paper cups you use without thought of how they reached your hand.

The story starts deep in the northern woods, remote from any settled community. The demand for wood has pushed Canadian pulpwood operations far into the hinterland. In several instances Canadian companies are cutting beyond the height of land on watersheds draining into the Artic Ocean. Roads have had to be built to reach these pulpwood stands; and wood is cut and hauled many miles by truck to be dumped into the headwaters of streams that flow south to the mills. There it moves into an enormous, highly-mechanized, mass production factory. Whatever may be the theories about bigness in industry, it is inescapable that the mills making newsprint and other papers must be big, with large high-speed machines and heavy equipment for handling the incoming wood and the bulky outgoing product. From one of the more modern machines operating, as is customary, night and day for six days a week, there flows in that time a ribbon of paper 20 feet wide and 2,600 miles long. You might thing of it as covering a 20-foot highway from New York to San Francisco. And that is only one machine for one week. We have 137 newsprint machines in Canada although not all of them to be sure are as wide or as fast as the one I have used as an example.

In spite of major increases in newsprint capacity since the war, it seems to be a steadily shrinking percentage of total Canadian production. Newsprint production increased by about one-third between 1946 and 1951, while the production of pulps of many kinds and qualities rose by over 60%. In this period Canada became the largest exporter of pulps in the world, and in 1952 over 1.8 million tons of pulps went to the U. S. That total represents only about 10% of total U. S. pulp supply, but it is important to the maintenance of the high levels of pulp and paper consumption in this country and is the sole source of supply for many of your important converting mills. In addition, the production of fine papers, wrapping papers, paperboard, tissues and specialties has increased just over 40% since 1946. These products are generally excluded from international trade by effective tariff barriers

Continued on page 32

*An address by Mr. Fowler in a series entitled "Canada—Nation on the March," New York City, March 24, 1953.

Prospects for Commercial Bank Loans

By SHALER STIDHAM*
Vice President, The Philadelphia National Bank

Mr. Stidham reviews lending by commercial banks since World War II ended, and finds need for additional working capital basis for recent increase in bank lending. Says business recessions in future will not mean same serious decline in bank loans as in by-gone periods of panic and depressions, since there now exist factors which have a definite tendency to hold up volume of loans. Explains differences between lending to a business and investing in it.

On Dec. 31, 1945, at the end of World War II, commercial banks had far more in the way of investments than they did in loans. Since then, the situation has righted itself, and today loans greatly exceed investments. As a result, banks now derive a much larger proportion of their gross income from loans than they do from their investments. During the last several years when loans were rising sharply, the average rate of interest earned on them also increased to a marked degree. For 1945, the average rate earned on business loans by central city Philadelphia commercial banks was 1.95%, whereas for 1952 it was 3.28%. The substantial increases in the volume of loans outstanding, coupled with the very appreciable gains in the rates of interest earned, naturally resulted in considerable increases in the profits of the Philadelphia banks. This was accomplished despite a sharp rise in operating costs. In 1945, earnings from interest on total loans amounted to but 24% of gross income of the banks in the Third Federal Reserve District, whereas in 1952 interest on loans accounted for 53% of gross income.

Shaler Stidham

Some of our economic forecasters argue that interest rates will decline somewhat a year to two from now. Even if the volume of outstanding loans should remain at present levels, a decline in the interest rate would, of course, reduce the gross income of banks. Let us suppose that the forecasters are correct and that interest rates will decline in the years to come. We would still like to point out that they are talking about the so-called prime rate of interest, representing the interest charged class "A" customers, such as the Philco Corp. Customers other than class "A" concerns have always been charged more than the prime rate. During the past several years when the prime rate moved upward, the rates charged non-class "A" borrowers were not moved up to an equivalent degree. Therefore, it is reasonable to expect that as the prime rate moves downward, there will not be equivalent reductions in the rates charged non-class "A" customers.

Effect of Business Recessions on Bank Loans

Many businessmen are of the opinion that the volume of general business will fall off sometime in 1954 or 1955. What will happen to the volume of business loans outstanding in that event? In order to even make a guess as to the course of future events, it is necessary to glance at the past.

There is every reason to believe that bank loans in the future will not decline as much as they did in by-gone periods of panic and depression. In the past, ever present danger of runs on banks greatly intensified the reductions in outstanding bank loans in periods of depression. There was tremendous pressure upon the managers of banks to convert loans into cash so as to be ready for possible large withdrawals of deposits. During the disastrous period of the early thirties, a Federal Reserve bank could not advance cash to a member bank unless the latter could discount with the Federal Reserve bank certain limited types of loans made by the member bank. Today, a Federal Reserve bank is in a position where it can loan money to a member bank upon practically any of its assets except for real estate. This will mean that a member bank in a future period of depression will not feel that it will have to call loans in order to raise cash, knowing that instead it can go to its Federal Reserve bank and borrow by pledging its loans and/or investments as security. This should go a very long way toward preventing such a downward spiral in loans as we experienced in 1930 to 1932. On top of this, we have the Federal Deposit Insurance Corporation, the existence of which will help to maintain confidence on the part of the depositors of a member bank and thereby tend to prevent a rush for the withdrawal of deposits.

During the late thirties and the early forties, some students argued that bank loans had been permanently relegated to a position of much less importance in our overall economy. They failed to realize that the outstanding volume of loans during the late thirties was unusually small because of reasons which no longer prevail today. First of all, a large number of businessmen could not forget that their banks had pressed them for payment of loans at a time when they had to sacrifice their assets in order to convert them into cash. A goodly proportion of these businessmen determined that they would henceforth operate their businesses in such a fashion that they would not have to rely on bank credit. Secondly, the decline in the volume of business and in commodity prices during the early thirties produced a sort of shell-shock among businessmen and a corresponding reluctance to be aggressive and expand their rate of operations, even in those cases where bank financing would have been readily available merely for the asking. Furthermore, the Federal Government had entered into the loaning business, and granted many loans that banks would otherwise have made.

During World War II, we had price controls in the face of a sizable increase in the supply of money. The result was that civilian businesses required far less working capital to conduct a given volume of business than would normally have been the case. Manufacturers found that they could persuade wholesalers to pay much more rapidly than in normal

Continued on page 32

*An address by Mr. Stidham at the Sixth Annual Convention of the National Federation of Financial Analysts Societies, Philadelphit, Pa., April 14, 1953.

Brick Syndicate Mgr. For Paine, Webber Co.

John Brick has been appointed syndicate manager of Paine, Webber, Jackson & Curtis, 25 Broad Street, New York City, it was announced by Lloyd W. Mason, managing partner of the coast-to-coast investment banking and Stock Exchange firm.

John Brick

Mr. Brick, as syndicate manager, will work directly with David J. Lewis, partner in charge of the Underwriting Department of Paine, Webber, Jackson & Curtis.

For 29 years Mr. Brick was associated with Kidder, Peabody & Co. and was syndicate manager there when he resigned a year ago to join W. C. Langley & Co. Mr. Brick went on loan to the International Bank for Reconstruction and Development in connection with the first bond issue brought out by the World Bank.

Savings Deposits Show $506 Million Gain in First Quarter

Robert M. Catharine, President of National Association of Mutual Savings Banks, reports first quarter increase in deposits is highest gain in this period since 1947, and brings total deposits to over $23 billion.

According to Robert M. Catharine, President of the National Association of Mutual Savings Banks and President, Dollar Savings Bank of the City of New York, deposits in the nation's 528 mutual savings banks increased $506,000,000 during the first quarter of 1953, to reach a new record figure of $23,116,000,000.

Robert M. Catharine

"This compares with a gain of $418,000,000 for the same period last year and is the highest gain for the first quarter of any year since compilation of these figures began in 1947," Mr. Catharine said. "These continuing large increases in the people's savings are a potent force in helping to preserve the stability of our national economy. Although people withdrew 7% more from their regular deposit accounts in mutual savings banks during the first quarter of 1953 than they did during the corresponding period of 1952, they deposited 11% more. Four-fifths of the regular deposit gain during this period resulted from the receipt of new money in contrast to interest-dividends."

During March, deposits increased $199,000,000, as compared with a rise of $181,000,000 in March, 1952. The March increase was also the largest on record for this month. Assets kept pace with deposit gains, reaching $25,902,000,000 at the close of March, 1953.

In the portfolio, the increase in mortgage holdings is slackening off. This reflects both lessened construction activity and the fact that some banks have completed the build-up of their mortgage portfolios. The gain during the first quarter of $299,000,000 was about the same as during the corresponding period a year ago, as was the quarter's rise of $210,000,000 in holdings of corporate and municipal securities. However, two-thirds of the gain this year was in corporates, in contrast to one-half a year ago. Holdings of U. S. governments rose $94,000,000 during the quarter. On March 31, 1953, mortgage holdings of $11,530,000,000 equalled 44.5% of total assets, while holdings of U. S. governments of $9,537,000,000 were 36.8% and holdings of corporates and municipals of $3,417,000,000 were 13.4%.

Southern Co. Stock Offer Underwritten

The Southern Company is offering holders of its common stock the right to subscribe for 1,004,869 additional shares of $5 par value common stock at $14 per share, on the basis of one new share for each 17 shares held of record April 16, 1953.

Stockholders also have the privilege of purchasing additional shares, not subscribed for by the exercise of rights, subject to allotment. Warrants are fully transferable, and the subscription offer will expire at 3:30 p. m. New York Time on May 7, 1953. The First Boston Corporation heads a group of investment firms including Ladenburg, Thalmann & Co.; Carl M. Loeb, Rhoades & Co., and Wertheim & Co., which won the underwriting of the offering at competitive sale on Wednesday, April 15.

Proceeds of the sale will be used to repay short-term bank loans made since the end of last year to purchase additional shares of common stock in the subsidiary companies in The Southern system: Alabama Power Co.; Georgia Power Co.; Gulf Power Co., and Mississippi Power Co. The purchases were made to assist the subsidiary companies in making improvements, extensions and additions to their properties.

The utility companies of The Southern Company furnish electric service to most of Alabama and Georgia, to northwestern Florida, and to southeastern Mississippi. Among the larger cities served are Birmingham, Mobile and Montgomery (Ala.), and Atlanta (Ga.).

Operating revenues of The Southern Company increased from $105,435,000 in 1948 to $163,942,000 in 1952. For the same years, net income went from $10,965,000 to $20,232,000, and earnings per share from 91 cents to $1.18.

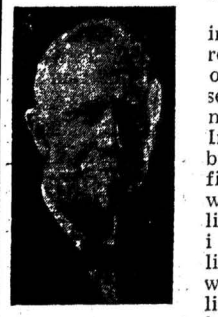
The company started operations in September, 1947 and paid its first quarterly dividend in March, 1948. Since that time it has regularly paid quarterly dividends on its common stock; the current rate of 20 cents per share per quarter has prevailed since June, 1949.

Higher Interest Rates in Offing

By ROGER W. BABSON

Mr. Babson contends only thing Wall Street observers are in agreement about is that money rates will stiffen. Says any attempt to raise wages faster than increase in productivity is equivalent to an increase in interest rates.

Last December on my way from Massachusetts to Florida I found almost all of my Wall Street friends were bullish on stocks.



Roger W. Babson

Today, owing to the Korean Peace outlook, the sentiment is now bearish. In fact, the bulls are confined to those who still believe War III is more likely than when Stalin lived. They hold "War Babies" which they fear would suffer by peace.

Impartial observers are very confused and uncertain as to the future. They are thankful that Eisenhower is President; and are glad for Stalin's death. Wall Street, however, believes that Malenkov is not Stalin's real successor and that we will see a change to someone else. They further feel some one of the satellites may kick over the traces and that China may be the one.

All Agree on Interest Rates

The only thing Wall Street now agrees upon is that money rates will stiffen. This will be due to the increase in the government bond rates and in installment buying, or the over-building of homes and other causes. Here is good news for small investors! You are now able to buy 3¼% U. S. Government Bonds. This is the first time for 20 years that you have been able to do this. Loaners of money are also getting "choosey" about their loans. They are turning down many applications which they would have accepted a year ago. Banks are waiting to see what the future will bring forth. This hesitancy automatically increases interest rates.

The interest yield of bonds is also an important factor. When good bonds yield little, banks and trustees loan money more freely on mortgages; but today the yield of good bonds is increasing. Many of these bonds are nontaxable as to Federal income, due to the vast amounts being issued for constructing super-highways.

Interest Payments Already High

Although a bank will tell you that its rate has not increased, yet to you it has increased in terms of purchasing power. A manufacturer who now pays 3½% interest to buy machinery which runs only 40 hours a week is really paying more now than he was paying when the rate was 4% and his machinery operated 48 hours per week. You are already paying more for mortgage money now than when building costs were much less than present costs because you must borrow more money now to build a home. Those who now buy cars and merchandise on installments are today paying 8% or more.

Any attempt to raise wage rates faster than the increase in hourly productivity is equivalent to an increase in interest rates. The most practical solution to present high prices is to abolish the 40-hour week. Otherwise, we must curtail spending which would result in unemployment. To refer again to interest rates, these must increase to check a return of inflation. "We cannot have our pie and eat it too!"

What About Coffee Prices?

This brings me to say another word about retail prices. Since the controls have been lifted, hundreds of complaining letters have come to me. Most of these refer to the price of coffee. Let me say that the price controls were taken off of coffee to help our "good neighbor policy" in Central and South America. Therefore, when you pay more for coffee, just remember you are truly helping millions of very poor people working on the coffee plantations.

Continued from first page

"No Reason to Fear Peace"

always readjustments taking place in any active economy, sometimes to the advantage or detriment of one group and sometimes to another. But depression, No. We cannot preserve our way of life through another long, deep depression and we must never permit it to occur.

The resources and the resourcefulness of our country are such that the dismal days of depression need not occur unless we, ourselves, we American citizens, fail to have the strength and fortitude to avoid the excesses of speculative boom and deal with readjustments when they are necessary.

Have Been Treading a Dangerous Path

For several years past we have been treading a dangerous path, one from which we have now turned. It is not too late to make the turn and avoid the inevitable consequences for which we were directly headed. For 20 years we have been consistently following unhealthy policies that induced inflation, depreciated our currency and threatened to exhaust our credit. Over that period our dollar has shrunk from the 100 cents we started with to approximately 50 cents today.

We have artificially manipulated our interest rates and have actually printed billions of dollars of current indebtedness which is only narrowly removed from printing money. As a result of vacillating foreign policies we found ourselves at war in Korea and in the mdist of a feverishly improvised program of vast military spending. We found that a so-called police action had turned into a real war.

We now find ourselves with over $267 billion in total indebtedness. Of this amount $32 billion matures every 90 days, and there are over $175 billion of total maturities in less than five years. We have inherited outstanding obligations and unsatisfied authorizations to spend Government funds of $81 billion which will have to be paid in revenues in 1954 and future years. We were handed a proposed budget for next year's expenditures in excess of $78 billion, which involves a $10 billion deficit over anticipated revenues. In addition to deficits of about $4 billion in 1952, $6 billion in 1953 and $10 billion in 1954, we found that the proposed future programs contemplated billions of dollars of deficits in each of the next several years. We have a tax structure that is already so high that it is adding tremendously to our cost of living and threatening to destroy the incentive to work and save and invest.

This is our legacy. This is what we face today.

It is far from a pretty picture. But it is by no means an impossible one in view of the great strength of our country and the vigor and resourcefulness of our people. Our inheritance of obligations both immediate and planned is staggering, but not yet beyond our powers of control. Accumulations of 20 years cannot be removed in 90 days. It will take rigid self-discipline and determined action. But over a period of time, if we resolutely hold our course to definite objectives, it need give us no fear.

What is it we have been so hurriedly preparing to preserve? Is it just our lives? No. What we are really trying to preserve is our American way of life. That is what we have fought for over the years. That is what we must always preserve and always protect. Confronted with a crisis, we hastened to protect it from outside aggression without regard to cost in a feverish rush to preparedness. But we must not forget that our way of life is threatened, not from one, but from two sources at the same time.

It can be lost just as completely by economic deterioration from within as by aggression from without. In fact, economic deterioration will not only destroy our way of life, but it will destroy the very means by which we seek to protect it from aggression. It is the economic strength of America that has supplied the sinews for ourselves and for our allies to fight two great wars. We are confronted, not with a problem, but with a dilemma, which simply means two problems at the same time. We must seek and find that delicate balance which will give us the necessary military preparedness for defense against outside attack while always continuing to maintain our economic strength at home. Those are dual problems and must be simultaneously solved.

Must Achieve a Sound Currency

The first step in solving them is to achieve a sound currency. History demonstrates that whenever currency deterioration has started it tends to continue at an ever increasing rate, the faster the further it goes. Unless courageous, determined, corrective action is taken in time it finally speeds entirely out of control and finishes in utter collapse. The first half of the depreciation of our dollar has already occurred. The programs and conditions which this Administration inherited would have accelerated that pace. Stopping that spiral is imperative.

One essential to accomplish this goal is to bring our Federal expenditures under control and at the earliest possible time and balance them with our income. This cannot be done in a minute with such large future expenditures already contracted for. But it is not too late, if we are tough enough, to make real and early progress in that direction and start at once. Fear and indecision never make for efficiency. Haste makes waste. More defense for less money is perfectly practical and a possible accomplishment. Neither can this be done in a minute, but it is in the cards and on the way.

Deliberate, not timid, carefully planned objectives, with price tags attached and efficiently pursued both for ourselves and our allies will provide a posture of defense against outside aggression that can and will be maintained over whatever period may be required. This will protect us more adequately from threat from abroad than blowing first hot and then cold in extremes of emotion as we have been doing since World War II. Talk of a truce in Korea, or even an actual truce, will not have an early important influence on the rate of military spending. We have a big program to complete in any event to obtain a proper permanent posture of defense for America.

Balanced Budget and Taxes

Control of our expenses is vital to our success, but that is only part of the task. Equally important in balancing the budget is the amount of income we have to spend. That involves taxes, and that is more a matter of my own immediate concern. Also, that is where the American people must do their part. Taxes should not be reduced until expenses are under control.

Both should come down together, but only as a balance is obtainable. There is no easy way to correct our fiscal excesses of past years. We must stand and take it all along the line. However, that does not mean that no relief from present taxation, which is far too high, can be anticipated. Just the opposite is true. Taxes must come down. It's simply a matter of timing geared to reduction of expense. Both are too high and both must be reduced. In addition there must be a radical revision of our tax system to better provide the incentives for the creation of more jobs for more people and for the making of more, better and cheaper goods for all the people.

Taxes are all included in the cost of living, no matter what form they take, but they are more destructive of initiative in some forms than others. Taxes today contribute greatly to high costs and the high prices of everything we buy. The present tax system threatens to stifle initiative, expansion and ultimately jobs. A better balanced system is required.

The reduction of taxes, moreover, is one of the best guarantees we have against the fear of depression, in the event that peace makes possible curtailment of government defense spending. It is essential that, as government expenses are brought under control, as waste is eliminated, and as government spending is gradually reduced that taxes must also be reduced as rapidly as government spending declines.

If we return to the citizens as rapidly as possible the savings we make in government expenses the people will have the money to spend for themselves in their own way what the government has been spending — or wasting — for them. The people can spend their own money for their own account and in their own way for what they want much better than the government can spend it for them. The scale of living for all the people will increase, the demand for production will continue, jobs will be plentiful and everyone will be better off.

Plans for increased expenditures of funds for civilian needs are already under way in many quarters and many more will follow if it appears that the opportunity for effectively doing so is approaching. The planning divisions of several governmental departments are preparing for studies. The Commerce Department has already issued one fine report and is engaged in further study. Many associations of business, farmers and labor organizations should and will be willing to give active thought to alternate plans that will best serve the interests, not only of their own members, but of all the people.

Cites Postwar Reductions

After the last war we decreased the rate of total government expenditures in just two years from $98.7 billion in 1945 to $39.3 billion in 1947.

Our deficit was decreased in the same period from a deficit of $51 billion in 1945 to surpluses in 1947 and 1948.

Defense spending itself was reduced from $90 billion in 1945 to $17 billion plus about $5 billion of foreign aid in the same two years. We have no such tremendous reductions to contemplate or gaps to fill now. Our plant is already geared to increased civilian production.

Full production in many lines where plant capacity has been recently so greatly increased will require real sales effort and bring highly competitive times in several lines.

But do we fear competition? That is what America stands for. Competition is the life of trade. It is what has made our American system. More and better goods at less cost for more people is our national slogan. Our greatest pride is our imagination, resourcefulness and ingenuity in production, sales and distribution. Let's all prepare to give them a chance under whatever the conditions may be and see if again they will not produce the brightest day we have yet seen in America.

An equally important fundamental to preserve the soundness of our money and flourishing trade is the management of our huge debt. The way in which it is handled can also have an important bearing upon economic conditions and the creation of good or bad times. A stable currency is essential to an ever expanding level of employment and sound prosperity. If the debt is so managed as to increase unduly the available money supply, foster the over-extension of credit and depreciate the value of the dollar it can contribute greatly toward pushing us right back into the inflationary spiral of recent times.

If, on the other hand, the debt is so managed that it drains the savings of the people too rapidly and in too large amounts so as to unduly restrict credit, depress prices and deprive industry of the funds required for full operation and expansion, then it can contribute to depression. Here again, balance and timing are of first concern, and wise and careful handling of refinancing our enormous debt structure is of the greatest importance.

Administration Believes in a Free Economy

This Administration believes in the American way of life and in a free market economy. It believes that a most powerful influence over the years has been the accumulated effect of the industry and efforts of so many of our people to advance their own interests independently and in their own ways. This way of life has withstood wars and political manipulations and experiments of all kinds. It will overcome all of our burdens of today. It is because of the accumulative desires and the ambitions of the vast number of our citizens to so live their lives that by their own endeavors they continually advance their own positions that we are what we are today.

We are in good hands as long as the great American consumer is free from artificial restraint and can freely decide what he will buy, when he will buy and what prices he is willing to pay. That means that the productive and inventive power and the ingenuity of all America is in competition for that consumer's dollar and must devote itself to the creation of more and better things at less cost in vying for his favor.

However, freedom for an individual or for a nation must be jealously guarded and carries with it corresponding obligations. The Golden Rule still is fundamental in human relations. Freedom for the citizen involves equal responsibility of the citizen, each for himself to see that he wholly fulfills it. He must use this freedom for his own advancement only to the extent that it does not trample upon the rights of his neighbor and enhances the common good.

It is the responsibility of every citizen of this country, of business men, farmers, labor and all of you here today in accepting your freedom to accept the responsibility that goes with it. If the American people really want stability they must all contribute to it, in the prices they charge, in the wages they demand and in everything that they do. They must exercise self-restraint from making quick turns to the detriment of others and promote in every way possible the long-term thinking and planning that is for the ultimate good of all the people.

Eisenhower's Plan Quoted

As President Eisenhower said in his great speech in Washington last Thursday noon:

"The peace we seek, founded upon decent trust and cooperative effort among nations, can be fortified—not by weapons of war—but by wheat and by cotton; by milk and by wool; by meat and by timber and by rice.

"These are words that translate into every language on earth.

"These are needs that challenge this world in arms. . . .

"This government is ready to ask its people to join with all nations in devoting a substantial percentage of the savings achieved by disarmament to a fund for world aid and reconstruction. The purposes of this great work would be: to help other peoples to develop the undeveloped areas of the world, to stimulate profitable and fair world trade, to assist all peoples to know the blessings of productive freedom.

'The monuments to this new kind of war would be these: roads and schools, hospitals and homes, food and health.

"We are ready, in short, to dedicate our strength to serving the needs, rather than the fears, of the world."

Peace is what we all want. It is nothing to fear, nor is there any reason for depression. Adjustments, yes. But not depression. So long as we maintain the soundness of our money, attain that nice balance between achieving security and handle our fiscal affairs with wisdom, America can look forward to good jobs at good pay and real advances in our scale of living. We can have a stronger economy based on sounder fundamental conditions and with greater opportunity for individual and collective future security than we have known in many years.

Bache Adds to Staff

(Special to The Financial Chronicle)

RALEIGH, N. C. — Herbert E. Henry has been added to the staff of Bache & Co., 126 South Salisbury Street.

Joins Harry J. Wilson

(Special to The Financial Chronicle)

CHICAGO, Ill. — Donald L. Arnold is now affiliated with Harry J. Wilson & Co., 208 South La Salle Street.

Bawl Street Journal Seeks Contributors

Jokesters, punsters, and amateur humorists of the financial world are invited to do their stuff for the benefit of the forthcoming issue of the Bawl Street Journal, annual lampoon of the customs and foibles of the denizens of Wall Street and its tributaries. Published since 1919 as a feature of the Bond Club Field Day, the "annual daily" has aquired a reputation as the authoritative journal of confidential opinion not otherwise expressed.

May 8 is the deadline for submission of stories, advertisements, and cartoons which may be sent to Bawl Street Journal Chairman Wickliffe Shreve at Hayden, Stone & Co. or Editor John A. Straley at the Investment Dealers Digest. Other members of the Bawl Street Journal Committee are L. Walter Dempsey of B. J. Van Ingen & Co. Inc., Edward Glassmeyer of Blyth & Co. Inc. and Raymond D. Stitzer of Equitable Securities Corporation.

Nation-wide interest in the Bawl Street Journal has lifted its circulation to more than 35,000 and brought orders for past issues from all 48 states, as well as from foreign countries. Circulation Manager of the 1953 edition is Adrian M. Massie of the New York Trust Co. Despite inflation, the price remains at a nomial one dollar per copy.

Cubellis Mgr. for Orvis Bros. Branch

NEWARK, N. J.—Orvis Brothers & Co., members of the New York Stock Exchange, announce the appointment of Charles T. Cubellis as resident manager of the firm's Newark, N. J., office at 18 Clinton Street.

Mr. Cubellis has most recently been with Merrill Lynch, Pierce, Fenner & Beane and his prior associations have included Courtley, Ltd., Los Angeles; the Mennen Company, Newark, N. J.; the controllers's office of the Treasury Department and the National City Bank of New York.

Many Join Waddell & Reed

(Special to The Financial Chronicle)

CHICAGO, Ill. — Arnold J. Abrams, Jr., Ervin E. Ball, Andrew B. Bryngelson, Fred E. Butcher, Ray C. Coberly, Robert W. Erlandson, Frank J. Fitzgerald, and William G. Savage have become associated with Waddell & Reed, Inc., 209 South La Salle Street. All were previously with Cruttenden & Co.

Kalb, Voorhis Admit

Kalb, Voorhis & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, on May 1 will admit Celia L. Kalb and Altha Mesirow to limited partnership.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Edmund W. Madden, Vice-President of **Manufacturers Trust Company, of New York** has been appointed supervising Vice-President in charge of all the company's offices in Brooklyn effective May 1, it was announced on April 17 by Horace C. Flanigan, President. Mr. Madden began his banking career in 1921 and has been with Manufacturers Trust Company since 1931 when the former Brooklyn National Bank was acquired. In his new capacity Mr. Madden succeeds Walter R. Miller, who has resigned to become Executive Vice-President of Liebmann Breweries, Inc. Upon assuming his new position, Mr. Miller will become a member of the Advisory Board of Manufacturers Trust Company's Brooklyn Office, at 177 Montague Street, Brooklyn.

* * *

The 17th annual banquet of the Quarter Century Club, veteran service organization of **The National City Bank of New York** and **City Bank Farmers Trust Company of New York** was held on April 16 in the Grand Ball Room of the Hotel Astor, Manhattan. The world-wide membership of the Club is 2,194 with 1,350 New York City members attending the April 16 affair. This contrasts with 199 members of the Quarter Century Club present at the first banquet in 1937, the founding year. Howard C. Sheperd, Chairman of the Board of National City Bank and City Bank Farmers Trust Company made a brief address. Toastmaster was Randolph S. Merrill who was also Chairman of the Committee in charge of banquet arrangements. Two hundred and twenty-eight new members have been received into the Club since last year's dinner. Similar events are held simultaneously in other parts of the world in which National City has its overseas branches.

* * *

The consulate General of Finland is sponsoring an exhibition of Finnish export products and shipping facilities currently on view in the 15 display windows of **Colonial Trust Company's** Rockefeller Center Office on Avenue of the Americas, **New York**. Arthur S. Kleeman, President of the banking house, announced that the exhibit was arranged as a tribute to the people of Finland and to their significant economic progress. The display will remain in the Colonial Trust windows until the latter part of May.

* * *

On April 16 the Third Avenue Office of **The Bank for Savings** in the **City of New York** celebrated its 25th Anniversary in that neighborhood. Today, this office serves over 55,000 savers with more than $100 million on deposit. Originally located at 3rd Avenue and 70th Street, this office moved to its present location at 3rd Avenue and 72nd Street in 1947. For 134 years the Bank has served the citizens of New York. Through four offices it now safeguards over a quarter billion dollars, the savings of more than 200,000 depositors.

* * *

John D. Butt, Trustee and Executive Vice-President of **Seaman's Bank for Savings** was elected a member of the Board of Directors of **Commercial State Bank and Trust Company of New York** (formerly **Modern Industrial Bank**) it was announced by Jacob Leichtman, President.

Milton M. Bates was appointed an Assistant Cashier of **The National City Bank of New York.** Mr. Bates is assigned to the Overseas Division of the bank at the head office.

* * *

Election of Harold D. Rutan and Alfred S. Mills as Trustees of **The Bank for Savings in the City of New York** was announced on April 21 by DeCoursey Fales, President.

Mr. Rutan is Senior Executive Vice-President and Mr. Mills is an Executive Vice-President of the Bank.

* * *

The First National Bank of Barnegat, N. J. (with common capital stock of $110,000), was placed in voluntary liquidation effective April 3, having been absorbed by the **First National Bank of Tom's River, N. J.** The latter, early this year, Jan. 30, increased its capital from $700,000 to $725,000 by a $25,000 stock dividend, as noted in our issue of Feb. 26, page 918.

* * *

Shareholders of the **Second National Bank of Philadelphia** on April 14, approved an increase in the capital stock of the bank by the issuance of $25,000 additional shares, par value $10. Under the plan, rights will be issued to all shareholders of record April 14, to purchase the additional shares on the basis of one additional share for each four shares held, at $20 a share. Rights will expire April 24. The new funds will be divided equally between surplus and capital accounts in the amount of $250,000 each. This will increase capital account to $1,250,000 and surplus account to $1,250,000. A previous item incident to the proposed capital increase appeared in our April 2 issue, page 1446.

* * *

As of March 31 a consolidation was effected of the **First National Bank of Chester, Pa.** (common stock $400,000), and the **Marcus Hook National Bank of Marcus Hook, Pa.** (with common stock of $175,000). The consolidation has taken place as of April 1 under the title of the **First National Bank,** which following the consolidation has a capital stock of $575,000, in shares of 57,500 (par $10 each), surplus of $675,000 and undivided profits of $250,000.

* * *

The Third National Bank of Circleville, Ohio, increased its capital as of March 30, from $100,000 to $15,000 by a stock dividend of $50,000.

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John C. Wright, President and Chairman of the Board of **La Salle National Bank of Chicago,** has announced the election of Philip L. Butler to the post of Assistant Vice-President in the banking department. The promotion was made at the meeting of the Board of Directors, held on April 9. Mr. Butler joined La Salle National in July, 1949 as an Assistant Cashier. Before going to Chicago, he was associated with the **Chemical Bank and Trust Company in New York City.** He was graduated from the University of Alabama in 1931.

* * *

The capital of the **Florida National Bank of Jacksonville, Florida** was increased as of April 9, from $1,500,000 to $5,000,000 by a stock dividend of $3,500,000.

* * *

The Board of Directors of **The First National Bank of Fort Worth, Texas** announce the election of J. Allen Rhodes as Vice-President as of April 14.

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Stockholders of the **Republic National Bank of Dallas, Texas** on April 14, voted unanimous approval of a $7,500,000 increase in capital and surplus, according to a joint announcement issued by Karl Hoblitzelle, Chairman and Fred F. Florence, President. When completed, the increase will raise the capital and surplus of the bank to $50,000,000. Capital and surplus now is $42,500,000. Details of the plans incident to the increase in the capital appeared in our issue of April 9, page 1540. Warrants representing rights to subscribe for additional stock were issued and mailed following approval of the plan by shareholders. The plan is now subject to approval of the Comptroller of the Currency, in Washington, D. C. Arrangements, it is announced, have been made with an underwriting group of investment bankers, headed by Walker, Austin & Waggener, First Southwest Company, and Dallas Rupe & Son, to underwrite the issue of new shares of stock.

* * *

The Anglo California National Bank of San Francisco, Calif., is about to start construction on new buildings for two offices of the bank, one at Merced and the other at Redding, it was announced on April 16, by Paul E. Hoover, President.

The new Merced office will be located at 18th Street between L and M and the new Redding office at Pine and Yuba Streets.

Joseph Markman With Newburger & Company

PHILADELPHIA, Pa.—Joseph Markman has become associated with Newburger & Company, 1342 Walnut Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, in their trading department. He was formerly with the trading department of E. W. Smith Co.

Joseph Markman

Empire Securities Corp.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Empire Securities Corporation has been formed with offices in the E & C Building to engage in the securities business. Officers are Gerald D. Bachar, President; William L. Allen, Jr., Vice-President, and Charles C. Nicola, Secretary. Mr. Bachar has been with J. A. Hogle & Co., for several years.

Joins Emanuel, Deetjen

Alfred I. Scott II, has become associated with Emanuel, Deetjen & Co., 120 Broadway, New York City. Members of the New York Stock Exchange, as a registered representative.

Two With White Weld

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John L. Gardner and Richard A. Kimball have become affiliated with White, Weld & Co., 111 Devonshire Street.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

The sharp growth in premium volume over the past decade has at various times raised questions about the adequacy of insurance capital and the capacity of the industry to handle the available busines.

Historically fire and casualty companies have financed their growth, for the most part, by retaining earnings. On a long-term basis dividends up to about 75%-80% of investment income have been distributed and the balance together with underwriting profits used to augment capital.

The sharp expansion in premium writings since 1941, during which period volume increased on the average by over 200%. has put considerable pressure on capital positions. In some individual cases the gain has been close to 400% with the problem accentuated to an even greater degree.

These large gains have come about for a number of reasons. In the first place the insurable value of real estate and property has grow nboth because of increases in prices and the new construction which has occurred. This is particularly true with respect to automobiles where the number and the value have increased. Also higher premium rates particularly on casualty lines have contributed to the gain. An additional factor has been the natural growth of certain insurance lines such as extended coverage to a larger amount of insurable property.

This growth has been so rapid that in a number of cases the internal sources of capital have not been sufficient and public financing has been required to provide the needed capital funds. Several unprofitable underwriting years have not helped the problem. As a matter of fact the underwriting profit margin, before federal taxes, for a group of the major companies has averaged less than 5% over the past ten years. This has meant that after paying taxes the addition to capital funds from this source has probably been less than 50% in the decade. Allowing for a similar amount from retained investment earnings, the total has probably been less than 100% as compared with a 200% gain in premium writings.

Of course most of the companies have substantial holdings of common stocks and the rise of the equity market since 1942 has added substantially to surplus of the different companies providing an additional source of capital. Nevertheless, many companies were not in this position and had to restrict the amount of business which they accepted.

In view of this condition, should the business continue to grow as now seems likely, especially with the development of multiple line underwriting, a number of additional insurance companies may be seeking new capital in the coming year. So far this year Maryland Casualty and Agricultural Insurance have done financing.

In this connection it is interesting to relate the capital funds of some of the companies to the common stock holdings and the premium volume for the year 1952.

	Capital Funds (000)	Common Stocks (000)	Stks. as % of Capital Funds	Consolidated N t Prem. Wr'tten (000)	Premium Per Dollar of Cap. Funds
Aetna Insurance	55,231	29,052	52.6	123,519	2.24
American Ins.	49,747	42,778	86.0	77,795	1.56
American Surety	21,277	8,651	40.7	43,231	2.03
Boston Insurance	30,874	23,034	74.6	40,272	1.30
Camden Fire	13,212	9,336	70.7	15,397	1.17
Continental Ins.	201,821	181,842	90.1	135,977	0.67
Federal Insurance	33,930	19,202	56.6	28.160	0.83
Fire Association	26,138	22,417	85.8	35,772	1.37
Fireman's Fund	90,844	53,321	58.7	146.155	1.61
Glens Falls	32,758	14,697	44.9	67,718	2.07
Great American	90,298	81,931	90.7	101,934	1.13
Hanover Fire	17,954	13,543	75.4	26,438	1.47
Hartford Fire	196,403	87,298	44.4	312,660	1.59
Home Insurance	169,803	144,019	84.8	214,047	1.26
Ins. Co. of No. Am.	260,147	233,622	89.8	226,861	0.87
National Fire	42,007	22,176	52.8	65,612	1.56
Phoenix Insurance	82,076	51,470	62.7	73,210	0.89
Providence Wash.	14,807	10,089	68.1	28.936	1.95
St. Paul F. & M.	69,813	34,326	49.2	104,730	1.50
Security Insurance	10,549	5,156	48.9	23,296	2.21
Springfield Fire	36,535	23,126	63.3	51,472	1.41
U. S. Fire	47,334	28,576	60.4	34,482	0.73

As can be seen in the above tabulation there is a considerable variation among the different companies in the percentage of capital invested in common stocks. Likewise there are wide differences in the amount of business written with some institutions handling two to three times as much as others for each dollar of capital. As a general proposition those institutions with large common stock holdings have followed a more conservative underwriting policy.

Such considerations do not necessarily indicate that the capital funds of a particular company are inadequate for the business being handled. However, the relationship between investment policy, underwriting and capital position is obvious. Should a change be made leading to a more aggressive investment or underwriting position, additional capital may be required.

Boom's End Near, Says Marcus Nadler

Economist predicts whether we have peace or not a downward business trend will develop in not distant future.

Addressing the New York State Society of Public Accountants in New York City on April 20, Dr. Marcus Nadler, Professor of Finance at New York University, predicted that, regardless of what may happen in Korea, there'll be an end of the current business boom in the "not distant future."

Marcus Nadler

The American economy, according to Dr. Nadler, now operating at higher levels than ever before in peacetime, is confronted with the problem of the effects on business of an improved international political situation and the continued anti-inflationary credit and debt management policies of the monetary authorities.

A truce in Korea and an easing of the international political tensions will not materially alter the business pattern, he contended. What it may do is hasten the end of the boom and bring closer the day of readjustment. Such readjustment may be somewhat more pronounced than might otherwise have ensued but at the same time it will be of shorter duration. Even without a change in the international political situation the boom was bound to come to an end in the not distant future. The only unknown factor was the timing and this remains as uncertain today as it was before the change in Soviet policy.

In the stated opinion of Dr. Nadler, a truce in Korea and improved international political conditions will not cause an immediate material reduction in defense expenditures or in capital outlays by corporations. It may, however, lead to a temporary withholding of purchases by ultimate consumers in expectation that prices of commodities may be somewhat lower than at present. Later on it may also tend to curtail capital expenditures.

Speaking of Federal Reserve credit policy, Dr. Nadler said the adoption of the credit restraint policy by the Reserve authorities also supports the conclusion that the boom will soon come to an end. This policy led to a curtailment of the availability of Reserve Bank credit, to a reduction in the liquidity of the commercial banks and to increased dependence of the latter on the rediscount privilege to maintain their required reserves. Money became tight and the total volume of demand deposits adjusted of the weekly reporting member banks in leading cities at the end of March, 1953 was $3,846 million dollars smaller than at the end of 1952. A credit restrictive policy works slowly but it invariably achieves the desired results. Should a setback in business ensue as a result of international political developments and should it be accompanied by a moderate increase in unemployment, one may expect that the Reserve authorities will change their credit policies in order to keep business as far as possible on a fairly stable level.

New Treasury Bonds

The offer by the Treasury of 3¼% 30-year bonds to raise $1 billion of new cash and a similar amount in exchange for F and G bonds which will mature during 1953 and caused considerable controversy, according to the professor. Those who believe that the Treasury should compete aggressively with private corporations irrespective of the interest costs considered the new Treasury issue as a step in the right direction and as an anti-inflationary measure. Others considered the timing of this offering inopportune and that it caused an unnecessary sharp decline in government security prices, resulting in considerable uneasiness among holders of outstanding long-term government bonds.

That the public debt is lopsided and that the previous Administration missed several opportunities to lengthen the maturities of Treasury obligations is only too well known, was the opinion expressed by the speaker. The question, however, he said, may be raised whether the time for offering a long-term obligation was opportune and whether a rate of 3¼% was warranted at this time.

Dr. Nadler contended that the inflationary forces have to a large extent run their course and the credit restraint policy of the Federal Reserve played a notable role in curbing the forces of inflation. Commodity prices on the whole have been stable for some time and were it not for the farm support policy, which forces the government to support prices of many farm products at 90% of parity, food prices would be lower than they now are. Outside of instalment loans there has been no abuse of bank credit and under present money market conditions few banks are in a position to make new investments. An easing of the international tensions would hasten the end of the present boom and lead later on to a moderate reduction in capital expenditures by corporations as well as some inventory liquidation, resulting in a decline in bank loans. There was, therefore, no need at present to adopt a deflationary debt management policy.

Dr. Nadler described the principal attributes of government securities as safety, marketability and relative stability. During the last few weeks, he added, Treasury obligations have proven to be less marketable and less stable than many holders had reason to believe. In offering a 3¼% issue, he said, the Treasury forced a downward readjustment of all outstanding long-term government obligations at a time when the marketability of such bonds was already greatly reduced. To what extent recent developments in debt management will influence future buyers of government obligations remains to be seen.

Joins McDaniel Lewis

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C. — McDaniel Lewis & Co., Jefferson Building, have added Leslie E. Babcock, Jr. to their staff.

Peace Prospects and Sterling Convertibility

By PAUL EINZIG

Predicting no Sterling convertibility this year, Dr. Einzig holds it is impossible unless sufficient dollar aid is obtained to enable Britain to repay its debit balance in the European Payments Union. Holds a relaxation of international political tension might materially increase task of maintaining convertibility.

LONDON, England — It is becoming increasingly evident that the year 1953 will not witness a restoration of sterling's convertibility. Until a few weeks ago such a decision was freely predicted in many quarters for the autumn of this year. It is an open secret that the Government is extremely keen on taking that step at the earliest possible moment and is even prepared to take a certain amount of risk to that end. But the results of the Washington and Paris discussions, and recent international political developments, materially reduced the chances of a successful return to convertibility.

Dr. Paul Einzig

Mr. Eden and Mr. Butler have returned from Washington without having received any promise of assistance. All that the United States Government promised was to study the plan submitted to them. Even the idea of a relaxation of the rules of the International Monetary Fund, so as to enable it to grant dollar facilities more freely, was received without enthusiasm. Evidently the new Administration is anxious to avoid taking any action which might be interpreted as an attempt to grant financial aid to Britain by circumventing Congress. Nor could any undertaking be given about a relaxation of U. S. trade barriers before the attitude of Congress is properly ascertained.

As for the Governments of Western Europe, they made it plain that if Britain were to insist on giving up her membership in the European Payments Union for the sake of restoring convertibility, the other members of the Union would insist on claiming the repayment of Britain's substantial debit balance with the Union. This alone would make convertibility impossible unless Britain obtained a sufficient dollar aid to be able to repay that debit balance without thereby reducing her gold reserve.

Evidently in the absence of substantial assistance from the United States and from the I.M.F., the E.P.U. countries are in a position to veto the return to convertibility, should Britain wish to proceed with it. So between them the United States and Western Europe have saved Britain from the grave consequences of a rash and ill-advised decision. There can be no doubt in the circumstance that convertibility in 1953 would mean another convertibility crisis in 1954. And in view of the fact that Britain had sterling crises in 1947, 1949 and 1951, a crisis in 1953 would further strengthen the belief that she is bound to have a sterling crisis every second year. Even a postponement of the convertibility crisis by deferring till next year the return to convertibility would be helpful, for it would at any rate break the bi-annual recurrence of the crisis.

Even if the Government had been determined to proceed with convertibility notwithstanding the negative response in Washington and Paris, it would now be inclined to think again, having regard to the indications of a change in the international political outlook. A relaxation of the international political tension might materially increase the difficulty of the task of maintaining the convertibility of sterling. It is true, sterling would be less exposed to a run due to a war-scare—though even in this respect it would be unduly optimistic to assume that henceforth the relations between East and West would always necessarily run smoothly and would have no ups and downs. But in so far as better political relations would mitigate the rearmament race sterling is bound to be adversely affected in more than one way.

In the first place, any fall in commodity prices would mean a loss of dollar earnings to the raw material producing countries of the Sterling Area. In addition, American purchases of strategic raw materials would also decline. Nor would it be possible to make up for these losses through an increase in the export of manufactures to the United States. On the contrary, a termination of rearmament would necessarily affect business conditions in the United States, and American demand for imported manufactures would decline.

At the same time, a relaxation of tension would make it even more difficult for securing dollar aid in order to be able to restore and maintain the convertibility of sterling. As things were recently it may have appeared a fair gamble for Britain to restore convertibility on the assumption that, if the worst came to the worst, the United States would intervene rather than allow a major crisis to develop on this side. Owing to the change of the political situation and prospects, it is necessary to envisage the possibility of an unfavourable change in American business conditions, which would mean that the Washington Administration would have both its hands full with its domestic economic problems and would be unable to spare any resources for helping others. In any case the apparent improvement of the political situation might convey the impression among Americans that the menace of enemy aggression has subsided, which would mean that most people would no longer consider it necessary to make financial sacrifices for the sake of strengthening the European Allies of the United States.

Conceivably all these assumptions may prove to be exaggerated. But the possibility of such developments will doubtless be envisaged by such responsible statesmen as Mr. Churchill, Mr. Eden and Mr. Butler. It would indeed be reckless irresponsibility to plunge into convertibility before it becomes evident how the change in the political situation is likely to affect the international economic and financial situation. And it is bound to take many months before it will be possible to see how far Moscow and Peking are prepared to go on the way towards adopting a conciliatory policy. The negotiation of any concrete understanding would be necessarily a lengthy process, and even after its conclusion it would take some time before the economic consequences could be ascertained. Meanwhile the best thing the British Government could do about convertibility is to forget about it. A prolonged feeling that the Government might at any moment decide that the time has come for taking the plunge would have an unsettling effect and could serve no useful purpose.

W. N. Estes V.-P. of Mid South Securities

NASHVILLE, Tenn.—W. N. Estes has become Vice-President of Mid-South Securities Co., American Trust Building, where he will be in charge of the municipal bond department. Mr. Estes served as Treasurer for the State of Tennessee for two terms. Mr. Estes began his career in the investment field in 1919 with I. B. Tigrett Co., Jackson, Tenn. Prior to becoming Treasurer for Tennessee for many years he had conducted his own investment business in Nashville.

Other officers of Mid-South Securities Co. are Bert F. Madden, President; Matt B. Pilcher, Vice-President, Secretary and Treasurer; Robert H. Jordan, Vice-President, and Porter L. Easton, Assistant Vice-President.

Aluminium Ltd. Stock Offering Underwritten

A prospectus offering 818,657 additional shares of Aluminium Limited was filed with the Secretary of State of Canada on April 20, and registration of the offering also became effective under the United States Securities Act of 1933, and the U. S. Securities Exchange Act of 1934.

The offering is being made by subscription rights to shareholders of record at the close of business April 24, 1953, on the basis of one new share for each 10 shares held. Warrants will be mailed on or about April 25 to all shareholders of record and will expire at 3 p.m. (EDST) on May 15, 1953.

Such rights may be exercised either in Canadian dollars at a price of (Canadian) $33.50 per share or alternatively at the option of each subscriber, in U. S. dollars at a price of (U. S.) $34 per share. Net proceeds to the company are estimated at $27,037,000.

The prospectus states that the proceeds of the sale of the shares will be added to the funds of the company available for general corporate purposes, including the financing of the company's expansion program which is scheduled to be substantially completed in 1954. The cost of this program, as presently authorized in British Columbia, the Caribbean area, Quebec, and elsewhere, is now estimated at $435 million through 1954, of which approximately $317 million had been expended as of Feb. 28, 1953.

The First Boston Corp., A. E. Ames & Co., Ltd., and White, Weld & Co. are dealer-managers for the offering and have undertaken to use their best efforts to form groups of soliciting dealers to procure subscription for the shares.

With Interstate Secs.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Claude S. Abernethy, Jr. has been added to the staff of Interstate Securities Corporation, Commercial Bank Building, members of the Midwest Stock Exchange.

With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — William E. McKeon is with Paine, Webber, Jackson & Curtis, 24 Federal St.

Railroad Securities

Texas & Pacific

As a rule railroad executives are inclined to be most conservative in public discussions of prospects for their own road or for the industry. Quite often they are apt to be downright pessimistic, particularly where traffic or cost factors are involved. It is rather a welcome relief, therefore, to come across a railroad president who is willing to admit that things are good and willing to sound an optimistic note for the future. Such a man is Mr. W. G. Vollmer, President of the Texas & Pacific. In the annual report to stockholders, of which Missouri Pacific is by far the largest, Mr. Vollmer stated that he anticipated that freight traffic on the company's lines would be higher this year than last.

Texas & Pacific, as a matter of fact, has been doing an exceptionally good job for quite some years. It operates in the Southwest where consistent industrial expansion has been going on for some time, accelerated under the exigencies of World War II and continuing apace in the postwar years. In the annual report it was pointed out that, reflecting this industrial growth, the gross revenues and net income of the road had last year reached the highest levels in the company's 81-year history. The management looks forward to additional industrial expansion in the area in the current year and a level of plant activity sufficiently high to push revenues forward to another all-time peak.

While it was the change in the character of the service area that brought about the peak traffic load there were other factors contributing to the highly satisfactory earnings results. One thing, of course, was the increase in freight rates last year. This is still an influence on the revenue trend. Secondly, has been completion of the dieselization program. Installation of a large amount of diesel power has brought with it a significant improvement in operating efficiency, as it has for practically every road in the country that has gone in extensively for such power.

As measured by the usual statistical ratios, Texas & Pacific has assumed a position as one of the top railroads of the country. Last year it had a transportation ratio of 31.0%. This represented a drop of a little more than two points from the preceding year and it was well below the ratio for the industry as a whole, which came to 36.9% in 1952. As recently as 1949 Texas & Pacific had a transportation ratio of 38.2%, at which time it was only 1.6 points better than the industry as a whole. The widening of this spread in the road's favor is a distinctly favorable sign and it has been continuing at a substantial pace in the current year to date. The magnitude of the improvement is obvious when it is realized that each point drop in the ratio is equivalent to $1.05 a share on the common stock, after allowing for Federal income taxes at the statutory rate of 52%.

Last year the company reported peak earnings of $27.02 a share on the 387,550 shares of common stock outstanding, compared with $18.90 a share in the preceding year. As stated above, the operating performance, as measured in the transportation ratio has continued to improve in the current year. Also, in the first two months of 1953 the company reported a sizable (more than $1.2 million) gain in gross revenues. With this combination, net income for the period came to $1,670,000 compared with $967,000 realized in the opening months of the preceding year. Under the circumstances it does not appear optimistic to visualize the possibility of earnings above the $30.00 level for the full year 1953. While dividends have been increasing gradually ($7.00 last year, $6.00 in 1951 and $5.00 in 1950) the distributions have been quite modest in relation to earnings. It is expected in many quarters, therefore, that further liberalization is in prospect. Also, there is considerable feeling in financial circles that a split in the stock is in the offing. Be that as it may, this relatively inactive stock still sells low in relation to demonstrated earning power.

Pres. Eisenhower Appoints R. R. Hughes

Rowland R. Hughes

President Eisenhower has appointed Rowland R. Hughes, Vice-President of The National City Bank of New York, to be Assistant Director of the Budget. Press Secretary James C. Hagerty said that if pending legislation is adopted to create the job of Deputy Budget Director, Mr. Hughes will get that post.

Bear, Stearns & Co. to Admit Four Partners

Bear, Stearns & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, on May 1, will admit Joseph P. Crosby, Marius Decker, Howard Finney, Jr., and Harrie T. Shea to partnership. Mr. Finney is manager of the firm's municipal department.

Gruss & Co. Admits

Charles H. Blatt will become a partner in Gruss & Company, 52 Broadway, New York City, members of the New York Stock Exchange, on May 1.

Mitchell & Craft Admit

WASHINGTON, Pa.—Mitchell & Craft, 16 East Beau Street, members of the Pittsburgh Stock Exchange, admitted Sue M. Van Sytzama to partnership April 1.

Continued from page 6

McCormick Sees "Sad and Sick" Security Business

we are not going to get above six and a half million stockholders until we change it.

Chairman Becker: Mr. Lazarus is asking Mr. McCormick a question.

Mr. Lazarus: I have often wondered, if we want more stockholders in the United States, why it is so simple to go into the post office and buy an E Bond for $25 and so complicated to buy a share of stock, and why you have to have salesmen chase you to buy stock? Why don't people know enough about them to go some place and buy it? Then it would be inexpensive to get a lot of stockholders.

Mr. McCormick: As a matter of fact, I think it is a very good question.

Having had a similar amount of experience in the government at one time regulating this business and now running the second largest exchange in the country, I have to admit that the securities business is digging itself out of a deep hole. The terrible reputation that we acquired — and I think because of a minority in the late '20's and early '30's — is something we have got to combat.

Secondly, it is a complicated piece of merchandise we are selling. We are not selling a stamp; we are not selling an interest in the United States Government. When a man leaves Merrill Lynch or Bache & Company, or any other brokerage firm and walks out to sell your stock, he is not talking about the United States Government. He is talking about Lazarus.

He's got to know something about your department store. He is selling you; he is selling his knowledge of what the retail business looks like from here out, and if he is a competent man he spends a lot of time at it. He spends a lot of time telling you not only how good it is, but the risk of buying Lazarus, and I think he should be compensated for it.

After all, a person doesn't go down and buy a corner drugstore or grocery store over night, and when you buy stock you are going into business. You are becoming a small businessman in something that you should do only after careful consideration and yet, in my opinion, we haven't got enough of them.

I think that the future of this country is in the people having confidence in the business of this country and owning a part of it. Then it is not a question of having divided loyalties; it is a question of the laborer and the consumer, everybody, having understanding of the problems of the people who are running the company in which they are buying securities, and that is one way to stimulate their interest in it, and I think it is going to pay off, not only psychologically but in dollars.

Mr. Wolman: Mr. Chairman, doesn't Mr. McCormick think that the ordinary person knows as much about a business as he does about the United States Government?

Mr. McCormick: Well, you and I, Leo, know, as all Americans know, that you don't have to be, as far as the government is concerned, sold on the matter of loyalty. You put up the money.

Chairman Becker: But even your bonds can go down.

Mr. McCormick: They can.

Chairman Becker: I'd like to ask Mr. McCormick a question, perhaps by saying I am a little confused.

I had the impression that members of the stock exchanges did not sell stocks as such. I am somewhat shocked when he says a fellow goes out and sells a man with $2,000 some stock. I thought the stock men only sat and executed orders, but it was the investment houses that sent out the $5 man and got orders.

Am I wrong about that?

Mr McCormick: Well, I think that is a very interesting question, and I think that is why our business is lousy.

For many years and for several generations the stock exchanges were a meeting place for professional buyers and sellers of securities. People went there and bought and sold and that was the focal point for buying and selling, but with taxes as they are, with regulations what they are — and thank God for regulations, I believe in it — the professional element of the market has practically disappeared. Today it is basically an investment-type market.

No exchange buys or sells securities, you are correct on that. The people on the floor of the exchange act principally as agents in the execution of orders, but as I say, it is no longer a professional market; it is basically an investment market and the orders have to be brought to the floor. That takes selling.

You have to go out and get people interested in buying the securities. There is one particular post on the floor of the exchange where you buy and sell, where all orders in a particular stock are executed, and they all are funneled. That is the function of the exchange, but if you sit back and wait for the professional to give you the volume, you are going to die, and I can see that just as plain as the nose on my face.

Chairman Becker: How about Procter & Gamble? Don't they come right in with the money in their hands and buy Procter & Gamble?

Mr. McCormick: No, they don't. They come in and buy their competitor, as a matter of fact.

As I say, six and a half million is too small a base to run an adequate action market; I think it must be expanded tremendously. You have to go out and stimulate the interest of people in those securities. It is not only on the buying side. I think that people ought to be told to get out of General Motors at the right time and sell at the right time.

I am speaking in the sense that we ought to have a securities community industry that is competent to service the American public in that way.

Chairman Becker: Can it be you have too many members, therefore, they can't all make a living, but half of them could make a living?

Mr. McCormick: As a matter of fact, I don't think we are at the point in the securities business where we have to take the small pie and cut it up among fewer people. I think the pie can be bigger. That is the trend of my thinking.

From The Floor: Mr. McCormick, don't you seriously believe that the average customer's man doesn't know much more about the securities than the man in the street, and don't you really believe that the brokerage fees on your low-priced stocks make the load entirely too great, especially if one wants to make that two-way transaction on a one- or two-dollar stock, you find yourself with a loading fee of about 15%.

Now, in Toronto you will find the loading fee considerably less. Don't you think, if you brought your rates down that you would considerably stimulate the business instead of selling the advisory service, which is perhaps worthless?

Chairman Becker: Dr. McCormick will reply.

Mr. McCormick: If you want me to say that the securities business has done a good job in training its customers' men and that only experts are in the field, I can't say yes. That is just simply not so. I think we are moving in the right direction. I think most of the big firms are now running schools, requiring individuals to pass certain classes, that is, examinations, before they are let loose on the public.

Now, I have got to admit that we are guilty on the first count, that not all customers' men are competent. I think that before you buy securities you should go to a reputable brokerage house and I think you should only deal with people in whom you have confidence. I think that is your first move in buying securities, to have confidence in the people you are dealing with. There are a lot of them you can't have confidence in.

On the second thing, about the rates, 15% seems a little high. It seems to me that our own rate is at $2. I think you mentioned that ours is $4 a hundred, so it is not quite 15%, and I will grant that if we could figure out what is an unsolicited order on which you are not spending money, doing a study and advising them, that the rate ought to be lower.

As a matter of fact, I have made a three-pronged proposal to our board, which is now under study, and that is one.

This industry will go out of existence unless we expand the base of security holders and make it worthwhile to do an intelligent retail selling job in that field. You must increase commissions or you are not going to get the business.

Secondly, the professional who is in and out and doesn't need your high-cost research, you should let him in and out on a lower commission, possibly charge him a commission to get in, let him get out for nothing. You won't lose anything; and thirdly, I think that we on the exchanges —I am speaking now as far as the exchanges are concerned, not the securities markets — generally, I think we are being murdered by the open-counter market, because they are taking our wholesale business, they are buying run-of-the-lot, which is at less than the cost to do it on the exchange.

I think that should all be brought back on the floor of the exchanges; it adds to the equity of the market. I think we ought to cut our commissions, so that you are doing business on a large volume on the floor at a wholesale rate. I think eventually the exchanges are going to have their commissions in those three ways.

From The Floor: Inasmuch as we have had a display of the stockholders, which was very impressive, I'd like to suggest that we have a display of those who were in a position to buy common stocks during the period from January 1st up to this period but haven't done so.

Chairman Becker: You mean only from January 1st?

From The Floor: As an example, yes, who had the funds with which to buy common stocks but for one reason or another didn't.

Mr. McCormick: As a matter of fact, I think that goes to the crux of why our business has been bad.

We have a lot of internal things. I am speaking of things that we haven't done, or hope to do, in order to improve our business, but I am not kidding myself and no one here should kid himself.

The basic difficulty in the whole picture is our tax structure. There are at least three taxes I can think of, offhand, that completely destroy the desirability of equities. I am talking about the burdens of corporations, particularly the excess profit tax, the attitude of the government that they have to hold securities for six months before they are entitled to capital tax. Anybody with a sharp pencil ought to be able to demonstrate to the government if they approached this problem purely on a tax-revenue basis, that if they cut it back to 30 days it will get many more times tax revenue than they are getting now, and furthermore, you are not going to get people to buy equity securities when it pays them to buy tax-exempt bonds.

You have to do something to tackle the double taxation of corporate dividends.

Chairman Becker: You have a sympathetic audience, Dr. McCormick.

Joins Saunders, Stiver

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Edward M. Meyers has been added to the staff of Saunders, Stiver & Co., Terminal Tower Building, members of the Midwest Stock Exchange.

With W. R. Staats Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert L. McManus is now with William R. Staats & Co., 640 South Spring Street.

Joseph Soltanitzky

Joseph Soltanitzky, member of the American Stock Exchange and the Produce Exchange, passed away at the age of 64 of a heart ailment.

Securities Salesman's Corner

By JOHN DUTTON

Effective Sales Letter Writing

Cy Frailey, expert on sales letter writing, made a speech on how to write an effective sales letter at the Standard & Poor's Corp. "Advertising in Action" sales promotion conference on Jan. 16, that is worthwhile reading if you did not hear it. John McKenzie, of S.-P. Corp., has mailed copies of some of the talks made at the conference to dealers throughout the country and, although they were all full of helpful information, Mr. Frailey's talk hits me with something that I believe is more important in developing successful relationships with **people** than any one thing that you or I, or anyone else, can do to bring about this much sought after condition.

In order to get the full import of Mr. Frailey's excellent advice, write to Mr. McKenzie, of Standard & Poor's Corp., 345 Hudson Street, New York City, and see if he has a copy of that speech available. I am only going to dwell upon the main theme of his talk. The fine points you can obtain by a complete reading of the original.

Mr. Frailey suggests that if you want to be successful in writing a good sales letter that you should first **like people.** He advises the writer to put **himself** into his letters, and he says that if you can talk to people in writing, the way you would talk with them if they were sitting opposite you in a chair (in your office), that is the first step toward success. I would like to give you my own ideas about this being yourself business, not alone when you write letters but when you sell through a personal interview.

There is only one way to understand people — that is to understand yourself first. Life is so constructed that we can learn something valuable every day. Some men stop learning as soon as they can conveniently do so. Others find that every day is a new adventure. If you like living — if you like people — you will find it an endlessly interesting study to analyze your own reactions, and your own emotional pattern, as you go through each day of making a living, of enjoying life, of solving problems, of contacts with friends, family, and with business associates. If you are interested in living, and you like people because you are a warm human being yourself, I have found out that certain things ring true. I know when people are genuine today. I don't claim to be an expert at character analysis but I believe that any man who has sold securities for over a quarter of a century, as I and many others have done, has found something in his work, other than monetary success, that is also quite rewarding. I don't know all the answers, but I believe I know a lot more about people than I did 25 years ago. And here is a short list of the things I have discovered that I like in other people. I know that they like these things too.

I like people who are serious about what they are doing and who are not ashamed to admit it, yet can take themselves for what they are. As President Eisenhower, I think said it, "Take your job seriously but not yourself."

I like people whom I can trust. I like to feel that those I trust can be trusted.

I like people who are not too busy to smile, or take a few moments off for "a chin and a chat," and who remember that I am a pretty nice guy too — and who don't wait for Christmas or some special time to let me know how they feel about me.

I like people who know what they are doing—who don't fiddle, faddle and fumble when I pay them for service, buy something from them, or even go fishing with them. I like people who are proud of their work.

I like people who are too full of understanding to brag, or to ever put on an act. I like plain folks that talk down to no person nor up to anyone. I like people who are poised in the assurance that comes from confidence in the rightness of their work and the purpose and decency that they are putting into their daily lives.

I like people who can say, "I was wrong," or "I am sorry there was a misunderstanding, please forgive it." I like people who can forget the little hurts that unavoidably creep into human relationships and let bygones be bygones. I like the fellow who can laugh at his own mistakes but never at mine.

I like the best in people and I believe all of us should try to find it. As Mr. Frailey says, "that's not Pollyanna stuff, it's the best kind of salesmanship there is." Put it into your letters, put it into your life. You'll have customers and friend — **business success and the profits will take care of themselves.**

Continued from page 6

Clouded Outlook for Second-Half Year's Business

hats for what I call "inflation from the market."

Broadly speaking, these dangers do not seem to me to be acute or perhaps even present. Union demands seem to be turning away from stiff rate increases toward such security measures as the annual wage or toward acceptance of an increasing number of profit-sharing plans. Strikes — though fairly numerous — are neither widespread nor of long duration. Labor as well as management seems to be concerned to find terms of settlement that will perpetuate prosperity rather than making rash ventures into new ground. Revelations of the extraordinary productivity of our present industrial system removes the likelihood of a scarcity element sparking a general price advance. Even a moderate increase in military and civil defense expenditures would not seem likely to put the price structure under a strain that would make general price advances a source of inflationary danger.

Are We Faced with a Danger of Recession?

You may think that in marshalling some of these causes of reassurance against the danger of runaway inflation, I have gone so far as to raise a suspicion that the real danger lies in the opposite direction. Certainly the businessman does not want to brace himself against a vague danger of inflation only to topple backward into the real hardships of recessionary deflation. As I said at the beginning, I am not here to make "predictions of things to come." But I am prepared to say that I believe the prudent businessman does need to think long and hard about what conditions or factors lead to the collapse of a boom or to the snowballing of recession into depression. That will lead him into watching small and distant dangers and to devising measures to forestall them.

I am not a little concerned at the extent to which businessmen and the public generally seem to accept placidly the idea that this is "a new day" or that we have "built-in devices of stability" in our modern economy, or that the Employment Act of 1946 "licked the business cycle" and ushered in a regime of maximum employment, production, and purchasing power. One would be blind indeed not to recognize that we have markedly improved some of our economic institutions and gained economic sophistication that could express itself in better economic behavior. In the third section of my remarks, I want to sketch a picture of how, through a combination of these factors, we may demonstrate that we can escape a post-boom let-down. But how our people will actually perform in a testing time has yet to be demonstrated. A careless or incompetent driver can put even the best car in the ditch. And so I shall here try to point out a few remaining dangers of recession that I believe we need to watch out for.

Beyond question, the psychological factor is important in the practical operation of an economy. If leaders and public are full of apprehensions or gloom, we cannot expect a private enterprise economy to flourish. But mere blind confidence in a general who successfully led a military crusade in Europe or faith in the miraculous power of a Republican label will not of themselves get us over the rough spots in moving from rearmament boom to high-level peacetime stability. Addressing a business audience in January, I raised the question "Confidence in what?" I suspect that a great many people subconsciously felt on Nov. 5, 1952 that they had voted the economic problem out, and failed to realize that they had merely voted a more competent business management team into the seats of power in the White House and the Executive Branch. The complexion of Congress changed but little and Johnny Q. Public was still about the same mixture of conscientious and selfish, intelligent and stupid that he had been under the New Deal.

There is a basic contradiction in the explanations given for business confidence in the next five years. One reason given for a feeling of confidence is the commitments made for high-level government spending, the accompanying high business spending, and the resultant high consumer spending. The other rests on the faith of businessmen and private citizens that the new Administration will bring sound management into governmental affairs. But we can't have it both ways. If President Eisenhower and the Republican Administration really keep their promise to balance the budget, restore the value of the dollar, eliminate waste, and bring about efficiency in all government operations, there must be a substantial decline in government spending, a weakened inducement for business spending, and a lessened power of consumer spending. Government economy is a consummation devoutly to be wished, but its implications for the market in which manufacturers and merchants, bankers, farmers, and working people deal must not be overlooked.

If the budget is balanced by pruning some $10 billion of prospective expenditure from government operations, there will be $10 billion less of immediate payroll and procurement to support the market as it is now operating. Will an offsetting $10 billion of private wages and purchases come into the market? This is a substantial reconversion operation. I do not say that it cannot be effected by the technological skill, the economic sophistication, and the economic enterprise of our people. But I think that, instead of its being an automatic process either of the Unseen Hand of classic tradition or the seen mechanisms of built-in stability, it will take a lot of doing by business firms and individuals, possessed both of economic savvy and good will. It will at best take some time to effect the transition and some patience and tolerance during the lag.

In the camp of the optimists, it is argued that our rising productivity blunts the danger of inflation and that the expanding flow of goods provides for rising standards of living and adequate incentive to both employer and employee. It may, however, be argued with equal cogency that this rising productivity is itself the economic problem of our times, not a simple answer to the problem.

Neither businessmen nor government officials can afford to forget or overlook the speed with which the repercussions of a government retrenchment program spread to the whole civilian economy. Every man pruned from a padded government payroll is a man without fresh Friday-night purchasing power unless he is at once picked up on a private payroll. Every procurement order cancelled or curtailed cuts down some supplier's orders for materials on his roster or employees unless he promptly finds an alternative private market for his product. Not only is the worker's ability to purchase reduced, but also his willingness or "propensity to spend" suffers a chill. He becomes a poorer prospects for a house, a car, or even for small consumer durables. He postpones clothing purchases and his wife may even curtail somewhat on food—or movies.

Nor does this apply merely to those actually disemployed. Those still on the payroll are likely to husband their purchasing power against the possibility that they too may become entirely or partially unemployed. With declining orders, the manufacturer not only places smaller orders and trims his inventory; he puts some of his modernization and expansion plans and blueprints back in the drawer until he can see more clearly what the future may hold. With falling tax revenues, municipal and state governments are tempted to do the same.

Now this is not to paint a horrendous picture of impeding business doom. It is merely to note what you all know about the mechanics of the economic process —that the business spiral operates cumulatively in a downward direction just as it does in the upward direction unless checked by intelligent and courageous action of business executives, private income administrators, and public agencies. For some years we have been parlying a legitimate postwar catching-up effort into a high-pressure inflationary boom by monetizing a large public debt and by the private deficit spending of both business and consumer debt expansion. Probably this debt structure could be serviced smoothly by employment and productive activity maintained at its present high level. But any substantial drop in that high level of activity would create the crisis of disinflation proceeding to disastrous deflation and of recession threatening to become depression of a stubborn character.

What, then, are the danger signals that the businessmen should watch for? What are the courses of action for himself as private policymaker and as citizen which would help to prevent or minimize deflationary dangers?

The Demands of a Stabilization Program

This brings me to my third picture of our possible business future—the middle ground of solid prosperity between the volcanic peaks of inflationary boom and the sunken but tenacious reefs of underproduction and underconsumption. This will not be a broad straight channel of smooth open water, but a tortuous course threaded by men who are both aware of fixed obstacles and alert to respond to every change in wind or current. Such a safe and prosperous future is not foreclosed to us by sinister forces beyond our control or by the errors of our past; neither will it be handed to us by a kind Providence or a few miracle workers in Washington. It will have to be created — or earned—by the intelligent action of free men in position to make economic choices.

Time does not permit me to go into great detail as to the nature of the ends to be sought or the means by which they can be attained. But I believe it is possible to outline quite briefly the character of the problem posed and the basic line of approach through which it must be attacked.

In its simplest terms the problem we confront is that of price-income adjustment for all parts of the economy simultaneously. The money flow must be kept at or close to full tide if we are to maintain high-level prosperity. Consumers must have liquid purchasing power to take the product of our fabulously productive plant and labor force promptly and fully from the merchant's shelves if he is going to keep up a flow of orders that will justify the fabricator and the primary producer to keep the labor force employed, plants replaced as they are worn out, and equipment and technology constantly expanding to serve a growing population and improving to satisfy new wants and more exacting standards.

Now it is obviously possible as a mechanical possibility to divide up all we can produce on a 40-hour week and a 50-week year. But to write up the billions of price tickets and wage tickets with such economic correctness that that distribution will be effected through our almost-free market processes—aye, there's the rub. I have been saying to various audiences for more than a year that the price-income relations we have been working on were way out of line with what would be needed to keep business flowing at full tide after we passed the peak of the rearmament effort. We could not long postpone a showdown on this issue. To the Commonwealth Club of California last September I described this as "The Businessman's Opportunity in 1953," defining "the businessman" as the proprietors of small business, the executives of big business, and the administrative officers of labor unions. "The opportunity that is moving up on the American businessman is the opportunity to vindicate the system of free business enterprise—to demonstrate to the world and to the Doubting Thomases and the Utopian dreamers in our midst the fact that private enterprise can and will keep our factories open, our people employed, and our stores full of customers."

As to the time of this showdown I said it might not be presented to these business leaders quite as soon as 1953, but I did not "see how it could be deferred later than '54." The Malenkov maneuvers and their repercussions on the Congress and the business community, as I view them, mean that we are already in the early stages of that showdown period whether we realize it or not. Many of the official dopesters are fighting rearguard actions against a revised estimate of second-half '53 or forward planning now for a constructive program for 1954.

What, then, is the nature of this show-down? It is a basic ideological struggle between (a) the workers for wage or salary (with the consumer viewpoint) and (b) the employees or employers' managerial representative (with the producer or capitalist viewpoint). The bone of contention between management and labor which will come to acute stages when and as military and civilian expenditures are curtailed is between ability to keep business healthy and growing, primarily as a job-giving and wage-paying institution. "Management feels a trustee's responsibility for the preservation and improvement of the capital plant on which high and ever-rising productivity must rest. Union representatives are the spokesmen superficially for the consumers' Oliver Twist complex 'More, More!' In a deeper sense, however, they are spokesmen for the fundamental requirement of a healthy market, to wit, that there shall be current purchasing power for all the consumer goods produced under conditions of full employment."[1]

Resolving this conflict of approach during late '53 and '54 will necessitate vigorous but frank and sincere demonstration by management to labor negotiators of the need of maintaining plant, providing capital, and sustaining research and by labor to management of the need of maintaining real consumer purchasing power. That is a difficult educational job, but it must be dealt with frankly and sincerely from both sides of the collective bargaining table if free enterprise is to achieve sustained employment. Both labor and management must be willing to face facts even when they are unpleasant.

Now let us apply that rather generalized statement of the impending problem to the specifics of our near-term situation. Even before Stalin's death, people who didn't have their heads in the sand saw supplies catching up with market demand for many commodities under present conditions of price and income. One business periodical that has all along exuded confidence in a continuing —specifically a 10-year—boom ran a piece last week under the title "More Goods Than Buyers in Sight." At present rates of production they projected 6.6 million autos, with buyers for 5.8 million; 8.4 million TV sets, with buyers for 6.5 million; 4.5 million washing machines, with buyers for 3.5 million; and similar surpluses for radios, refrigerators, various other items. Since most competent analysts put the sustainable market for autos at 5 million or below, the magnitude of the problem would seem still to be understated by this enlightener of public opinion.

But in any event the simple arithmetic of the situation is clear. The market has been supported by some $20 billion of expenditures, much of it deficit spending by the government through private credit expansion, that has been drained away from civilian consumption for the purpose of active war in Korea, building garrisons and war installations in Europe, and creating surplus plant at home on a "broad mobilization base." While this has been going on we have demonstrated the amazing productivity of which our economy is capable and have maintained the standard of living of the civilian population and indeed advanced it slightly. But our people eye that great productivity as something which should advance family and community living levels at a rate long hoped for but long deferred—by World War I, by the Big Depression, by World War II, and by rearmament against Soviet imperialism.

Again in simple arithmetic the levelling out or moderate reduction of the rate of war preparations will mean either a like subtraction from productive employment or a like addition to consumer well-being. Are we smart and sportsmanlike enough to make it the latter rather than the former? Such was the declared purpose of the Employment Act—apparently now withering on the vine. The answer will have to be supplied in the areas of both public policy and private policy. If we bring spending down and keep taxes up to where we have a balanced budget and if we hold credit extensions down to a self-liquidating basis we shall have a sound environment in which to work out terms of trade in the market—the goods market, the labor market, and the money market — which will put production and consumption on a continuous equilibrium at full use of our resources of men and property.

Such an adjustment will be attained only by great wisdom and forbearance where prices are administered and great understanding and mutual tolerance where prices and wages are made by the process of collective bargaining.

As an economist, I am not able to predict whether or how nearly that will be done. But as an economist I commend to you a course of administrative conduct which keeps you asking constantly whether your policies and actions are making your company contribute to the kind of price-income adjustments that will help toward peacetime high production. I commend to you also a con-

[1] Edwin G. Nourse, "Economics in the Public Service," p. 12.

tinuous study of what others are doing and its effect on the adjustment process so that you will be as fully prepared as possible to adapt yourself to conditions produced in your market by these actions of others.

Let me illustrate by three examples, one from the side of labor, one from the side of government, one from the side of agriculture—and the government apron string to which it has tied itself.

(1) When some textile workers in New England recently accepted wage cuts or an enlarged stint in order to keep their local plants in operation, they were "rolling with the punch" and making realistic adjustment to the current phase of market competition in their sector. Of course that action was not a final answer to the problem. Both they and their employer should go on from that point to maneuver for more favorable conditions as fast as they can be brought about as part of a larger adjustment process. But payless workers and idle machines would simply have complicated others' problems as well as their own.

(2) The automobile industry, faced with the prospect of more cars than buyers, decided to "beat a tired horse" rather than easing his burden. They designed the '53 cars with horsepower in excess of its present wasteful and dangerous amount and with luxury gadgets that enhance the manufacturers' cost and the owner's upkeep. Each was looking for "snob appeal" to give him a larger share in a nearly-saturated market. Then one manufacturer brooked the disfavor of his fraternity by resorting to price-appeal and increasing the purchasing power of the market by sacrificing something of his profit margin. This was administered pricing of an enlightened sort of GHQ. And it is being followed by the platoon leader at many a distributive outpost as he feels the pressure of increasing competition.

(3) Faced by conditions of over-stimulated supply and several areas of falling demand, agricultural policy has clung to government price support and subsidy and has sought to postpone the evil day of adjustment to economic reality. Part of this responsibility lies with the farmers themselves and part with farm state politicians who seem to think that farm votes can be assured only by continued handouts and are not too much concerned in policies to make an economically adjusted agriculture one of the major supports of a sound economy.

In conclusion, I am in full accord with the business leaders and others who are saying that peace in Korea and better general relations with the Kremlin need not lead to recession in the United States. I think we know enough about business and governmental affairs so that, as a mere operational and mechanical problem, we *could* escape the pitfalls of either inflationary breakdown or deflationary depression. And so I commend to you my third "model"—that of the American economy making the internal adjustments which will move forward into business stability and economic growth at levels of activity only moderately below those of the present. It will not be easy. But at bottom all it requires is that the rich resources we have be administered with the economic intelligence we have—by men of patriotism and good will.

Continued from page 10

Responsibilities of Bankers

quired why the bank had not also constructed a grease pit at the curb so that customers could have their oil changed and checks cashed at the same time.

As he mingled with some of the employees he found that, although they were not getting rich, they were being paid more than bare subsistence wages, and that retirement, hospitalization, and bonus plans had been inaugurated. To top it off, he learned that recreational facilities had been installed to make working conditions more pleasant. This was too much, and he was just about to retire into obscurity again when the last survivor of the old-time officers recognized him and insisted he look over the rest of the bank.

When I saw him, he had finished the grand tour and was sorely perplexed. He could not figure out how the bank could operate in this strange fashion; but on the other hand, he could scarcely contain himself in describing the progress made.

The bank's deposits—this was the statisticians' mythical "average bank"—were nearly ten times larger than in 1920. Not only had the volume expanded, but in relative importance demand deposits had increased at the expense of time deposits. The safety and convenience of paying by check, plus the advent of "no minimum balance" accounts, had brought these facilities broad public acceptance — thanks also to something else he had thought would never be possible, Federal Deposit Insurance.

Developing New Types of Financing

But the changes my friend found in the bank's balance sheet were not all on the liability side. He learned some rather startling things about its earning assets too, besides the mere fact that they also had expanded roughly ten times. First, the bank's loans were exceeded by its security holdings, which now accounted for more than half of total earning assets, as contrasted with less than one-fourth in 1920. He was told that the expanded role of investments had developed primarily during World War II, when the bank's substantial acquisition of Federal Government securities had been made possible by the Federal Reserve System which, through its own purchases of such securities, had provided commercial banks with the reserves essential to a large expansion of their asset structure.

Not only had total loans shrunk in importance as compared with investments, but the make-up of the portfolio had undergone great changes. Loans on securities, which were more than a third of the total in 1920, now amounted to only 5%. Farm financing had also declined—relatively speaking—although the bank had really broadened its program in this field in the past few years. "Why," he said, "it has an agricultural representative who spends all his time assisting farmers of the area to make the most efficient use of their facilities."

The bank had shown similar resourcefulness in developing new types of financing. The "personal finance" department was entirely new, having been started during the 'thirties, and then mushroomed since the end of the war. Instalment credit to individuals for the purchase of automobiles and other consumer goods, and for the repair and modernization of homes, now represented about 13% of all loans, with additional secondary credit extensions to finance companies and dealers.

He swallowed hard when he told me that his bank was financing the purchase of new automobiles on the basis of a small down payment and 24 months (sometimes even longer) to pay the balance, and some other lenders were even more liberal. He asked: "Isn't it possible that consumer purchasing power will be exhausted in this boom period and leave very little to fall back on in less favorable times?" Before I could answer, he added: "We used to think that it wasn't exactly wise for a man to mortgage his future income, because he might never get that income." He shook his head despairingly as he said: "I guess folks nowadays think the government guarantees them an income for life—and considerably above parity."

The volume of real-estate credit in his bank, he learned, has expanded so much that it now accounts for about one-fourth of all loans. Two developments in this field impressed him. First—and this had his hearty approval—the regular use of amortization loans, with monthly payments covering not only principal and interest, but also taxes—a technique (an officer told him) taught to the banks by a government agency called "F. H. A."; and second, the guarantee or insurance of such loans by the Federal Government. He was amazed to learn that nearly half of commercial bank mortgage loans are so guaranteed at the present time, but in some measure that offset his concern about the kind of houses being built with some of that credit, and the prices those houses were selling for.

He found that business loans had also undergone considerable change in both volume and character. He was pleased to note the present tendency to wrap up all the loose ends of a credit transaction in a neat package that fits the requirements of both lender and borrower. And he was glad that this included not only full disclosure of the borrower's needs and analysis of his ability to repay, but also arrangements for adequate supervision of the loan until final payment. He chuckled when he said it wasn't altogether true that the banks had learned this technique from another government agency, called "R.F.C." "Why," he said, "the examiners used to scold us at each examination for not sewing up our loans properly. We had to reform sooner or later."

Service Functions Expanded

He learned that since 1920 the service functions of his bank also had greatly expanded. There had been a marked growth in its fiduciary activities; and it was participating to an increasing extent in the fiscal operations of the Federal Government—selling and redeeming savings bonds, receiving subscriptions for other government securities, carrying Treasury tax and loan accounts, and accepting social security, corporation income, and withholding tax payments. Then, in the course of a hasty survey if the President's desk, his eye fell on the annual report of one bank which listed 94 different banking services available to its customers, and he threw up his hands.

Already bothered and yet bewitched by these changes, my friend's bewilderment was complete when he learned of the decline in the level of interest rates. Call loans, for example, on which the rate had been about 8% in 1920, now ran about 2½%; U. S. certificates of indebtedness had dropped from about 5½% to roughly 2%; and short-term business loans now yielded about one-half of their former level of something over 6%.

"How, in the circumstances," he asked, "can the bank earn a satisfactory return for its stockholders?" He was surprised that with all these changes, the bank's profits on invested capital are still about the same as in the early 'twenties—around 8%, after taxes. It took him only a moment to see that part of this ability to maintain earnings was due to relative shrinkage in the capital base (which gave him some concern), but that the major part was attributable to a larger volume of earning assets and to significant changes in bank earnings and expenses. On the income side, as he had already seen, the drop in the proportions of earnings from loans has been offset by added interest from securities, and from new sources such as service charges. On the expense side, the bank no longer had to pay interest on demand deposits, but the saving was offset by higher salaries and taxes. (On the whole, operating expenses and taxes take slightly more of his bank's gross earnings now than they did in 1920, bt this has been balanced by a loss ratio lower than ever before in the history of American banking.)

As I said at the outset, my bewhiskered friend was much perplexed by the changes which had taken place while he slept, but he nearly had a stroke a moment ago when someone in the back of this room muttered: "So what?" He is not in a position to speak, but I would like to say that the point of it all is that our commercial banking system, like the whole of American civilization, changes so amazingly fast that bank officers and directors must stay on their toes if they are to keep pace with it and successfully keep it adjusted to changing conditions so that it may continue to serve the needs of a growing and dynamic economy.

Despite the speculative boom of the 'twenties, the collapse of the 'thirties, the war and its consequences in the 'forties, and now the cold war of the 'fifties, the basic characteristic of our banking system — a vast network of free and independent institutions operating under both State and Federal charters—has been preserved. Yet, in quite another sense, it is clear that banking today bears little resemblance to the banking of yesterday. Bank directors, bank officers, and I might add bank supervisors, must look at today's banking problems with the perspective of 1953 eyes, with the help, from time to time, of an occasional backward glance and an informed forward look.

Community Importance of Banking and Credit

As directors and bankers, you are well aware of the importance of banking and credit to your community and to the nation; well aware that you are engaged in a quasi-public business which carries with it tremendous economic responsibilities; and that profit—although necessary — is not your sole objective or measure of success. You know that a bank cannot be oblivious of developments in its community, in the nation, and in the world around it. Consequently, you must realize that it is both your duty and your responsibility to understand not only the facts of your own institution (by the use of my three-dimensional approach or whatever means you choose), but also the facts of our national economic life, so that you can help shape the affairs of your own bank in such fashion that it can make a real contribution to the preservation of our kind of economy, and our kind of life.

Let me amplify that very briefly. For roughly two years now, as a nation, we have enjoyed a remarkable degree of economic stability at record levels of output and employment. Substantial increases in productive capacity have made it possible to absorb a major defense effort without cutting back on our civilian economy. Thus far, it has not become necessary to make that difficult choice—"guns or butter." It gives me something of a start (as it may you, and certainly would my mythical friend) to realize that since the outbreak of hostilities in Korea we not only have carried on a vast program of rearmament but at the same time have built roughly three million new homes, more than 12 million new automobiles, about the same number of refrigerators, and nearly 16 million television sets.

But bankers, particularly, should remember that a substantial portion of current expenditures of both consumers and business has been dependent on the increased use of credit. The post-war era has involved tremendous expansion of credit, and present debt levels are the highest on record. The mere existence of debts of such magnitude—$60 billion of home mortgages, over $23 billion of consumer credit, $70 billion of long-term corporate debt — are factors which must be considered in gauging the stability of our financial structure, as a whole and in each of its parts. The rapid increase recently in these types of credit inevitably raises questions as to whether such volume of new borrowing can be sustained. If it cannot, the stability of the economy is threatened unless substitutes can be found for that portion of the present demand for goods and services which is based on that credit.

Burden of Credit Expansion

Credit developments such as we have experienced in recent years place a heavy burden on those who are charged with responsibilities for fiscal, debt management, and monetary policies to act in such manner as will aid in performing that most difficult tight-wire balancing feat — sustaining economic equilibrium at high levels of activity. Those same developments add greatly to the responsibilities of all bank officers and directors to exercise extraordinary prudence in extending credit.

Throughout our economy there has been a marked movement toward the restoration of freedom of enterprise. The market place, in virtually all fields, is less restricted today by governmental controls, supports, and regulation than it has been for some time. The price of this additional freedom is greater individual responsibility, for the stability or instability of our economy will reflect more than ever the composite result of thousands upon thousands of individual decisions — not only banking decisions but, even more important, man-in-the-street decisions — decisions as to which the guidance of officers and directors of the banks of our smaller communities can be particularly effective.

It follows, therefore, that you must place high on the list of your duties and responsibilities those which obligate you (1) to intelligently gauge and meet the credit needs of the people — through banking policies built upon encouragement of initiative and enterprise and balanced by restraint upon speculative excesses — and (2) and perhaps even more fundamental, to provide both by precept and example a high degree of judgment, courage, and enlightened leadership in ever-widening areas of community and national life.

Paul H. Toy Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Paul H. Toy has opened offices at 1784 Westridge Road to engage in the securities business. Mr. Toy has been a Vice-President of the Hollywood State Bank.

William P. Burke

William P. Burke, partner in W. P. Burke & Co., New York City, and a member of the New York Stock Exchange, passed away on April 4.

Continued from page 12

Reaching the Purple Twilight

ple of the world will decide that our products are to be used for peace or war, for good or evil, for construction or destruction.

An Age of Materials

It is easy to characterize this as an age of steel. Yet, even though I would certainly be the last to discourage such a thought, I still think it can better be characterized as an age of materials. Don't for a moment overlook the great technological advances and expansions in the production and use of other great materials, such as aluminum, plastics, copper, magnesium, and that first of man's useful aids — wood. This has been an age of construction and an age of building things. Fortunately we have been building faster than we have been destroying. As a matter of fact, we are so concerned with building that they tell me that Hollywood writers have now revised their time-worn formula for a moving picture plot. It now goes: "Boy meets girl, boy loves girl, boy loses girl, BOY BUILDS GIRL."

Each material has its place in our lives, each must find its rightful situation, based on quality and price, coping with the inexorable law of economics.

The automobile manufacturers, who are noted for their engineering skill as well as their persistent drive for lower costs, now use in the average automobile 26 different materials. Each of these has had to compete with the other as well as with the entire gamut of different supplies that are striving for recognition. This is as it should be and let me assure you, as a competitor, that each of these competitors is doing very well.

Decentralization of Industry

But just as each of these commodities has competed with each other so have members of each industry competed with each other. And here don't think only of the very important competition of price alone. They have competed on quality and service and geographic location. Within the lifetime of all of us we have seen the steel capital, Pittsburgh, challenged by the growth or establishment of similar centers not only on the Great Lakes, but on both our seacoasts as well. All these were designed to serve their respective geographic markets as the industry of those areas grew and developed. In the process, however, Pittsburgh has been alert and has striven mightily to meet the challenge to its supremacy. Similarly, the aluminum industry has witnessed the rise of facilities in centers far removed from the area which was dominant for many years. We can point to parallel occurrences in all of the industries we can name.

And now I come to the question: How and Why?

This condition has developed because we have had free men operating in a free market, seeking the favor of that master of all—the consumer.

This could not have come about without the existence of free men and free industries. No government, no matter how beneficent, could have or would have developed production this way. To achieve this status it was necessary to have sharp competition within the industry itself. A cartelized industry, whether operating on its own or under government supervision a la NRA, in my opinion could not have created this condition. Rather was it done, and it is best done, by the free competitive movement of prices, products, wages and profits.

It is significant that the general theme of this two-day conference should be "The Challenge to Free Men in the Atomic Age." I hope the first part of this title will not be overlooked by the great speakers who have been assembled here. Many of them are far more able to talk to the point than am I, but it still seems to me that the gravest concern that we all have is how to remain free men. The technical development of nuclear fission and fusion is of greatest importance. It is recent as time goes, and because it is new and important, it is fascinating and dynamic. We must not take too lightly—or even lightly at all—the "Challenge to Free Men."

This challenge is not just that we keep abreast of changes in atomic research; but that we maintain our free society in the process.

A Two-Fold Challenge

The challenge is two-fold in my opinion: First, how do we use atomic development for constructive purposes rather than for destruction? Second, if this is accomplished, how do we keep this greatest of developments and greatest of government monopolies from engulfing the freedoms that are essential for a free people? It is understandable that under the military circumstances that prevailed at the time, the early development and application of atomic energy had to be subject to strict government supervision and control. But as more and more industrial applications evolve and as the need for utmost secrecy abates, an increasing recognition of a fundamental problem will develop. The splitting of the atom has been responsible for an investment estimated variously as high as $12 billion and here the Government actually owns not only the tools of production, but every gram of our fissionable raw materials as well. Please, I hope that no one will leave here with the idea that Hood is advocating the immediate turning over by the Government of all atomic secrets to private enterprise. This I am not doing. But I am trying to point out to my fellow Americans that atomic development presents probably as great a threat to free people right here at home as anything from abroad. Fortunately some of our thinking people are awakening to the seriousness of this threat and I hope their cries will become louder; further, I hope those cries will be listened to more and more attentively by all people.

I also hope that our thinkers will give serious study to the too-often-expressed opinion that we can have a free society without private property. This notion is one of the most monstrous ones that has ever been fed to our intellectuals, and within the last twenty years, alas, it has all but been swallowed.

It is very easy to grade freedoms in our minds in order of importance; actually we cannot have one without the other. Each forms a link in the circle binding a free society and to break one link is to destroy the entire circle. The so-called "larger freedoms" are connected with economic freedoms and if we destroy the base, the others will go by the board.

Erosion of Freedom

Loss of freedom has not always been accomplished by violent revolution or sudden overnight consummation of a predetermined plan of action. All too frequently it has come about through the process of erosion. Accountants refer to the effect of excessive and unfair taxation as an erosion of assets. I would term an unwarranted growth of government power an erosion of our freedoms.

If I might be permitted to insert an analogy from steel, I would compare it to rusting. All of us are familiar with this action on an unprotected structural member or some other form of steel. At first it is little more than a surface discoloration. If not retarded, however, it gradually but inexorably eats into the very core of the metal until nothing remains but a pathetically useless mass of red matter.

Probably we are all in agreement on the necessity of freedom of worship and freedom of the press. People talk glibly of the "Free Press" and many thousands of words are wasted on this subject before the committees of the United Nations and other worthy organizations. But what needs to be stoutly affirmed is that there can be no free press without free presses—in other words, presses owned by private individuals or private publishing establishments. To have such presses in turn means a free flow of steel and other materials to people who make the presses—not steel, allocated by some government board. The same can be said of newsprint. No paper can be free unless it is free to buy newsprint at open prices; and this in turn reaches right back to the primeval forest land.

You can think of other examples, and I hope you will. It is time that more thinking be done by individuals on these subjects. The point is that the free economic system is the servant of all of the rest of our liberties, whether they be large or small; but in my mind there are no small ones.

But mark it well that the statement is that it is the servant of our other liberties. Beyond the political and economic liberties lies the need of a positive moral faith. If political liberty is dependent upon economic liberty it can also be said that economic liberty and the whole system under which America has grown up would never have come into being unless grounded in a firm belief and in definite spiritual values. It is no coincidence in my opinion that Adam Smith was a moral philosopher before he was an economist, and was equally celebrated as such. It is equally significant that, in the Scottish Universities where Smith taught, the teaching of political economy was associated with the teaching of moral philosophy.

The roots of our own system are deep in the firm, rich soil of a belief in a creation and power beyond that of mortals. In the language of the Declaration of Independence, "We hold these truths to be self-evident, that all men are endowed by their Creator with certain unalienable rights" and so no — the language that every school boy can quote but which I am afraid too few have studied as deeply and pondered as thoroughly as they should. Remember the words, "truths," "self-evident," "Creator" and "unalienable"—or as we now say "inalienable." Certainly, these mean that our foundations are, indeed, based on a higher faith and positive moral principles.

Concept of Our Society

This lofty language is not just Jeffersonian oratory. It expresses the very basis of our society. By contrast note that Marxist Socialism is equally wedded to a theory of materialism. In other words, the interrelation of the higher economic individual liberties and our form of economic organization is two-fold. On the one hand, competitive capitalism, with its wide dispersion of power and decision, makes individual freedom a reality. But, on the other hand, belief in individual freedom must be based on true religion and, in the last analysis, I believe spiritual faith is in a profound sense prior to, and more important than, any form of social organization. The two things are simply interlocked, and at the dawn of the atomic age this interlocking state needs to be powerfully reasserted.

With the record memberships in our churches of all denominations, I still think no one will seriously challenge me if I say that we have been living in a period of unbelief—a serious unbelief in the fundamental purposes of man and his importance and position in the universe. Those who have forsaken the religion and beliefs of their forefathers have reacted in various ways. Some have become increasingly defiant; others indifferent; and others, I am afraid, who have gone through the formalities of belief, have been giving merely lip-service. And lip-service in religion is the same as no religion at all.

And still all who have lost the faith of their fathers, have, I believe, felt a real void in their lives. With no positive code of principles to fall back on and no real measurement of values, their lives have lost a feeling of significance in this cosmic environment.

Importance of Human Rights

Yet our whole American concept of political freedom is built squarely upon an abiding faith in the dignity of the individual and in the supremacy of human rights. To preserve and strengthen our democracy, therefore, we must—above all — preserve and strengthen these fundamental spiritual values upon which it rests. How, then, can we pursue this desirable course if man, himself, has lost faith in his own significance and dignity and no longer holds the belief that he really matters in the over-all scheme of things. The traditionalists will easily give us the answer that we return to the religion of our forefathers. Unfortunately, however, I am afraid that too often they mean a return to the orthodoxy of the years long gone rather than to the fundamental faith around which the orthodoxy grew. I do not believe that we can stand with one foot in the twentieth century and one in the eighteenth in business, religion or politics. But I do believe that there is a hard core of values in each with significance for all times around which a firm faith for modern man can be built.

Were I a philosopher, a political scientist, or a moralist, perhaps I could tell you how this could be done. I am none of these, but merely a business man like many of you and a democratic citizen like all of you—one who believes that probably the greatest challenge to free men today is in man himself—one who believes that human needs cannot be satisfied by control of the physical environment alone—one who believes that before we can ever hope to reach the purple twilight of achievement, we shall have to fall back upon the tried and homely virtues that have made us a great nation. In all humility and sincerity we shall have to admit a power higher than ourselves from whom is derived a positive moral code that will give our lives significance. We shall have to make up our minds once and for all that honesty, respect and honor as such are not for sale on the market block, except as they become ingredients that you and I and all Americans put into the products of our daily lives.

Secure in such a faith, there is no challenge to free men, except for good, by atomic power or any other physical development. There is no challenge from aggressors anywhere that cannot be met and conquered. There is no horizon within the aspirations of mankind that cannot—and will not—be reached.

Continued from page 10

Life Insurance Companies And Securities Markets

demand for funds is reduced, it tends to fall heaviest on the outside sources of funds.

Take the case of 1949 as an example. The total corporate demand for funds in 1948 amounted to $28.2 billion, in 1949 this declined sharply to $14.1 billion, and jumped to $39.4 billion in 1950. The use of internal sources of funds to finance these demands amounted to $19 billion in 1948, $16.1 billion in 1949, and $20.4 billion in 1950. External funds supplied the marginal funds or the balance, and these amounted to $9.7 billion in 1948, a minus of $1.4 billion in 1949, and $19.4 billion in 1950. This provides a good example of the wide variation in demands for external financing by business caused by a relatively small fluctuation in business conditions. Contrast this wide variation in the demands for funds with the supply of certain institutional funds. The increase in savings in life insurance, savings accounts, and savings and loan associations amounted to $5.6 billion in 1948, $5.8 billion in 1949 and $6.3 billion in 1950.

As a result the demand for capital tends to be a more dynamic factor in the determination of interest rates than the supply factor.

Moreover, on the supply side there is active competition for investments not only among the insurance companies, but also between the life companies on the one hand, and the savings and loan, the pension trusts, the savings banks, and the commercial banks, on the other.

In addition, the effects of life insurance companies upon the bond market will depend upon the amount of their total funds placed in corporate bonds as against mortgages. This, in turn, will depend upon the relative degree of attraction of the net interest rate in these two markets. Briefly, in the postwar period up to 1951, mortgage interest rates were attractive relative to interest rates on corporate bonds, and as a consequence, most of new insurance funds were channelled into mortgages; since that time corporate bonds rates have become attractive relative to frozen mortgage rates on GI's and FHA's and consequently, most new funds have been channelled into bonds. This situation will continue so long as the government guaranteed mortgages are pegged as to interest rate. If, as is certainly desirable, such intereset rates are freed to reflect market forces, than a greater flow of insurance funds would turn toward mortgages.

So much for generalities. Let us now look briefly at the various securities markets to determine the extent to which life insurance companies are an influence in these markets.

The Government Bond Market

As already pointed out, life insurance companies have relatively little incentive to invest in U. S. governments, and greatly prefer to accept the risks of private investment for the higher return involved. Only when private investments were unavailable have the life insurance companies invested heavily in U. S. governments. This was the case in the depressed thirties, and during World War II, and as a result, insurance company holdings piled up to record high levels. In 1946, holdings of U. S. governments amounted to 46.8% of life insurance assets; this compares with 11.5% at the peak after World War I, and with 1.8% in 1930.

In view of the fact that such governments carried a maximum interest rate of 2½% compared to a considerably high rate guaranteed by the life companies upon their policy reserves, it is not surprising that the companies made every effort to reduce government holdings and to invest in the private economy at higher yields. That they were able to do so was in large degree made possible by the inflationary pegging policy of the Federal Reserve.

At the present time, long-term U. S. governments comprise about 12% of life insurance assets. After the sharp decline in the period when the pegs were in effect, governments since 1951 have declined slowly as a percentage of assets and this slow decline is apt to continue further largely through the influence of increased assets rather than the sale of governments, so long as private outlets are available.

Municipal Bonds

Insurance companies have never invested heavily, relatively in municipals. During the crisis markets of the thirties, insurance holdings of municipals increased to 6.3% of assets as yields became attractive. The high tax rates of the war period made the tax-exemption feature extremely valuable to individuals and corporations, and municipal yields declined to a level unattractive to life insurance companies. As a result insurance companies largely sold their municipal holdings.

In recent years, there has been a trend toward the use of municipal revenue bonds to finance such projects as toll roads, bridges, gas, electric, sewer, and water plant expansion. These bonds have gradually carried a considerably higher rate of interest than general obligation municipals, and hence, particularly in view of the increased income tax liability of insurance companies, have attracted considerable institutional interest.

The future importance of municipal bonds as an outlet for life insurance funds will depend almost entirely upon their rate of interest. At present relative rates, even though improved considerably in the past year, they will continue unattractive with the exception of revenue bonds.

A set of circumstances is conceivable, however, under which municipals might become a much more important outlet. Probably the greatest backlog of demand in our economy consists of so-called public works expenditures, particularly for schools, roads, hospitals, etc. Thus, a heavier relative volume of municipal financing may have to tap a wider market and appeal to institutional investors at higher relative interest rates.

Corporate Bonds

The life insurance companies are the most important single factor in the corporate bond market. At the end of 1951 they held somewhat less than half of the total outstanding long-term corporate non-mortgage debt of approximately $56 billion. This contrasts with a percentage of 5.6% in 1921, 10.8% in 1929 and 21.7% in 1940. Moreover, in the postwar period the increase in life insurance holdings of corporate bonds has amounted to somewhat less than three quarters of the increase in corporate long-term non-mortgage debt. The heaviest relative investment is in public utilities where life insurance holdings amount to roughly two-thirds of total outstanding debt, and the smallest relative investment is in railroads where holdings amount to about one-third of the total outstanding.

The most striking aspect of insurance investment in the postwar years has been the tremendous increase in life insurance holdings of industrial and miscellaneous bonds. Holdings of these bonds increased from $1,900,000,000, or 4.4% of life insurance assets and about 12½% of industrial bonds outstanding in 1945 to approximately $13,600,000,000 or 18.7% of assets, and probably over 40% of industrial bonds outstanding, at the end of last year. They are now by far the largest corporate bond holding, having passed public utility bonds for the first time in 1951.

There is no reason to anticipate any substantial change in the foreseeable future in life insurance investment policy toward corporate bonds. Public utilities will remain the prime investment, industrials will continue popular although the volume of new issues would be substantially curtailed in the event of a recession or depression. Such a period would likewise be a testing period for investments made in the industrial field over the past 15 years on the upswing of the business cycle. The way in which such investments weather such a period will largely determine investment policies in the future.

Direct Placements

The primary effect of the life insurance industry upon the corporate bond market has been felt in the direct placement market rather than in the public market. Direct placements are not a new phenomenon in the capital markets but in the past 20 years they have risen to a position of great importance, particularly in certain sectors of the bond market. Last year, for example, direct placements totalled $4,086,000,000 out of total bond issues of $7,725,000,000 or 52.9%; in 1951 direct placements amounted to $3,326,000,000 out of a total of $5,691,000,000 or 58.4%.

Moreover, in the industrial field and the field of natural gas pipe lines, direct placements probably amount to much nearer 90% of total offerings. In the electric utility market they amount to somewhere around 20-25% and in the rail market they are negligible.

The life insurance industry accounts for about 90% of all direct placements, and in increasing degree, life companies have confined their new acquisitions to direct placements. For example, in 1951, 86.9% of the bonds acquisitions of 28 major life insurance companies comprising the bulk of the industry assets were in the form of direct placements, and only 13.1% were purchased in the public market. This point is further emphasized when we look at the purchasers of large public offerings such as the recent Allied Chemical and Dye issue.

The direct placement market is strictly a new money market; there is little or no secondary direct placement market. Thus, it is a market distinct and separate from the public market which is both a new money market and a secondary distribution market. It is furthermore a steadier market, and is less subject to the wide psychological swings of the public market. For example, "A" utility bonds in the public market have fluctuated up and down in yield as much as one-half per cent several times over the past few years, yet in the direct placement market, there was no comparable fluctuation. Too many people when talking about the bond market look at quotations for distributed publicly offered bonds. This presents a completely misleading picture of the market, representing only marginal buyers and in very small amounts. The real market lies in the new money market, and except for electric utilities and rails, this consists of the direct placement market.

Direct placements have evolved over a long period of years as a result of fundamental economic forces. Without going into any detail, the more important of these have been (1) the great decline in the interest rate in the thirties and subsequent years, which together with (2) the great increase in income taxation, has changed the individual investor from being an important factor in the corporate bond market to being priced completely out of the market by low after tax yields; (3) the great increase in the institutionalization of savings, as a result of individual preference, with the result that one or a few institutional investors could purchase an entire bond issue; (4) the dearth of investment outlets in the thirties and the consequent pressure of institutional investors to put their money at work.

The primary effect of direct placements upon the bond market has been to detract from the importance of the public market and to make that market in many respects a marginal market. It is highly probable, however, that the influence of direct placements is at its peak, and no further substantial inroads on the public market are likely.

Preferred Stocks

Life insurance holdings of preferred stocks amount to less than 2% of assets today, and never have been a really significant factor in life insurance investment. From 1931 until the postwar period, life insurance holdings of preferred stocks remained almost constant in dollar amount.

In the period of 1945-1950 the insurance companies holdings of preferreds increased by about $800,000,000. This was the period of greatest activity by the life insurance companies in the preferred market, yet even during this period the increase in such holdings amounted to but 3½% of the increase in assets. The primary influence during this period leading to life insurance interest in preferreds was the pressure to obtain yields higher than the record low bond yields.

The sharp subsequent market flutuations in preferred holdings, as a result of changed interest rates and the 1949 recession, in considerable degree changed the popularity of preferred stocks as life insurance investments, primarily because such holdings have to be valued at market prices and cause undesirable surplus fluctuations.

In the past three years, life insurance companies have been relatively inactive in the preferred market, and this situation is likely to continue so long as present conditions exist. There are more than ample outlets for life insurance funds in bonds at attractive rates. Furthermore, the attractiveness of preferreds from a tax standpoint to certain corporate investors has kept the preferred market in recent years from fully reflecting the change in interest rates. The spread between preferred yields and the yields obtainable on new bond issues is less attractive than several years ago. Today, in some cases, you can invest in a good grade bond and receive almost the same yield as in a high grade preferred.

If investment opportunities of insurance companies shrink in the future and the spread between preferred and bond yields become attractive, the life insurance companies will show further interest in the preferred market, but so long as they are required to carry them on a market value basis, such interest will not be very great.

Common Stocks

The life insurance companies are not an important factor in the common stock market. Their common stock holdings at the present time total somewhere around $750,000,000 or 1% of assets.

In March of 1951 the New York legislature adopted a law permitting companies to invest in qualified common stocks an amount equal to 3% of assets or one-third of surplus, whichever was lower. Further such investments are limited to common stocks listed on national exchanges, which have paid a dividend in each of the 10 preceding years, and which earned an aggregate amount during such period as would have been sufficient to pay dividends of 4% per annum on the par value, or the initial issue value, if there is no par value.

On the basis of present legal restrictions, life insurance company holdings of common stocks could expand to an estimated 2% of assets or about $1,500,000,000, which would represent a doubling from present levels. Furthermore, such investment would be confined to the large better known issues.

Yet in spite of the action of the New York legislature, the life insurance companies have shown a decreasing interest in common stocks in recent years. In 1950 common stock holdings increased $160,000,000, in 1951 $110,000,000, and in 1952 an estimated $75,000,000.

The failure of the industry to take greater immediate advantage of this law should not be surprising. Traditional fixed income investments in bonds and mortgages have been more than ample to absorb all life insurance funds at high rates of interest. In addition, we are in the boom phase of the business cycle and many institutions are naturally reluctant to initiate a common stock investment program at such a time.

On the other hand, should a recession or depression ensue sometime in the next year or two, common stock investment would become much more attractive. Prices of common stocks would be lower, other outlets for investment far less plentiful, and interest rates less attractive.

Even if full advantage were taken of the New York law, however, equity investment of life insurance companies would remain a minor factor in the overall investment picture, and in the common stock market. What little influence the industry would tend to have on such a market would tend toward slightly cushioning it in a period of decline.

Conclusion

There is little prospect over the foreseeable future of any substantial change in the basic investment outlets of insurance investment. If valuation methods are changed which will reduce the effect of market fluctuations on surplus, investment in equities is likely to increase, but will necessarily remain a minor factor both in the overall life insurance investment program, and in the equity markets.

The influence of life insurance industry will remain substantial in the corporate bond market as one factor on the supply side. There is the prospect, however, that their relative importance may be somewhat reduced if pension trust funds grow as rapidly as seems likely. It has been pointed out that the supply side of the funds equation is a less dynamic factor, from a cyclical point of view, in the determination of interest rates than the demand factor; this is fundamental and should continue to be the case in the future. However, from the long-term standpoint, over the next 25 years, the supply of funds may be a more important factor in the supply-demand equation than it has been over the last 25 years of surplus funds and declining interest rates.

Merrill Lynch Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif.—John A. Andrews, Jr., has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 917 Divisadero Street.

Lon Grier Adds

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—George M. Becker is now with Lon L. Grier & Co.

Form Richard & Co.

BROOKLYN, N. Y.—R. C. Capelini and A. Giordano have formed Richard & Co. with offices at 7243 Shore Road, to engage in the securities business. Mr. Giordano was formerly with Capper & Co.

D. H. Whittemore Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Edward Fitzgerald is now with D. H. Wittemore & Co., 24 Federal Street. He was formerly with Schirmer, Atherton & Co. and Blair, Rollins & Co., Inc.

With Goodbody

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Frank S. Mendel is with Goodbody & Co., Penobscot Building.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—John V. Renchard is with Merrill Lynch, Pierce, Fenner & Beane, Congress and Shelby Streets.

Joins Slayton Co. Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Harold L. McCormack is with Slayton & Company, Inc., 408 Olive Street.

Continued from page 14

The Institutional Acceptance Of Consumer Credit

sumer credit has been given no fair chance to develop, because of economic misunderstanding as to its purposes and accomplishments.

The people of the United States possess today more than $75 billion (estimated on a straight line depreciation basis) worth of unused services that lie in the equipment they have purchased for their personal use. A very large segment of this has been purchased on some instalment plan. The instalments long since have been paid out for the most part, but this accumulated wealth continues to render its service and constitutes true savings accumulation.

It can be said roughly that the manufacturers' plant and equipment extant in this country is mortgaged to 35% or more of its total value. Consumers perhaps owe $12 billion on their instalment plan purchasing against their $75 billion "plant" at today's straight line depreciated value, i.e., an indebtedness of far less in proportion than that of our producers' plant and equipment.

We think American industry is extremely solvent, and feel its indebtedness of about 35% of net worth is a conservative balance between owned and borrowed capital. Yet we practice at looking askance upon the debt involvement of American consumers when they owe something like 20% against their accumulated assets in plant and equipment. Recall too that this entirely ignores consumers concurrently owned cash and other dollar accumulations, whereas all the resources, cash and plant, of industry are considered in finding industry debt at the 35% ratio point.

The remaining portion of consumer indebtedness stands off against investment in asset values which are hard to measure, but we presume these values are equally important to the American people, and could be translated into net dollar worth which, when considering the debt against it, would leave our people equally well-situated as to the debt-to-asset ratio of industry, agriculture, mining and the other great segments of our economy.

It seems to be our duty to continue research in the field of consumer credit to the end that all those who should be interested in it have at their disposal all possible facts upon which to base judgment in measuring institutional acceptance.

There is, for instance, a well known manufacturer of my acquaintance who is bitterly opposed to the use of consumer credit, while 85% of the output of his plants reaches consumers only through some sort of credit purchasing. This man assumes, since he is already a millionaire, the means by which consumers were able to accumulate and pay for the products that brought him these millions, was all the while economically unsound.

I know a family which like my own, years ago bought a refrigerator for $3,250. This was a cash purchase. It was made before consumer credit was used in this field. This, an ordinary middle-class family, today could buy a better refrigerator for $400. The family, however, points with pride to the fact that it pays cash for everything it purchases. What are these products? Television sets, fine standard plumbing, furniture, floor covering, refrigerators, and so forth. Yet it is quite evident on considered thought, that such products would cost much more in dollars today had the sales market for them been confined to cash purchases, even including the use of the charge account, which most business considers tantamount to cash purchasing in the main.

Thus, a simple misunderstood economic situation blinds the judgment of many who are proud to buy for cash and "talk about" those others who use the instalment plan. Personally, I feel deeply indebted to the millions of Americans who buy on instalments. In truth all cash purchasers of most heavy durable goods are indebted to the millions who purchase on time payment plans. Without the latter, the cash purchasers would not have sufficient cash to purchase the number of these products they now enjoy.

Some argue it costs more to buy on the instalment plan. I have examined this considerably. Much could be written on the subject, but on the average I believe it not only costs no more to buy on the instalment plan, but actually our vast instalment market continues to hold cash prices down.

I know a retailer who for years sold only for cash. He did volume of about $65,000 per year. He determined to go into the instalment selling business, without changing his product lines materially. For ten years now he has averaged $365,000 per year in volume, and has transacted this business in the same old store. He has added one clerk and one bookkeeper to his payroll, while multiplying his total business volume six times over. Is it not obvious that economies have been effected in this changeover? Of course, the savings may have gone into this man's personal income. On the other hand, in a competitive market considerable portions must have been passed on to his customers. An individual case of course—but with possibly 65% of our major appliances and furnishings distributed on credit terms the economy of credit volume cannot be brushed aside by recourse to the too obvious quick conclusion that it must cost a lot to handle credit business—and so must cost the consumer more.

An other thought provoking observation. There are today several million families supported at the world's highest wages by the great consumers' durables industries, 65% or 70% of whose products reach consumption by the instalment plan. These millions of employed families in turn are consumers and their income creates markets for the products made by still other millions. This chain of economic reaction has enriched us all. It has built up business, hence wage payments throughout our economy; in transportation, communication, recreation as well as in the obvious directly resultant directions.

To, these durables industries which could not have been developed without plentiful use of the instalment plan, are the industries readily converted to war and defense production. The military might of our nation could not have grown to its present stature had not the little people of this country bought on the instalment plan. Incidentally one reason why Russia must continue to rattle the sword or face economic oblivion is that its arms production plant was built directly upon and for war. There is no civilian market for its products should it be permitted to turn to consumer output. Why no market? Because there is in Russia no facility for broad use of instalment buying for the distribution of major products.

Most of this, you say, is history whereas our problem is a current one.

We have now developed in this country a producer's plant which will turn out more products in a year than ever again can be sold to consumers except by heavy use of the instalment method, allowed to grow to full maturity.

I am perplexed at times at statement on our topic emanating from otherwise very sound sources. For instance, recently right here in New York the Chase National Bank pointed out with some satisfaction that the rising loans to industry and business had about reached a plateau, after their rapid rise of the last few years.

The bank then went on to say that it notices with some concern that consumer instalment credit outstandings are still on the upward trend.

The fact of the matter is that the great durables plants of this country rapidly have been increasing their capacity to produce for the past three years or so. This has been much at the behest of the Federal Government and Federal planners, as well as the result of managements own best individual judgment.

A plant early in 1952 borrowed $20 million for a new factory and new machinery to increase production. These millions were advanced by the banks during the year and accounted in part for the steady increase in industrial borrowings. It is only right now, in the spring of 1953, that this new plant is beginning to pour its output into the consumer markets. One of hundreds of plants doing the same thing (for our entire productive capacity in the durables industries has risen rapidly, much of it on borrowed capital), it is evident that if consumers' obligations for the instalment purchase of these new products should not continue to rise at the present time, it would be clearly an indication that the newly achieved productive capacity was not in fact needed; that its ouput is repudiated by the markets.

In what other way can the banks expect repayment of their loans of 1951 and 1952 for industrial expansion in the consumer fields if in turn now that they are in full production, consumers should be unwilling in the aggregate to assimilate this increased output? When one considers that these products are in the main the larger more expensive "packages of services" that can be bought in volume only on the instalment plan, the disastrous effect of a considerable decline in consumer outstandings in the near future, is quite alarming to contemplate. Its effect on the assurance of the banking world as to the certainty of repayment of large outstanding industrial loans would be shaken surely.

One great consumers' durables manufacturer had a volume in 1946 of $70 million. In 1952 this manufacturer's sales were $365,000,000. In 1953 this plant expects to move a $4,000,000,000 volume. Most of these products reach the public through instalment selling. It must be so for there are insufficient cash purchasers to take more than a minor fraction of such an output.

It is inconceivable that whole industries can increase their production and sales tremendously in a few years without some comparable resultant increase in the dollar totals of consumer credit outstanding, when one refers to products not readily distributable except on time-payment plans.

Cut back the total of these outstandings either by voluntary action of the public or by outside interference with the competitive market, and only one result can follow, that is to say, first, the backing up of unsold products in the pipelines of wholesalers, retailers and manufacturers; second, the layoff of workers or the cut back of employment to a part-time week. There really isn't any other alternative.

Consumer credit outstandings will continue to increase for a period of months or even a year after the manufacturing plant and equipment has reached its maximum output. This lag is caused, as we said before by the fact that money invested in plant and equipment to produce cannot result in an increased flow of products to the point of sale without this passage of time.[1]

The Federal Government is enjoying an extremely high flow of tax income resulting from our present high speed flow of products from manufacturer to ultimate consumption, which would suffer greatly, of course, should the channels of consumer credit be choked back to any measurable degree.

In considering the institutional acceptance of consumer credit, possibly the best measurement is the extent of its use by the public for many people enjoy the benefits of an institution in society without becoming articulate as to their reasoning. We have estimated that ten million families in the United States two years or so ago did not habitually use the instalment method of buying and very infrequently the charge account system. Without question the educational work which has been accomplished thus far, including the training of the people to use instalment credit wisely, and to understand what should be expected of it as well as what it cannot accomplish, is bearing fruit. More effective perhaps has been the satisfactory experience of friends and neighbors who have bought major products on credit since the war. This example, being contagious, has brought many of these erstwhile disbelievers to the conclusion that they, too, can enjoy a higher physical standard of living by the judicious application of their personal credit to this end.

Moreover there are 25% more families in the United States than there were a few years ago, and it is the natural presumption that these new households are using credit at least to the same percentage and dollar extent as do those who already used credit when earlier tabulations on the extent of its outstandings were published. This in itself would account (1) for the ability of our markets to distribute roughly 25% more durable products than in the earlier period, and (2) for a sizable segment of the increase of outstandings over those of earlier periods, even had the value of the dollar, hence the price level, and the average dollar credit used per transaction remained stable during the period, which, of course, they did not.

It is perhaps trite once more to call to your attention the effect of the changing value of the dollar on the amount of consumer credit outstanding. Unlike some forms of industrial, agricultural and real estate credit, consumer credit turns over rapidly. Instalment accounts today pay out on the average in less than 11 months (the term varying by industry, of course). This makes consumer credit outstandings more immediately susceptible to the devaluation of the dollar than any other type of credit in extensive use. When a $300 refrigerator goes up to $400 in the course of a few years, if consumers continue to make the same average down-payment, the dollar amount of credit written on the books to finance the same product obviously increases to reflect this change. Since, generally speaking, consumer income fluctuates somewhat parallel to changes dollar value, it is erroneous to presume that this resultant dollar increase in credit outstandings represents any greater propensity to go into debt than existed in the erstwhile market with the dollar at its earlier value.

With these thoughts in mind, I cannot refrain from the suggestion that it seems inconceivable to me that those responsible for the dissemination of statistical data reflecting the consumer credit markets should permit the high-lighting of comparisons between credit outstandings at the end of World War II and those of today as a statistically sound picture of what has taken place in this area. Constantly month after month, even in headlines, we still read, "Instalment credit rises from $2 billion in 1945 to $16 billion in 1953." In 1945 our mills had only started to produce electrical appliances for consumers; furniture factories were just commencing to procure once more time-tested ingredients for their products to replace the ersatz materials of war time; acceptable wool was just once more becoming available to the carpet mills. The extent of outstandings of consumers for the purchase of such products at the war's end obviously was of no statistical significance for purposes of comparison with those extent under free-market conditions.

You undoubtedly recall that throughout the war millions of families were living two and three to a house, even two and three to an apartment. In the years that followed, housing has become more adequate and these families have undertaken a new existence under separate roofs. This too has required an entirely different set of credit circumstances not truly comparable statistically to those of the earlier era, which most Americans would call strictly a temporary war-time situation.

The American family has experienced a change in its living situation somewhat comparable perhaps to what has taken place in our public school systems, where entirely inadequate facilities at the war's end have been overcome steadily by the building of more and better schools so that by the same statistical process, one could view with alarm the terrific rise in expenditures for schools between 1945 and 1953. Yet we know well this has been one of the finest investments the nation could have made during the period. It is merely that we are unused to the gigantic figures in dollars used that have accompanied this progress.

It can be said that the public schools as now modernized have institutional acceptances.

So can it be said that the people who have come to own their own homes or to live in separate dwelling places without doubling up with parents, grandparents, friends and others, who have accumulated tremendous worthwhile service backlogs represented in products as well as dollars, by instalment savings plans, attest to the latter's Institutional Acceptance. Nor has this progress done anything but increase the stature, strength and prosperity of the private enterprise system within which it has been accomplished.

As a boy, I spent much time in a house on the top of a hill. Down in the valley, in the anthracite district of Pennsylvania, were the little homes of hundreds of coal miners. I cannot recall ever living in a house where there was no running water, no bathtub, and without a good many of the conveniences of the times. I didn't understand then—but know now — that the hundreds of small houses around the bottom of the

1 I use this in reference only to the attainment of full productivity as the result of investment, borrowed or owned in new plant and equipment (in content with the discussion of the last page or two).

hill possessed few, if any, of these comforts. I was in this house one time when bullets riddled every window and when, with the rest of my family, I lay flat on the floor, ate my meals on the floor, slept on the floor, for two days or so.

Yes, the issue was wages — or so the papers said—but underlying their interpretation that it was more pay in money they wanted, I believe now that deep down the little people in the houses at the base of the hill envied the floor coverings, the acetylene lights, and yes — the bathtub; and rapidly they were growing to hate the family at the top of the hill. For in our country at that time, a class system was emerging—somewhat similar to that which has ruined many great nations of the earth.

While money, wages, was the publicized issue at that time, as it often is today, the real irritant was then, as now, the lack of things and "status" for which money can be exchanged.

I once overheard my grown folks talking in those days with the President of a great American watch company, who told how one of his employees accosted him and asked, "How can I own a——— watch?" In telling the story, the President of this great company was commenting, by such an example, upon how utterly ridiculous it was for a man in workman's circumstances to aspire to possess a valuable precision watch. And he told of his explanation to the workman—"You can get an Ingersol for a dollar. It will keep very good time; get you to work on time, and get you home on time. The watch you make in our plant is for those who can afford expensive precision watches."

There was growing in America then what fully exists today—the feeling among the people that "the hand that makes has the power to take." I add my belief that it has the "right to take" and the "right to enjoy" — a right that in my humble judgment enterprise guarantees to all who work and seek to exercise within the framework of our private system.

I believe that had not our system awakened from its earlier lethargy toward the upward strivings of the masses of the people we today would have succumbed to the terrible upheavals that have plunged the rest of the world into chaos. In no other country has the enterprise system developed the great consumer credit facilities which have permitted us to escape the troubles of peoples not encouraged to accumulate the personal possessions of man's normal choice if free to choose.

The freedom of our nation from the isms and revolutions of the rest of the world attest to the general Institutional Acceptance of Consumer Credit as a integral part of enterprise itself, without which, well and intelligently used, the whole system would be jeopardized.

NAM Critical of Capital Investment Data

Points out four-fifths of the $20 to $30 billion annually invested by business in recent years has been for replacement and not for expansion.

The National Association of Manufacturers has issued a statement warning against complacency about the financing of postwar business and said the "usual incomplete statistical analyses have created an exaggerated idea as to the extent of business expansion and a false idea as to the manner in which it has been financed."

In a study prepared by George G. Hagedorn, assistant director of research of the NAM, the following points are emphasized:

That four-fifths of the $20 to $30 billion annually invested by business in recent years has not been for expansion but for replacement; that two-thirds of retained corporate profits have gone merely for replacement of tangible assets; that the new capital supplied by stock issues has amounted on the average to less than $2 billion annually, and that corporate debt has increased from $85 billion in 1945 to $156 billion at the end of 1951.

The shortage of venture capital —forcing business to finance itself largely by borrowing—has had serious effects on the health of the economy, but inflation has suppressed their symptoms, the study declares.

In the course of its borrowing, business has approximately doubled its indebtedness since 1939, the study points out—but the simultaneous doubling of the price level through inflation has kept the "real burden" of business debt at approximately the same level.

"Thus a peculiar combination of circumstances has made business borrowing necessary and at the same time has tempered the effects of borrowing on the business firms that resort to it," the study explains. "Does this mean that businessmen should view the progress of inflation with satisfaction, and hope for its continuation? This would be a short-sighted position and not many businessmen are likely to take it. "Businessmen would rather finance their activities through more normal capital-raising procedures than through the losses imposed on their creditors by inflation. The health of business is wrapped up with the general health of the economy. The continuation of inflation could lead only to a general economic catastrophe which might very well destroy our business system as we know it."

Further, an increase in business debt, like any other expansion of credit, intensifies inflationary forces, the research report continues.

"Thus, no matter how the question is viewed, it is impossible to regard with complacency a continuation of the dependence of business on large-scale borrowing for financing its expansion," the NAM study says.

"The question then is what alternative sources are available. New contributions of equity capital—in the form of stock issues and investment by proprietors and partners—have been only trivial in amount. General economic conditions have evidently not been such as to encourage risk-taking or equity investment.

"The final conclusion is that unless the supply of venture capital is increased, either one or a combination of the following results must ensue:

"(1) Business expansion must cease, or

"(2) The real burden of business indebtedness must increase, or

"(3) Inflation must continue, thus reducing the real burden of debt.

"All three of these alternatives are equally undesirable. But they are inescapable, unless certain changes occur in the general economic climate. This, then, is the central problem of present-day business finance."

A summary of the conclusions made in the study follows:

(1) It is true that business has invested between 20 and 30 billions of dollars annually, in recent years, in new plant and equipment?

But, about four-fifths of this amount has been required to replace the capital values currently used up. Only about one-fifth of business expenditures for fixed assets represents net expansion. This hasn't been generally understood, partly because one of the effects of inflation is that allowances made for depreciation in business accounts are less than the actual cost of replacing the capital consumed.

(2) It is true that the increase in the book value of business inventories has been at a rate of greater than 10 billion dollars annually in certain years, and has averaged 8 billion dollars annually since 1945?

But, approximately half of this increase represents the additional cost of carrying the same physical volume of inventory at a higher price level. Only half represents a genuine increment to stocks of goods held by business.

(3) It is true that the retained profits of corporations, as reported, have averaged about 10 billion dollars a year since 1945?

But, two-thirds of this reported amount have been needed simply to maintain the tangible assets of corporations, since as a result of the rising price level adequate provision for such maintenance is not charged in current costs. Only about 3 billion dollars annually have been available from this source for the net expansion of corporate assets.

(4) Even this small surplus of undistributed profits has been made possible only at the expense of a reasonable level of dividends. If dividends were increased so as to be the same percentage of national income as in the 1930's, the surplus of profits available for net expansion would be wholly wiped out.

(5) The new capital supplied by stock issues has amounted to less than 2 billion dollars annually in the postwar period.

(6) The book increase in owners' equities in unincorporated business have averaged less than a billion dollars annually since 1945. This is less than the amount needed to make up for the failure of charges to current cost to provide fully for the maintenance of assets.

(7) Although business accumulated large amounts of liquid assets during the war years, on balance these have not been drawn on, to any substantial extent, as a source of funds in the years since 1945. Apparently business has considered it necessary (or at least advisable) to maintain a substantial degree of liquidity.

(8) The chief source of funds for expansion in the postwar period has been borrowing. Corporate debt has increased from 85 billion dollars at the end of 1945 to 156 billion dollars at the end of 1951.

(9) One of the effects of inflation has been to reduce progressively the real burden of the outstanding business indebtedness. Business has borrowed large sums each year, but at the same time the process of inflation has reduced the relative burden of the already existing debt. The net effect has been to make the cumulation of indebtedness tolerable. This, of course, has occurred at the expense of the creditors of business.

These conclusions, taken together, suggest that the generally-accepted opinion as to the financing of business operations in recent years requires a re-appraisal, the study says.

Warns Industry on Guaranteed Annual Wage

Dr. Waldo E. Fisher, Professor of Industry at the Wharton School of the University of Pennsylvania, points out durable goods industries are sensitive to cyclical fluctuations and therefore subject themselves to financial liability in guaranteed wage contracts, unless they set definite limits under such wage plans.

In an address at the Manufacturing Conference of the American Management Association, held in New York City, Dr. Waldo E. Fisher, Professor of Industry at the Wharton School of Finance and Commerce, University of Pennsylvania, urged manufacturers to be cautious in negotiating employment contracts containing provisions for a guaranteed annual wage.

Dr. Waldo Fisher

Firms in the durable goods industries, particularly, should use "extreme caution" in negotiating wage and employment guarantees because these industries are so sensitive to cyclical fluctuations, he declared. Such companies, he said, will probably find it necessary to set definite limits on their financial liability under such plans.

No management should attempt to negotiate an annual wage plan, according to Dr. Fisher, unless it has made a careful study of its own record of fluctuations in employment and demand over a long period of time. He suggested determining the unemployment hazard by analyzing annual lay-off rates per 100 employees, measuring the incidence of seasonal employment by comparing monthly or weekly employment figures with annual averages, analyzing fluctuations in physical volume of sales and production, and determining the causes of these fluctuations and what can be done about them. Then, he said, a company will be in a position to find out whether it can guarantee wages or employment and what such a plan will cost.

If management is compelled to bargain on an employment guarantee, Dr. Fisher advised that it:

(1) Demand that the union also tackle the problem of regularizing employment directly.

(2) Insist on joint factfinding before any attempt at negotiations.

(3) Point out the impact of such a plan upon union-management relations. For example, Dr. Fisher said, seniority requirements will mean that short-service employees will receive most of the funds and long-service employees will benefit little. The need for transfers will require the breaking down of rigid craft job classifications. Wage guarantees will require the removal of all make-work practices. "Management should insist on this concession," he declared.

(4) Stop bargaining on separate union demands; instead, negotiate the total amount labor is to be given in benefits and then talk about the distribution of that amount among the various demands, including the annual wage.

(5) Limit any guaranteed wage or employment obligation to one year and to the expenditure of a specified percentage of the payroll. Six per cent of payroll, according to Dr. Fisher, is considered by some as a standard for feasibility of a guaranteed plan.

(6) Insist on making any guaranteed plan a contributory one to discourage the union from coming back year after year to ask for additional commitments.

(7) Point out that, according to economists generally, the share of the income going to wages and fringe benefits must normally bear a close relationship to the general rate of productivity. Increases that exceed this rate must be passed on to the consumer in the form of higher prices.

The number of guaranteed wage or employment plans now in operation probably does not exceed 250, Dr. Fisher estimated, and the number of wage earners covered is well under 1% of the nation's total of employees. These plans are concentrated in small establishments and in the service, distributive, and nondurable consumer goods industries. They tend to guarantee employment rather than income, most often for one year, and many of them permit cancellation of the guarantee for specified or unspecified reasons. Almost two-thirds guarantee full-time hours or pay for the full year. Only about a fourth have extended their coverage to all employees.

The costs of unlimited plans are high except in companies operating under very favorable economic circumstances, Dr. Fisher warned, and in a long depression might well lead to insolvency. A substantial number of the known plans had failed by 1946, and most of the plans still in operation in that year were less than 10 years old and hence had not gone through the deep depression of the early thirties.

Experimentation has been too limited, Dr. Fisher concluded, "to warrant any optimistic endorsement of unlimited plans except in industries in which the demand for the product is subject to only minor fluctuation and in which seasonal fluctuations in output can be predicted with reasonable accuracy. Their extension to industry generally is not justified on the basis of available knowledge."

J. H. Goddard Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Joseph Lifrak is now affiliated with J. H. Goddard & Co., Inc., 85 Devonshire Street, members of the Boston Stock Exchange.

With Hornblower & Weeks

(Special to The Financial Chronicle)

BOSTON, Mass. — Herbert L. Ferrari has been added to the staff of Hornblower & Weeks, 75 Federal Street.

Joins McCoy & Willard

(Special to The Financial Chronicle)

BOSTON, Mass. — Barbara S. Hurley has joined the staff of McCoy & Willard, 30 Federal Street.

Henry S. Allen

Henry S. Allen, partner of Spencer Trask & Co., New York City, passed away at the ago of 70.

Continued from page 18

Prospects for Commercial Bank Loans

times, and wholesalers were able to do the same sort of thing with retailers. In turn, individuals received less in the way of credit extension from retailers. The net result of all this was that a smaller amount of bank loans was required to finance the volume of civilian business transacted during the war years than would have been the case in an equivalent peace-time economy.

With the ending of the war, the situation changed to a very considerable degree. The removal of controls permitted rises in commodity prices. Business concerns began to carry larger unit quantities of inventories and, of course, the price of each unit had been increased. Customers demanded and obtained longer periods of time in which to pay their bills. These factors greatly increased the requirements of businesses for working capital. Furthermore, the postwar years were ones in which, as you all know, there was a substantial investment by businesses in new and/or improved fixed assets.

Where could businesses turn to fulfill their requirements for additional cash? Securities were sold to the public and to institutional investors, but this solution was open only to the larger corporations. High rates of taxes resulted in businesses being able to retain a percentage of net profits that was so small that retained earnings was not the answer. As a result, businesses were forced to resort to loans from banks.

Bankers Receptive to Expanding Credits

Businessmen found their bankers surprisingly receptive to their requests for credit—much more so than had been the case in the past. Not too many years have passed since the time when many loaning officers sat back and insisted that businessmen come to their desks and plead for loans. Today, this is all changed and most bankers have a very open mind and a constructive attitude when handling requests for credit. Instead of deigning to grant credit only when they feel so inclined, bankers today are actively trying to find a suitable manner in which they can meet their customers' requirements for credit. This is evidenced by the fact that banks today are making many types of loans which were not even heard of, or utilized to only a small degree in years gone by. These include term loans, revolving credits and the financing of leases of trucks, oil tankers, passenger cars, service stations, stores, and office buildings. In addition, banks today are making a great many more loans than they used to on the security of accounts receivable, field warehouse receipts for merchandise, trust receipts, chattel mortgages, and loans secured by inventory under the Factors Lien Act.

What will happen to the volume of outstanding loans if general business activity declines appreciably? We have already pointed out that loans will not be reduced to anything like the degree that they were in previous periods of recession. At the same time, we cannot gainsay the fact that a decrease in the rate of business activity will undoubtedly reduce the demand for bank loans. Yet there are a number of factors which will have a definite tendency to hold up the volume of loans outstanding. First, there are still a number of lines of business which have yet to experience full-scale peace-time competition. When that time arrives, the businessmen involved will find that they will have to carry larger unit quantities of the items handled by them. Likewise, competition will force them to extend more credit than they have been offering to their customers, and to permit their clients longer periods of time in which to pay for their purchases. Second, the Federal Government has announced its intention of retiring from the business of loaning money to farmers and businessmen. Much of the slack will have to be taken up by the commercial banks of the country. Third, if we do have a decline in general business, the Federal Government, the states and the municipalities undoubtedly will increase their spending for public works. The banks will have a chance to make loans to the contractors who will perform this work. Finally, we have a special situation here in the Philadelphia area in that the Delaware Valley area is on the threshold of a period of long and sustained growth. This will result in increased business activity in the area, which will call for increased financing by banks.

In conclusion, we may state that, while the net effect of these factors will be that a decline in general business will reduce the outstanding volume of bank loans, the overall prospects for continued growth are quite encouraging.

Loans to Business—Backbone of Commercial Banks

Loans to businesses might be described as the backbone of commercial banks. After World War II ended, commercial banks were making loans at an average interest rate of only 1.95%. From this should be deducted approximately one-third of 1% to cover the cost of making, servicing and collecting the loans. If we assume a rate of one-third of 1% as an allowance for losses, the net return on loans at that time was only 1.3%. When this is compared with the then going rate of 1.15% for U. S. Government securities due in 3 to 5 years, one naturally asks himself the question as to why a commercial bank bothered to make loans at all. No sensible banker has ever seriously considered a question such as this, because if a bank were to discontinue making loans even for a period of only several months, the future for it would become dim indeed. This is due to the simple fact that businessmen are attracted to a bank which has a reputation for meeting the reasonable requirements of its customers for loans. Conversely, they are inclined to withdraw their deposits from a bank which has the reputation of not granting the loans which it should make. Furthermore, it should be kept in mind that the mere making of loans creates deposits. When a bank makes a loan, the proceeds of it are credited to the borrower's deposit account. It is true that he can draw the money out of the bank, and some of it may end up as a deposit of one of his suppliers in another bank, but a sizable proportion of the monies loaned do stay with the bank which advances the money. Any banker worth his salt never forgets the fact that he must so order the affairs of his bank that it will always be in a position to meet the justifiable needs of its customers for borrowed money. This is just as true in times of booming business and tight money as it is in times of depression and panic. The policy of a bank has to be that it invests in bonds only those sums of money which it will not need for the making of loans to its clients.

Distinction Between Bank Loans and Investing

Is the process of making loans similar to that of investing in corporate securities? Originally, I felt that the process of arriving at a decision concerning a term loan to a business was essentially the same as that of deciding whether to underwrite a securities issue for a corporation. In fact, I felt so strongly on that score that I decided that I would collaborate in the writing of a book on the subject with a brother-in-law of mine who was a securities underwriter. Before we got started, the war came along and since then I have changed my mind to a considerable degree. To my way of thinking, there are some rather fundamental differences between the granting of a term loan and either the underwriting of a security issue or the process of arriving at a decision to buy an outstanding bond or stock of a corporation. What can an investor do if he buys a bond or a debenture of a company and later decides either that his original decision to purchase was erroneous, or that the condition and prospects of the company have so changed that he no longer wants to hold the security? The most that the investor can hope for is that he will be smart enough or lucky enough to reach that decision so far ahead of the other holders of such bonds that he can sell his holdings without any loss of principal. If he is not that prompt in reappraising the situation he must either sell and take a loss of principal or else hold on and hope for the best.

As far as the banker is concerned, however, there is a very great deal which he can do if he finds out that he made a mistake in granting a term loan, or, if through no fault of judgment on his part, the condition and prospects of a borrower deteriorate to a serious degree. A term loan agreement always includes a number of default clauses which enable the banker to take constructive steps to remedy the situation before it becomes so bad that a loss becomes inevitable. What kind of steps can a banker take to remedy such a situation? He can urge that the policies and procedures of the management of the business be altered to meet the situation confronting the company. If the banker decides that the present management is not capable of solving the problem, he can suggest that the necessary changes be made so as to improve the quality of the leadership of the business.

In many instances, the borrower can reduce his inventories and outstanding receivables, converting them into cash in an amount sufficient to pay off the bank loans, or reducing them to a point where the danger of loss of principal is minimized. Sometimes, the situation can be remedied by the business selling its real estate and/or its fleet of vehicles used in the business and leasing them back from the purchaser. The cash proceeds from the sale are used, of course, to reduce or pay off the outstanding loans. On occasion, a real estate mortgage on the land and buildings will produce enough cash to solve the problem.

On the other hand, the answer may be to have the loans secured by the pledge of certain assets of the company, such as accounts receivable, inventories, plant and equipment. Perhaps one or more of the stockholders can be persuaded to come forward and guarantee payment of the loans, with such guarantees to be secured by the pledge of assets owned by the guarantors. Still another solution might be for the business to go to a finance company or a factor and borrow sufficient monies to retire the term loan in full. Thus, it is clear that there are many things which a banker can do to correct a situation and insure repayment of the monies advanced by him. We think you can now understand why we will again and again cheerfully grant loans to a business in which we would never think of investing money by buying bonds, debentures or stock.

In closing, I would like to summarize the major points which we have discussed. We pointed out that loans once more constitute the most important earning asset of a bank. Even in the event of a decline in general business, this situation will continue in the future; and we certainly do not foresee a repetition of the period from 1930 to 1932. In addition, we pointed out that a bank must have a constructive lending policy or it will not share in the growth of our economy. Finally, we delineated some of the differences between loaning a business and investing in it.

Continued from page 18

The Canadian Pulp And Paper Industry

throughout the world, and their production has therefore grown mainly to supply expanding domestic needs. With their relatively faster growth, the production of pulps and papers other than newsprint increased from 40% of our total production in 1946 to about 45% in 1951, and their vigorous growth is expected to continue.

In 1952 Canadian newsprint production of almost 5.7 million tons was 54% of all the newsprint produced in the world. We consumed about 6% of our production at home, about 8% went to countries overseas, and the balance came to the United States, a total of over 4,800,000 tons. This Canadian supply provided about four-fifths of all the newsprint you obtained last year. Back in 1946, you obtained about the same proportion of your total supply from Canada, but you received nearly 1,300,000 tons less in 1946 from Canada than you took last year. In other words the growth of Canadian newsprint capacity has largely contributed to the spectacular growth of your newspapers in the last six or seven years. We have added nearly 1,100,000 tons to our productive capacity since 1946, most of it in response to rising demand in the United States. Incidentally, this increase in Canada is almost exactly the same as your own newsprint capacity today.

Conclusions

There are two conclusions I would like to draw from the growth of Canadian newsprint capacity. The first is that it has come in response to demand. During the war there was built up an unsatisfied demand that could not be met because of wartime shortages. This pent-up demand was suddenly released when wartime controls were removed and for several years there was a "shortage" of newsprint, in the sense that every consumer could not buy as much extra newsprint as he wanted. But the U. S. producers added nearly 400,000 tons and Canadians nearly 1,100,000 tons to their capacity with the result that today supply has caught up with demand. The newsprint "shortage" throughout the world has disappeared with all producers operating at close to their expanded capacity.

This major expansion of Canadian newsprint capacity has been accomplished by private producers who have responded in an enterprising way to the opportunities of an expanding market, without subsidies, special tax concessions, official floor prices or any other form of government intervention. If more newsprint is needed, there is no doubt that it can be provided by private initiative without the need of government promotion and assistance. This is, I think, a fact of importance in the newsprint industry. I hope we will never come to a time when the free press of the world is dependent on government assistance for its principal raw material. It it ever comes, I question if the press can long remain truly free.

The second conclusion I draw from this newsprint story is one that I make as a Canadian. The fact is that today and for many years, this country, the United States, has obtained from Canada 75 to 80% of its newsprint requirements. Canada has proved itself to be a reliable source of supply for your expanding needs. We have met your demands with speed and efficiency. In face of these facts, it seems strange that in the last year or two there have been frequent statements by a number of your politicians, supported by some of your publishers, which protest against what they call the "dependence" of the United States on a "foreign" source of supply. They have gone on to propose various government measures by way of subsidies, loans and special tax concessions, to stimulate newsprint production in the United States or in Alaska.

We in Canada and particularly in the newsprint industry believe, as you do, in competition. We do not fear competition from other mills wherever they may be built. They need only pass the test that they be economically sound and defensible as private ventures in relation to efficient manufacturing techniques and availability of markets. As proof of this attitude, companies with large interests in Canada have participated in two of the three newsprint mills in the Southern States. But we do venture to question the wisdom of any national government expanding a domestic industry by "forced draft"; doing so for the obsolete reason that existing supplies come from "foreign" sources.

Perhaps this recent attitude among some of your politicians toward newsprint is a dying issue and the mere residue of an old form of economic isolationism. But we in Canada are concerned about it. It seems to us that newsprint is only an example of a more general discomfort in this country over your growing need to depend on "foreign" supplies of materials you require. If this attitude is widespread or should grow, it has some undesirable political implications; no one likes to be regarded as a "foreigner" for this is a word that seems inappropriate for neighbors and allies. It also has bad economic implications; it runs counter to your basic belief in the virtues of competition. Moreover, it ignores the point that to export you must import and newsprint is our largest export commodity to the United States. If you become self-sufficient in newsprint, Canada would cease to be the largest single market in the world for your exports.

Continued from page 9

In Defense of the Full Gold Standard

egations favored it (majority reports) in the late 1920s, as did the Macmillan Committee majority in 1930. Even J. M. Keyes advised going back to gold after World War I. In April, 1922, he wrote:

"If gold standards could be reintroduced throughout Europe, we all agree that this would promote, as nothing else can, the revival not only of trade and production but of international credit and the movement of capital to where it is needed most. One of the greatest elements of uncertainty would be lifted. One of the most vital parts of prewar organization would be restored. Any one of the most subtle temptations to improvident national finance would be removed; for if a national currency had once been stabilized on a gold basis, it would be harder (because so much more openly disgraceful) for a Finance Minister so to act as to destroy this gold basis."

But even as he wrote this, events were occurring which made him change his views. Quoting from his "Monetary Reform" (1923), pages 178-81, I read:

"But the conditions of the future are not those of the past. We have no sufficient ground for expecting the continuance of the special conditions which preserved a sort of balance before the war. . . . The war has effected a great change. Gold itself has become a 'managed' currency . . . it stands at an 'artificial' value, the future course of which almost entirely depends on the policy of the Federal Reserve Board of the United States" . . . and on page 187—"In truth the gold standard is already a barbarous relic . . . an outworn dogma . . . a regulated nonmetallic standard has slipped in unnoticed." Finally on page 190 he states: "I regard the stability of prices, credit, and employment as of paramount importance."

Keynes had come to understand what sacrifices England would have to make to get back to prewar par, so he blamed the operation of the "gold standard" and central bank policy. Gold imports into the United States were not affective in expanding bank credit and raising prices because the Federal Reserve Board "neutralized" gold flow by offsetting sales of government securities and by that action taking as much money out of the market as was put into the market. This came to be known as the "gold paradox" and was perhaps the first example of a systematic, planned central bank policy to supplement discount with open market operations so as to stabilize credit in order to stabilize the price level. The unwillingness or inability of central banks to play according to the rules of the game Keynes criticized as "a weakness of the gold standard." The Gold Delegation, reporting in 1930, also deplored the measures taken "in recent years" by central banks to offset gold movements as being "fundamentally in contradiction with the gold standard system," and they called attention to a logical conflict between the gold standard and domestic monetary stability: the former imposes external control; the latter must, in many circumstances, insist upon internal control. This, J. H. Williams, in 1932, called "The fundamental conflict between the principles of central banking and the principles of the gold standard. Central banks not unreasonably feel it necessary to hold surplus reserve for protection against internal and external drains, but the gold standard assumes that banking systems are 'loaned up,' that gold reserves are being fully utilized."

Incidentally, not everybody trusted the management of money to the hands of the Federal Reserve. To quote Keynes again: "It would be rash in present circumstances to surrender our freedom of action to the Federal Reserve Board of the United States. It is still liable to be overwhelmed by the impetuosity of a cheap money campaign." (op. cit., p. 190)

England, a heavy debtor country after World War I, having rightly or wrongly decided to go back to the gold standard at a pre-war parity, i.e., $4.86 per pound in our currency, found it very difficult to make the necessary economic adjustments to attain that end. International stability could be obtained only at the cost of much domestic instability, and Keynes wanted domestic stability, with emphasis on domestic factors, e.g., prices and employment rather than the prerequisites of international balance. The gold standard obviously had to break down but England abandoned it reluctantly and only after a valiant struggle when she discovered that she couldn't have both stabilities.

IV

The United States Abandoned the Gold Standard in 1933: The Record Since

Was it necessary for the United States to go off gold standard in 1933? There is much evidence to the contrary and a strong case can be made to the effect that this would be a much happier world today if we had made it our business to stay on the gold standard at that time.

The drastic liquidation, bank failures, and deflation marked by a drop of 40% in the price level could hardly be blamed on the gold standard. It represented, rather, a shake-down of excessive debt and a wholesale readjustment of speculative over-investments and other distortions which had taken place in the late 20's. Whatever the causes, rock bottom of the depression had probably been reached by 1932 and business, badly chastened, was about ready to work its way out of the dumps.

Federal Reserve Monetary Policy Was Beginning to Work Feb.-June, 1932.

A close study of the business and credit situation in the first half of that year convinces me that a sound and wholesome recovery was taking place which could have become a lasting recovery had it not been for purely artificial economic uncertainties brought about by the politics of that election year.

The story is an important chapter in economic and political history and is too involved to relate in full on this occasion. It begins with the passage of the Glass-Steagall Act of Jan. 31, 1932, which enabled the Federal Reserve authorities to pursue an easy-money policy by buying in the open market with Federal Reserve funds some $1.1 billion of government securities. This initial impulse set in motion forces which enabled commercial banks (a) to pay off their debts, (b) stop forced liquidation of their customers' obligations and (c) start expanding their credit. The short-term paper and gilt-edge bond market strengthened, business loans began to increase, inventory and wage payments revived, and all the symptoms of business activity were getting under way—first in the sensitive financial centers, then in the city satellites. Even the country banks were beginning to reflect improvement until, in June, the whole pattern became blurred when another flurry occurred in the international money market. The low point of gold stock, of about $3.6 billion was reached in June-July. The recovery pattern was again taking form in July and August, but was hopelessly blotted out when the political campaign grew more heated in September and October.

Reversal of Policy Orthodox Monetary controls abandoned.

Although the Democrats had promised to cut the Federal budget 25%, and campaigned on a "sound currency to be preserved at all hazards" plank, rumors began to circulate which presaged later events. President Roosevelt refused to reaffirm the "sound money" and the gold covenant in government securities in his statements after election; he refused to cooperate with President Hoover on the Glass Bank Reform bill and instead he conferred openly with the so-called "Committee for the Nation," a group favoring a paper money standard. Rumors and events confirming rumors led to hoarding and bank runs. It looked suspiciously as if the plan of the incoming administration was to let the banking system collapse. (See Herbert Hoover's Docs. 1938 and Memoirs, 1952. His incredible story would hardly be believed at the time and has only recently been fully related.) An "emergency" was effectively created March 4, 1932, the first of a continuous succession of emergencies that have extended over a period of more than 20 years (and still seem to be with us).

The Bank Moratorium

The bank moratorium was an excuse and a step toward the abandonment of the gold standard. In rapid succession specie payments were suspended for an indefinite period of time, (March 6, 10, April 20); monetary gold had to be turned into the United States Treasury; the gold clause in all contracts was abrogated; the Thomas Inflation amendment was passed permitting every inflationary device known to be used to "reflate" prices and decrease the debt burden by means of money management (and later to monetize the Federal debt for the purpose of deficit spending); an expensive and unnecessary silver purchase program was adopted—to the great injury of silver standard countries; the promising London Economic and Monetary Conference of 1933 was jettisoned to free the United States from foreign interference while engaging in money manipulations; and the gold dollar was devalued to encourage exports by bringing the dollar in line with other depreciated currencies.

We abandoned the gold standard on March 6, 1933 to meet an "emergency." It was expected at that time that the departure would be temporary and that the gold standard would soon be restored. It probably would have been re-established with no more than minor changes "if the government had been willing to make this the primary objective of its monetary policy" — writes L. V. Chandler in the 1953 revision of his "Money and Banking" (page 147). To continue: "In the end, however, it was decided that other monetary objectives were more important than maintaining the gold value of the dollar at its old level. We, therefore, remained off the gold standard during the remainder of 1933 and adopted a new and drastically changed gold standard in Jan. 1934."

Not Enough Gold? The Evidence

President Roosevelt's assumption (e.g., May 17, 1933) that the United States didn't have sufficient gold reserve to resume specie payments is open to doubt. The facts all point to adequate gold stock, ample reserves and deflated prices.

Although we held over one-third of the world's monetary gold and had reduced foreign credits to a low level and had restored confidence and minimized domestic hoarding, we nevertheless abandoned the gold standard and devalued the dollar. It was a deliberately unnecessary decision. The real reason for going off gold was that the New Deal didn't want to be hampered in its plans to manipulate money by any obligation to convert dollars into gold.

There was little reason for the fear that the readoption of the gold standard would lead to gold exports and hoarding and hence call for a tight money policy by the Federal Reserve banks.

Nor was there much justification in Jan. 1934, for the 40% devaluation of the dollar to match the depreciation which had taken place elsewhere. The argument used was that our exports, e.g., wheat and cotton, were depressed because foreigners could not afford to buy them with high priced dollars on the exchange markets. They neglected to consider that foreign countries devalued their currencies and imposed import controls in order to check purchases and stimulate their exports and that our matching their devaluations merely left them with the same fundamental imbalances which they had aimed to correct. Is it a depreciating currency, rather than a sound one, that fosters trade? Must the best currencies pursue the worst ones down so that all nations can retain their positions in the world markets by stimulating their exports and curtailing their imports? Is this a new prescription for increasing the wealth of nations, namely, to give more and receive less?

Twenty Years of Monetary Management—The Record a Year of Monetary Crackpots.

E. W. Kemmerer predicted (Jan. 15, 1942) that historians would dub 1933 a year of the heyday of monetary crackpots. In that year wide acclaim was given by millions of our people to the monetary panaceas of Father Coughlin; 85 Congressmen petitioned the President to appoint him economic adviser to United States Delegation at World Economic Conference at London, a conference heralded as an opportunity for international cooperation in May, and jettisoned in July. It was the year of the "electric" dollar of the "technocrats" and the Townsend Plan. It was the year of revival of long discredited "greenbackism" and of the resuscitation of the corpse of bimetallism. (The President was given actual power to put nation on bimetallism.) In that year we discarded the gold standard, outlawed gold coin, nationalized all monetary gold, implemented the Warren gold purchase plan, and prepared the way for the national bank moratorium and the devaluation of the dollar.

How effective were the monetary policies in raising prices, stimulating business recovery, increasing our foreign trade and in reducing the debt burden? According to G. F. Warren's arithmetic, the devaluation of 41% should just about restore the commodity price level from 60.2 (March, 1933) to the 1926 level of 100, e.g., a rise in the price of 1 oz. of gold from $20.67 to $35 is 69%; a rise in the commodity price index from 60.2 to 100 is 66.1%. What actually happened was a rise in the price index from 71 in 1934 to a high of 88 in 1937 (23.9), from which point it reached to 75 in August, 1939. It stood at 80 in December, 1940 and did not reach the 1926 level until the impact of World War II brought it there in 1941. It should be added that these price changes did not result from monetary policies alone. And need I add that the implementation of the naive quantity theory of Professor Warren could hardly be called successful? Business recovery was weak and halting and stopped short of full recovery. Employment and output rose somewhat but even at the peak in 1937 were considerably lower than the levels of the late 20's.

It was futile to try to make money "work" in an atmosphere of political and economic uncertainty. The easy money policy was well-advised but without business confidence it was like "pushing on a string." Easy money merely served to build up idle "excess reserves." Since the horse refused to drink voluntarily, duress or force was resorted to. It was the beginning of the "planned economy," the social welfare state, with all of its hollow shibboleths, e.g., "if business won't, government will," "borrow, spend and elect," the perpetually unbalanced budget, "we owe it to ourselves," monetize the debt, debts are assets. Relief expenditures, pump-priming, and compensatory spending or functional finance all proved unsuccessful while the orthodox restraints to over-issue of credit, i.e., gold redemption, reserve ratios, balanced budgets and monetary controls were inoperative.

We may conclude that the record of money management in the 30's was one of confusion. In the atmosphere of uncertainty and lack of confidence in monetary values, prices bore no definite relationship to the supply of money and business languished. The "stagnation" or "maturity" theory of depressions gained in popularity. Eventually, after the impact of World War II came to be felt, both prices and employment reached their prewar levels. The objectives of the "planned economy" were attained. J. Viner's story of the "Cadet at the Military Academy": Lieutenant assigns candidate in equitation to jump over hurdles. First try the cadet falls off and the horse jumps over; second try the horse balks and throws cadet over. Mission completed.

The policies of the 40's were largely a continuation of those of the 30's. It was not an appropriate time to try to correct the mistakes, nor was it possible to do so. Moreover, we would probably have suspended the gold standard during the World War II in any case, and the policies of the 30's were more appropriate to wartime. We had no problem of stimulating business incentives by pump-priming, nor was there any question of using compensatory fiscal devices to stabilize business at a high level of employment.

However, a few significant policy decisions can be singled out as examples of money management which are not beyond criticism:

(1) How wise was the decision to finance World War II on a 2% basis? Specifically, what were the merits and demerits of the Treasury-Federal Reserve rate schedule or fixed rate pattern of 1942? I was more impressed by the arguments of an untutored colleague on the board of directors of a small Chicago bank than with the rationalization of this move coming out of Washington.

(2) M. S. Eccles proposed to channel government debt directly into the Federal Reserve banks.

Continued on page 34

Continued from page 33

In Defense of the Full Gold Standard

(3) Reduction of Federal Reserve ratio to 25% in June, 1945.

(4) Special government security reserve proposals.

The gold standard may or may not have restrained the money managers in these instances but they do serve to illustrate the fallibility of "reasonable and competent men" in high office. Mistakes can be made there as well as by the untutored and panicky masses.

Measures leading to decontrol of the government bond market and the Treasury-Federal Reserve "accord" of March, 1951, were favorable developments. They represent a return to the old orthodoxy of monetary controls in a freer market.

Opinions of Economists

In 1933 economists were almost unanimous in their opposition to the money manipulations being carried on and in their support of the orthodox gold standard. The revolt eventually crystallized in the formation of the Economist's National Committee on Monetary Policy in November of that year. In February, 1934, a survey made by the Independent Journal of Columbia University of 2,560 members of the American Economic Association showed that four out of five answering the questionnaire opposed the gold buying policy and favored a return to the orthodox gold standard. This was still the position of a large majority of monetary economists polled in 1944-1945, when experimental polls of experts were made by me under the auspices of the American Economic Association. However, in the 1949-1950 hearings of the Douglas Subcommittee on Money, Credit and Fiscal Policy, about three out of five of the limited number of economists represented at the hearings expressed opposition to the full gold standard and this proportion probably does not misrepresent the opinion of economists in general.

Present Status of the Dollar: How It Differs from Full Gold Standard Description of Our Hybrid System

Since 1934, the United States has been on a limited international gold bullion standard. The Treasury buys gold without limit at $35 per ounce and though some restrictions are placed on gold exports, the Treasury has not, to my knowledge, refused to sell gold (at the fixed price of $35) to foreign central banks and governments whether to prevent the dollar from declining in foreign exchange markets or for other reasons (e.g., Italy bought $½ billion gold in the summer of 1950 (?) as a speculation, believing that the dollar would be further devalued). The Treasury, in practice, also sells gold to meet bona fide demands for industrial and artistic purposes, but the use of gold domestically for monetary and hoarding purposes is prohibited.

Our present limited gold standard is thus a hybrid system. (a) The international or external value of the dollar is, in a limited way, kept convertible into gold at a fixed price; and (b) the dollar is defined in terms of gold but is inconvertible at home.

The difference between our present limited gold standard and the full gold standard system can be readily determined by enumerating the essential characteristics of the full gold standard and noting the respects in which our present legal provisions fail to correspond:

Characteristics of Full Gold Standard	Present Legal Provision of U. S. System
1. Definition of monetary unit in terms of gold	Yes
2. Free coinage and free conversion of coin into bullion	No
2a Buy and sell gold bullion at fixed price	Limited *
3. Free export and import	Limited †
4. Convertibility of currency into gold	No
5. Legal tender	No ‡

*Domestic sale only on license for non-monetary purposes.
†Free import; export on license to foreign governments and central banks only.
‡For gold and gold certificates held by Federal Reserve banks—everything else is legal tender.

Picture the United States Monetary System as a huge pyramid standing on its nose. In the apex we have a block of $23 billion in monetary gold. Now withdraw this gold and give it to the United States Treasury, leaving in its stead the "ghost of gold" in the form of inconvertible gold certificates, which constitute the $20 odd billion Federal Reserve bank reserves held against $25 billion Federal Reserve notes outstanding and $22 billion deposit liabilities. Federal Reserve notes, together with silver certificates, United States notes, and a small amount of coin, constitute the available money in circulation. Some $20 billion of the total $22 billion Federal Reserve deposit liabilities constitute member bank reserves which are in turn blown up to about five or six times in the form of demand and time deposits. Thus we have a large credit or debt structure resting (except for silver certificates) upon a small apex of irredeemable gold certificate reserves. The size of this credit structure is limited only by legal minimum reserve provisions (Federal Reserve bank and member banks), which are set by Congress, and by the discretion of the monetary authorities, i.e., the Federal Reserve and the Treasury. At the present time, practically all of the Federal Reserve bank earning assets and a large proportion of commercial bank portfolios consist of government securities; so that we may say that the supply of money is determined chiefly by government demand for money.

The connection of the United States monetary system with gold consists solely of the buying and selling operations of the United States Treasury with foreign governments and central banks, and with the buying of gold from the gold market, domestic and foreign. So far as our domestic money and credit supply is concerned, it consists (except for the overvalued silver) of nothing but promises.

A man from Cleveland satisfied his intellectual curiosity by sending a ten-dollar bill to the Treasury for redemption and got no satisfaction. [Quote: A. F. Davis—"A dollar is a dollar is a dollar"] He discovered that a true legend on our paper money should read: "This is $5. It is not redeemable; it is merely exchangeable for other domestic money all of which, except silver certificates, is likewise irredeemable."

The same issue was made clear with respect to the sterling in D. H. Robertson's delightful dialogue between "Socrates and the Economist."

VI

Why Return to the Full Gold Standard

The Real Issue Defined

The real issue between those who support the *status quo* and those who favor the full gold standard centers upon the desirability of limited versus unlimited convertibility of the currency. The advocates of the full gold standard propose the removal of all restrictions on the redeemability of the money of the United States into gold, both foreign and domestic; the removal of all limitations on holding and dealing in gold. In effect, this would mean that any holders of the United States dollars, whether they be governments, central banks or other banks, or individuals, foreign or domestic, would be able to redeem these dollars if they preferred standard gold to the promises to pay gold.

The benefits to be gained by the return to an unlimited gold standard are many-fold. I shall treat briefly those which I think the most important.

We have been living in a dishonest dream world. The advocates of managed paper money ask why we should return to the gold standard when the system we have works well enough as it is.

In my undergraduate days I read a book by Hans Vaihinger entitled "Die Philosophie des Als Ob." The thesis of the book is that we live in a world of "make-believe" and this philosophy may apply in this case. Many economists of the present generation have never known any other than the managed paper money system. They accept debt money and the "creeping inflation" which almost invariably accompanies it as a matter of course. Everybody loves inflation. "Inflation runs by common consent," said Schumpeter; it is a "way of life," and Nourse calls it the "slippery road to ruin." Haberler writes in the forthcoming (AEAP&P, May 1953):

"It seems to be a law of human nature — which holds not only for economics but also for politics and other spheres — that situations which exist long enough acquire a normative power and are apt to be accepted as the unalterable results of deep-seated maladjustments not simply the consequences of a series of misfortunes and of misguided policies. If a depression lasts a few years, it is regarded as a secular stagnation and economic theory adjusts itself to the 'new' situation by becoming depression economics. Every prosperity which does not fade quickly becomes in the eyes of many a new era. If a political regime, however, detestable, stays in power half a decade, it is hailed as the 'wave of the future.'"

I like best the metaphor of the "par-boiling a frog":

A frog lies contented in warm water and as it gets warmer the frog relaxes, blissfully happy, with no worries, no hates, no recriminations, no criticisms or complaints about FDR or H. Truman, oblivious of debt money and the gold standard until — in the hot water the frog lies — parboiled.

Perhaps this is the place to suggest inter-disciplinary approach by the "behavior sciences" to economic problems due to the dangers of our over-specialization in economics. Perhaps the determinants of economic decisions are really non-economic in character. More specifically, maybe economists should read sociology and anthropology and also even psychiatry in order to better understand the economic man. We can find some guidance or direction to our reading in the writings of J. M. Keynes and D. T. Robertson, whose subtle irony and beautiful prose did more by ridicule, travesty and lampoon to discredit the gold standard than all the logic and arguments of the classical economists, of pre-1923 Keynes, of Hawtrey, Gregory, E. W. Kemmerer, and of the majorities of the Gold Delegation and the Macmillan Committee.

Money, they tell us, has become a barbaric relic, an *Auri sacra fames*, a legend, a myth, a superstition, or possibly a taboo or voodoo, a mores, a religion. I need merely to recall the delightful Alice-in-Wonderland sketches in D. H. Robertson's little book on "Money", the parable of the glass eye and the *fei* stones on the Isle of Yap.

What do these myths teach us? Must we abandon the hard rules of economics that assets are assets and debts are debts, and that human conduct is based on institutions of private property and validity of contract, or must we cultivate new "mores of the tribe" that a "dollar is a dollar is a dollar"—a doctrine which did not seem to satisfy the incredulous man from Mars or even Socrates when he came back from beyond the Styx to talk to the economist about the British paper pound? Must we consider the gold at Fort Knox as a white stone at the bottom of the bay or Treasury gold reserve the glass eye of the South African mine foreman? Must we take on a new faith that debts are assets and are good as long as they need not be paid? We may cite the classical example of the Canadian bank — insolvent for forty years before it failed. But some one may say, "in forty years many of us will be dead," so what? Perhaps we should take things on faith and not ask too many questions. In this connection we recall the fate of the city dog in James Thurber's animal stories; the city dog who didn't ask any questions and got what was coming to him from the skunk and the porcupine.

The advocates of managed paper money maintain that all money is managed and no money, even under the gold standard, is any better than its management. This is, indeed, true but under the gold standard and convertibility of paper money into gold reserves, the reserve ratio acts as a very sensitive index of good management. Under the paper standard the reserve ratio, if it means anything, serves merely as an index to the limits of debt expansion. But with convertibility reserves may be withdrawn when confidence becomes impaired. Monetary authorities, whether Democratic or Republican, should want this responsive mechanism because it provides a market test of their policies and enables them to perform their assignment within the limits of prudence, e. g., convertibility or redemption of paper takes effect when the atmosphere of confidence becomes disturbed.

Confidence Based on Convertibility

The gold standard would make promises to pay on debt money, real debt money with appropriable assets to back it instead of the "make-believe," irredeemable debt or fiat money it now is.

The gold standard would strengthen confidence in our currency like nothing else can by requiring monetary authorities to maintain a satisfactory relation between gold reserves and the money superstructure (debt) it is asked to carry. The requirement to redeem promises is honest; it is good contract law; it forces the issuer to redeem or face the consequences. It thus imposes responsibilities upon the issuing authorities not to abuse their power to go into debt. It operates like a self-regulating mechanism in curbing inflationary excesses; requires the least administrative machinery; ensures the maximum immunity of the currency from political interference; and it imposes monetary discipline without sacrifice of individual freedom or national sovereignty.

It is not an adequate answer to maintain that an "honest money" is one that maintains a relatively constant purchasing power "essential to the attainment of the purposes of the Employment Act" (i. e., maximum production and employment and stable purchasing power), as stated in the Douglas Report, 1950 (p. 42). Although we do not believe that the Employment Act should be the sole arbiter of monetary policy, we do favor these objectives but maintain that serious inflation and serious deflation can better be prevented under the discipline of the full gold standard than under an irredeemable paper money system.

We fully agree with the Committee's statement that serious inflation and deflation too, is possible under the full gold standard and that "there can be no effective substitute for responsible monetary credit, and fiscal management," but we maintain that management under the discipline of gold convertibility is more likely to be responsible than management without such restraints. We maintain, furthermore, that these restraints on management should be imposed by free market forces (i.e., the choice between debts and gold) at home as well as those imposed from abroad.

As to the danger of hoarding, we quite agree that a general fear or lack of confidence in the integrity of the dollar would start a stampede of redemption which the government could not meet. But if people have confidence in the dollar, i.e., in the government's fiscal and monetary policies, there should be no need of redemption. People normally prefer paper money to gold as a medium of exchange, and prefer near-moneys, i.e., investments which yield a return, to gold as a store of value. Someone has said that "redemption does not lead to hoarding unless the government goes on a rampage."

Domestic and International Gold Standards

The return to an unlimited gold standard by the United States is possible and feasible and would set a good example to the rest of the world. It would hasten the re-establishment of a world wide gold standard and of a system of free multilateral payments in international trade.

Many economists admit the proper use of gold as a center of gravity for international monetary relations, but see no advantage in moving back toward domestic gold money.

However, even in the field of international economic relations there exists much misunderstanding which is only slowly being overcome. The new slogan "Trade, Not Aid" is an encouraging sign of economic enlightenment. (How beautiful is an intellectual sunrise!)

After the failure of the London Conference of 1933 the attention of governments shifted to domestic welfare and economic nationalism. Restrictions on imports, export and exchange controls, currency devaluations and other beggar-your-neighbor policies resulted in a fairly complete disintegration of international economic relations. Attempts to remedy these devastating conditions were made by multilateral agreements at Bretton Woods followed by the big "loans," the Marshall Plan, the Mutual Security Program, the "offshore procurement" program, etc., yet all of these, involving over $35 billion United States foreign aid, has not served to make Europe self-supporting. "Dollar shortages" and inconvertibility of currencies are still major complaints.

We still hear economists say that "dollar shortages" are the result of structural changes in the economy, of recent changes in the international allocations of productive forces, etc., rather than as the result of arbitrary policies.

In times past countries that were bankrupt and could not pay their foreign debts did not complain of scarcity of sterling or francs or dollars; they pleaded that they could not raise enough taxes to buy foreign currencies with their own. If their currencies had any value they could buy foreign currencies with them. And if their own money had no market value at home or abroad would they not disappear without leaving a trace? Some economists have been insisting for years that without currency restrictions there would be no dollar shortage. It is refreshing to read in the papers presented at the December meetings of the American Economic Association on "A Stock-taking of Bretton Woods Objectives" that "the possibility of moving toward convertibility exists; if it is really wanted." (See also "Monetary Conference of European League for Economic Cooperation, Bruxells, Jan. 29-31, 1953.)

If past experience is any guide convertibility means gold. All countries desiring to benefit from international trade will probably tie into gold eventually. Gold convertibility is the highest form of convertibility man has been able to devise. (The National City Bank "Letter," January, 1953, p. 8.) But we need not wait. Indeed we should not wait to abolish all restrictions on convertibility. The palpably unsuccessful multilateral arrangements of the International Monetary Fund and government monopoly of gold show no great promise of achieving convertibility and stability. We would probably live in a far happier world if the United States would emulate the successful unilateral procedure followed by the British for nearly a century up to World War I. Spruille Braden, at New Orleans, Jan. 28, 1953 ("Monetary Notes," March, 1953, p. 7), stated this position very clearly when he said:

"By their maintenance of the gold, sterling standards, they kept world finance, commerce and industry on sound and constructive bases. Their unilateral action brought huge benefits to themselves and the rest of mankind. It behooves the U. S. Government by its unilateral action to resume gold convertibility and to do it now. It can do so with complete safety. Other nations may then follow our lead or not, as they wish. They probably will want to do so because the benefits will be so manifest and so manifold."

If they take seriously the slogan "Trade, Not Aid," Europe will have to face the rigors of reality. They will have to remove the many shelters which they have built around their economies—currency and exchange controls, import controls, export quotas, investment controls and other devices which obstruct the free movement of market supply and demand forces. They will have to "give producers and investors the incentive to shift resources into the efficient production of goods and services most in demand by the world's customers." They will have to open up the channels of investment capital from the United States and other countries and this can be done in volume only when currencies are made freely convertible and when exchange rates are allowed to reflect true value.

Return to Gold Standard Is Feasible

It is said that the supply of gold is inadequate for present-day requirements, e.g., to support a three-fold expansion of our money supply, our astronomical government budget, and a Federal debt of $265 billion. Some critics call the gold standard a "fair weather" standard; point out that it would be impossible to redeem all claims on gold and go so far as to say that it would be dishonest to promise to do so. This is true of any credit-debt system. But there is nothing dishonest about it. Commercial banks operate on a fractional reserve basis and could not meet all deposit obligations if they were to be presented all at once; neither could liabilities of insurance companies, savings and loan associations, etc. We do not provide enough elevators, fire escapes, bridges, etc., to take care of all the people who might want to use them at one time. The amount of gold required at any one time depends upon public confidence. The thesis of our whole argument is to make the dollar sound, i. e., restore confidence in it so as to make the fractional reserve system workable in a free market. The true working of the gold standard assumes a degree of stability, but it also contributes to stability. Just as commercial banks keep solvent and liquid because of the constant tests to which their operations are subjected by their customers, so the monetary system should be constantly subject to tests of solvency and liquidity by the convertibility of the currency.

The way to resume is to resume. There is more gold in the Treasury in proportion to currency and bank deposits (12%) than we had when we maintained redeemability from 1915-33 (circa 9%) or when we resumed specie payments Jan. 2, 1879 (6.5%).

Banks are never 100% liquid. They merely keep enough cash on hand and elsewhere to pay depositors when checks are presented for payment. Banks manage their affairs so as to be able to do this. Hence, depositors prefer checks to currency. One conventional test of liquidity is the reserve ratio. Under the full gold standard system citizens holding currency can demand gold and this choice influences government policy in a way that forces government officials to listen. This power in the hands of the public reduces the power of the Federal government. Yet, though it reduces government power, it does not impair effective management and control; rather it guides and directs discretionary control. The citizens, on the other hand, are always able to answer the significant question—"what will be the value of tomorrow's dollar" by the safe assumption that it will be worth a given quantity of gold since currency and gold coin are interchangeable at the mint and in a free market. In a free market the citizen shares power with the government and thus relieves the government of sole responsibility in determining the value of the dollar.

Conclusion

Let me end by using a biological analogy. Doctors tell us that the human body has innumerable built-in or automatic reflexes or responses to stimuli. To overcome fatigue temporarily we have glands that pump out adrenalin which gets into the blood stream and give us renewed energy. We have gyroscopic apparatus in the inner ear which keeps us in balance. Doctors even know how to sever the nerve of the cat so that instead of landing on its feet when falling it loses such control. We have thermostats. We get gooseflesh when cold; begin to perspire in the heat. So, also, in our economy we have a need for such devices. The reserve ratio is one. It is a guide to liquidity and safety, but reserve without convertibility is not fully effective. The signal is there but there is no necessary response. It is like the man in fiction who got smart: he severed certain nerves so that he could feel neither cold nor heat. Exposure to the wintry blasts froze his ears, nose and prehensiles. Then, before he could realize it, he was burned to a crisp sitting on a red hot ingot. I leave you with the moral of this metaphor.

Will We Go Back to the Full Gold Standard?

It would be a simple matter to go on the full gold standard. It would be much easier to repeal the laws prohibiting ownership of gold than it was to repeal prohibition by constitutional amendment. But the public is lethargic and apathetic. They accept inconvertible money just as they accept government extravagance and high taxes. Business men with speculative propensities think they can benefit by inflation and uncertainties and many enjoy direct gains from government contracts. The farmer is protected by parity price supports and subsidies. Big labor has gotten five to seven rounds of wage increases and "escalator clauses" tying wages to the cost of living and increased productivity. Bankers deal in dollars of the same kind on both liability and asset sides of their balance sheets and are not as vitally concerned with their customers' interest in a stable dollar as men in this profession should be. The receiver of fixed incomes is the forgotten man, disorganized and with low voting strength. The economist, "with no axe to grind" should take the lead in pursuing the public interest but, except for one small knot of active propagandits *pro bona publico* this professional group is inert and confused. We have become so habituated to controls that we do not miss certain freedoms that we used to prize dearly. So far as the dollar is concerned, we are as free as the prisoner in Alcatraz.

Although we should get back to the gold standard now while we can, I see no immediate prospects of a "back-to-gold" movement. Things may have to get worse before this reform can take place.

Chicago Mun. Bond Club Annual Meeting

CHICAGO, Ill.—Francis R. Schanck, Jr., Partner, Bacon, Whipple & Co., will be inaugurated as President of the Municipal Bond Club of Chicago at its annual meeting to be held on Friday, April 24, at the Union League Club.

Francis R. Schanck, Jr

Other officers who will serve with Mr. Schanck during the ensuing year are: Thomas W. Evans, Vice-President of Continental Illinois National Bank and Trust Company of Chicago, as Vice-President; Walter J. Fitzgerald, Jr., Partner, Blunt Ellis & Simmons, as Secretary; and Hiram F. Bright, Manager of Buying Department of Harris Trust and Savings Bank, as Treasurer.

The following will serve as Directors: Carnot W. Evans, Vice-President, Harris, Hall & Company; Arthur E. Kirtley, Assistant Vice-President, The First Boston Corporation; Edward D. McGrew, Vice-President, The Northern Trust Company; and Blair A. Phillips, Jr., President, The White-Phillips Co., Inc.

First Florida Investors

ORLANDO, Fla.—First Florida Investors, Inc., has been formed with offices at 19 South Court Street to engage in the securities business. Officers are E. L. Kendrick, President; D. P. Street, Vice-President, and H. G. Hanson, Secretary-Treasurer.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The combination of a very heavy oversubscription for the new money 3¼% bond and the resultant small allotment made to subscribers of this issue, coupled with the very small and meager premium above the offering price of 100 was a paradoxical situation to say the least. The "free riders" and quick turn traders were not the only victims of the inability of the market to take prices of the new money issue up the three-quarters to a point and a half premium that had been originally talked about. The holding back of a large amount of bank credit that could have been used to carry the new bonds, as well as no great need to rush in and buy the new issue at once, were the primary reasons for the lack of a large premium in the new issue.

The short-term market is also on the defensive because, with the offering of larger amounts of Treasury bills, rates for this security and other near-term obligations continue to move up. The monetary pressure to halt or end the debt-created boom is still going on.

Added Pressure on Money Market

The money market is still under the influence of the credit restricting policies of the monetary authorities, with an important assist in the form of a long-term 3¼% obligation which tends to turn the screws a bit tighter. The debt management policy which concerns the raising of new money and the refunding of issues as they come due is fitting into the whole money picture very nicely. It is evident that the higher level of interest rates and a restrictive credit program must eventually bring about the results which the monetary authorities are attempting to accomplish, namely that of bringing the debt-fostered boom to an end.

The competition which the money market is now getting from the Government in raising new money seems to indicate that a more restrictive policy is to be expected before there will be a change in affairs in general. In other words, higher short-term rates are expected over the next several months, and there should be a weekly expression of this trend as the Treasury steps up its offerings of bills in order to raise part of the new money that will be needed to carry through the current fiscal period. The immediate offering of larger amounts of Treasury bills was not entirely anticipated, because some quarters were of the opinion that increased offerings of the shortest Treasury issue would not come about initially until the early part of May.

Intermediates and Longer Terms Moving

With the short-term market under some pressure because of the raising of new money through the issuance of increased amounts of Treasury bills, there has been, nonetheless, some improvement in the demand for the intermediate and longer term obligations at current levels. There has not been any material change in the volume of these takings but there has been a broadening of the number of institutions that have had an interest in these securities. This buying, albeit not too heavily, has been concentrated largely in the new obligation and it has taken place mainly during periods of price weakness. It is reported that quite a few of the 3¼s bought recently by these institutions have come from the non-permanent holdings of the "free riders," and the quick-turn traders.

The long-term 3¼s, according to advices, have also found good homes among individual investors and there are indications that these buyers of the longest Government bond have been taking on some of the not so permanent securities that have come into the market. The money that is being used to round out these holdings has come mainly from funds that had formerly been in the equity market.

Long 2½s in Demand

According to reports, there has been and still is a not unimportant amount of switching from corporate bonds into the longest Government obligations. The non-Government issues that are being sold by these institutions are those that show the holders the largest tax losses. Also, there is some buying of the presently outstanding bonds, especially the 2½% issues that are about on a comparable price basis as the corporate bonds that are being liquidated.

The holders of the F and G savings bond, according to advices, are not averse to making commitments in selected issues of state and municipal securities. The general decline in prices of all funded obligations, including the tax exempt issues, has given them enough appeal to make these securities not uninviting to those that have a tax problem.

Bond Club, New Jersey Annual Spring Outing

Mr. Fred J. Brown, White, Weld & Co., New York City, President of The Bond Club of New Jersey, announced today the appointment of the Field Day Committee in charge of the annual Spring Outing of The Bond Club of New Jersey.

The outing will be held on Friday, June 19th, at the Rock Spring Club, West Orange, New Jersey, Glenn D. Thompson, National State Bank of Newark, is General Chairman, assisted by Foy W. Porter, Estabrook & Co., James F. Musson, B. J. Van Ingen & Co., Inc., and James M. Ransom, Harris Trust & Savings Bank, as Sub-Chairmen in charge of the various activities.

Members of the Committees are:

Arrangements: Glenn Thompson, Chairman; Walter Dunn, Mackey, Dunne & Co., New York City; Robert Krumm, W. C. Morton & Co., New York City: Albert J. Milloy, First Boston Corporation, New York City.

Golf: Foy Porter, Estabrook & Co., New York, Chairman; John J. Ryan, Ryan, Hanauer & Co., Newark; Stanley F. Weissenborn, Parker & Weissenborn, Newark; Albert Williams, Nugent & Igoe, East Orange, N. J.

Syndicate and Prize: James Musson, B. J. Van Ingen & Co., Inc., New York, Chairman; Walter Coss, B. J. Van Ingen & Co., Inc., New York City; Robert Pyle, Hornblower & Weeks, New York City; Walter Stohl, Fidelity Union Trust Co., Newark.

Horseshoes: James Ransom, Harris Trust & Savings Bank, New York, Chariman; and John Duerk, Howard Savings Institution, Newark.

Public Utility Securities

By OWEN ELY

General Gas Corporation

General Gas was incorporated in April, 1937, and grew from very small beginnings to its present position as the second largest independent distributor of LP-Gas (liquefied petroleum gas) in the country. It serves a total of about 78,000 domestic, industrial and commercial customers in Louisiana and the western half of Mississippi by a fleet of 331 vehicles operating out of 57 branches and sales offices.

LP-Gas is produced from natural gas and casinghead gas as well as in the process of refining crude oil, and when kept under pressure is usually shipped in specially constructed railroad cars or tank trucks. Its principal domestic uses are for cooking, house-heating, water heating, refrigeration, clothes-drying and air-conditioning. Sales to industrial users are principally for engine fuel for farm tractors, highway trucks, buses, and irrigation pumps, as well as rice, cotton and lumber dryers, weed burning, flame cultivation and boiler fuel. While natural gas has come into the company's territory, this apparently has not interfered with its growth since its trucks are merely transferred to another area. Since LP-Gas is a by-product of oil refining, the company benefits by being near the oil and gas areas.

LP-Gas appears to be the fastest growing segment of the gas industry, national sales in 1951 being nearly four times those of 1945, and the expansion of General Gas seems to parallel that of the industry. In 1952 the previously affiliated Delta Tank Manufacturing Company became a wholly-owned subsidiary through exchange of stock. The company's sales (adjusted to include Delta) increased from $11.6 million in 1947 to $22.0 million in 1952.

Delta is one of the largest manufacturers of LP-Gas tanks and cylinders in the country, distributing its products through its dealer organization in 27 states, Canada and a number of Latin American nations. Although export sales made by both General Gas and Delta Tank are still of nominal proportions in relation to domestic sales, foreign shipments last year were of record levels. The acceptance of butane-propane gas, still a relatively new fuel in the rich Latin American market, is increasing steadily and the management looks forward to further growth in this area.

General Gas is the first major distributor to store LP-Gas in salt dome cavities. It now has access to underground storage with a capacity of 6 million gallons and plans to prepare 8 million gallons additional capacity, compared with above-ground storage tanks of a little over 2 million gallon capacity. During the period of peak demand some 200,000 gallons a day are withdrawn from storage. Salt dome cavities are very inexpensive compared with tanks above ground, and losses are even smaller than in tanks. Large storage capacity reduces the possibility of shortages, and also permits off-season purchases at favorable prices.

Household appliances and tanks are aggressively merchandised, sales accounting for nearly one-sixth of total system sales last year. Delta Tank in 1952 also began the production of artillery shells and other military items under a $17 million defense production contract negotiated in 1951. The company has been commended for maintaining defense production schedules, and high production rates are continuing this year.

In 1952 General established a smaller subsidiary, Gamma Industries, Inc., to distribute industrial radiography machines which use AEC isotopes such as cobalt 60 to detect flaws in large metal products. The outlook for the development of this novel product is considered promising.

A year ago General sold 120,000 shares of common stock through a syndicate headed by Kidder, Peabody & Co., the price to the public being 9⅜. The stock has recently been selling around 15 in the over-the-counter market. Dividends were initiated about a year ago at the quarterly rate of 17½¢, but in February this year the rate was raised to 20¢ and the May dividend will be 25¢ or at the rate of $1 a year.

Share earnings were reported as follows in the prospectus of a year ago:

1951	$1.64
1950	1.98
1949	Nil
1948	1.36
1947	1.82

These pro forma earnings were based on the 400,000 shares outstanding after acquisition of the stock of Delta. Based on the 520,000 shares outstanding after the sale of shares to the public, 1952 earnings were $1.23. For the first quarter of 1953, 40¢ was earned compared with 31¢ in the corresponding quarter of 1952. Earnings over the past two years have been handicapped somewhat by warm winter weather.

New Breining Partnership

On April 30 the old partnership of Breining & Co. will be dissolved and a new partnership consisting of Harold A. Weismann, Charles M. Bowsky, James J. Gurney, member of the New York Stock Exchange, George J. Metzner, and Frederic A. Williamson will be formed.

New Aronson, Hall Office

Aronson, Hall & Co., members of the New York Stock Exchange, announce the establishment of a branch office at 120 Broadway, New York City, under the management of Gerald R. Aronson, and the removal of its principal office to 745 Fifth Avenue, New York City.

Forecasts Further Growth of Utilities

Walter F. Merkel, Vice-President of Gartley & Associates, Inc., predicts 20% to 25% gain in electric and gas production by 1955, with billions of dollars of additional capital investment.

Walter F. Merkel, Vice-President of Gartley & Associates, Inc., of New York City, speaking at the Annual Business Conference of The Maryland Public Utilities Association in Baltimore on April 17 declared that electric power production would increase almost 20% by 1955 and that gas production would show a gain of approximately 25% by that time. He stated that a recent phenomenal growth of the public utility industry will continue uninterrupted during the next several years, at least.

In order to obtain the additional capacity necessary for this increase in production, the public utility companies will have to come to the capital market for many billions of additional dollars during the next few years, Mr. Merkel said. He pointed out that since the end of World War II more than $13 billion has been spent by the utilities to provide improved and expanded plants.

Stressing the highly competitive nature of the capital markets, Mr. Merkel urged utility executives to maintain and expand their efforts to promote sound investor relations. Such a course, he emphasized, will enable them to obtain additional funds for expansion, at the most economical cost to themselves. As a key to accomplishing their goals, he urged them to "Make Your Story Easy for Your Audience to Understand."

Continued from page 7

Objectives of Treasury's Tax Policies

enues in comparision with other countries. In the fiscal year 1952, we received 13.7% from all excises combined and only 7.4% from excises other than those on tobacco and beer, wine and liquor. By contrast, Canada, in fiscal year 1952, secured 24.2% of total Federal tax revenues from excises and 15.2% from those on other than tobacco and intoxicating beverages. The greater reliance on excises in Canada has not been unrelated to the ability to reduce income tax rates substantially as was done recently in that country.

In developing a proper balance among the three principal sources of revenue, individual income, corporate income, and excise taxation, we must be careful not to adopt doctrinnaire attitudes concerning the supposed advantages of any one form. No tax is without inequities or repressive effects. When rates are low, the inequities and adverse economic consequences may not be too serious; but as rates become higher, the bad features of any one form of taxation become intolerable. A diversification of sources of revenue is likely to give a better approximation to an acceptable system than can exist when any one source is pushed to excessive levels

In general, I believe that the individual income tax should be relied on as the principal source of revenue, and it should be used to give the desired degree of progression to the whole tax system. This progression should, needless to say, be based on reasoned judgments and not be punitive or confiscatory. But so long as total revenue requirements are large, a broad and diversifed tax system will minimize both inequities and repressive economic pressures.

Problems of Form of Taxation

When one turns from the general subject of balance among the major forms of taxation to consider more detailed and technical aspects of particular forms of taxation, several problems are conspicuous. I shall mention a few of them briefly.

One of the first subjects we are examining is the whole area of the tax treatment of pension and retirement plans and of the so-called fringe benefits. Various discriminations have developed over the past several years, with results that are quite illogical. In this area we need, above all other things, clarification and simplification.

Another principal topic is that of the proper treatment of depreciation in computing the taxable income of business. The problem here is one of timing; how rapidly should an investment in plant and equipment be written off? In the long run, the same total amount will be charged as an expense under any of various systems, but the speed of permissible writing off may have a profound effect on the willingness to incur the inevitable risks that arise in investments in fixed assets.

We hope to be able to permit greater discretion by management in the timing of depreciation deductions. In the long run, some liberalization of present rules, we are satisfied, will increase total investment, the national income and, incidentally, total tax revenues at any given level of tax rates. We are clear on the objective. The problem is one of the method of change and the timing of its adoption. Some liberalization may be made in the regulations, while others may require legislation.

Capital Gains Taxation

The subject of the proper treatment of capital gains and losses is a perennial one. Bona fide long-term capital gains are clearly quite different than ordinary income; they represent a tax-paying capacity but they do not constitute income in any ordinary sense. To encourage risky investment and to permit fluidity in investment markets, the rates of tax on such gains must be kept at reasonable levels. However, a substantially lower rate of tax on capital gains than on ordinary income provides a temptation to create various sorts of artificial devices to convert ordinary income into capital gains. Our analysis in this area includes consideration of definitions, rates, holding periods, and the treatment of capital losses.

There are many problems in the field of tax-exempt activities. Charitable and educational organizations have properly been made tax-exempt, but abuses may develop when the tax-exempt status is used as a cloak to cover competitive business activities. The complex subject of the tax treatment of cooperative associations requires special study, especially in view of the present high level of tax rates.

The issuance and use of tax-exempt securities also raises problems concerning both the fairness and the economic effects of the tax system. The lower rates of return on such securities in the market by no means reflect their tax advantage to very high bracket investors. The fact that the tax-free securities exist diverts investment funds from the field of private enterprise where they are most needed. A new problem has arisen in connection with the use of tax-exempt securities to finance municipally owned industrial plants.

The commission on intergovernmental relations proposed by President Eisenhower will presumably review the whole subject of Federal-state-local tax and fiscal relations. The Treasury would participate in the examination of this subject.

The proper taxation of income derived abroad raises difficult and important problems of tax policy. International double taxation should clearly be avoided. The provisions for crediting foreign income taxes against the United States income tax represents one attempt to remove such double taxation. The present treatment, however, may not be adequate. Modifications of the existing law must be made with care, however, to prevent the creation of loopholes through which domestic income is in some way converted into tax-exempt foreign income.

The abuses arising under the rule adopted in 1951 by which earned income attributable to activities abroad by anyone who is outside the country for 17 out of 18 months is a conspicuous example of the need for care in creating a new provision in the law. Secretary Humphrey has already recommended changes in that part of the law to remove the abuses.

Expense accounts may also be abused by those in position to take advantage of them. Their use and misuse require close scrutiny.

Simplification and Removal of Inequities

I shall not take time to list further specific problems in the formulation of tax policy. I hope that our approach to such problems and our point of view will be apparent from the foregoing examples. Our objectives are (1) to simplify the system as much as we can, (2) to remove inequities, and (3) to develop a system which will impose the least obstacles to the economic growth of the country.

Action on some of the foregoing technical points will bring in additional revenue. On others, it will involve revenue losses of various sizes. In view of the very tight budget position, some of the reforms which are clearly desirable may have to be postponed or introduced on a limited scale. We hope to have a few things done this year; a good many may be done next year, and others will have to go over until there has been substantial reduction in expenditures.

From my comments you will appreciate the fact that the investigations and planning on tax matters at the Treasury are being carried out on a considerable scale. Fortunately, there have been over the past several years a good many excellent studies and proposals on tax policies. The trouble in the past has been a lack of action, not of study. We are now consulting with various groups which have been examining the operation of our tax system.

The financial and economic aspects of the work in the Treasury is under the direction of Professor Dan Smith, who is on leave from the Harvard Business School to supervise our new Analysis Staff. On the legal side, Mr. Kenneth

Gemmill of Philadelphia has just joined the Treasury to supervise the Legal Advisory Staff. We are also adding some industrial accountants and men with experience in the Bureau of Internal Revenue to the Analysis Staff. We will thus be able to have all problems and proposals reviewed by lawyers, economists, accountants, and administrators with practical experience in the field.

In our own investigations in the Treasury, we are very happy to be able to work closely with the staff of the Congressional Joint Committee on Internal Revenue Taxation and the staffs of the House Ways and Means Committee and the Senate Finance Committee. The Treasury policy officials and staff are also working closely with officials of the Bureau of Internal Revenue. Collaboration between Congressional, Bureau of Internal Revenue, and Treasury groups should speed up the process of securing changes in the law which are sound from a policy standpoint and administratively feasible.

Whatever suggestions we make to Congress for tax legislation will be the result of the most careful possible study in an effort to determine what is for the good of the entire nation. When we do make those recommendations, it is within the power of Congress to do with them as it may see fit. Congress has that full responsibility.

Administration of Tax Laws

As a final point, I should like to comment briefly on the subject of the administration of the tax laws. The policy of this Administration is to interpret the laws fairly and without any bias or attempt to secure indirectly something that has not been authorized by the Congress. This attitude has already been made clear under the able and vigorous leadership of Commissioner Andrews. With tax laws and business transactions as complex as they are, there are many opportunities to twist the administration of the law to reflect the bias or social philosophy of an administrative group. We shall earnestly endeavor to avoid all such misuses of adminstrative discretion and to remove such examples as now exist. We shall administer the law as it is, not as some of us might think it should be. Changes in the law should be made by the Congress, not by administrative fiat. And in the process of collecting the revenue fairly and honestly, it is as much to the credit of a revenue agent to discover that a taxpayer has made an overpayment as it is to discover a deficiency and collect an additional tax.

I wish that we could foresee enough reduction in expenditures in the immediate future to permit us to recommend all the adjustments which we find desirable. Simplification and removal of inequities and the repressive features of our tax laws are our objectives. We shall proceed as promptly as we can with recognition that our recommendations must be consistent with our primary objective of maintaining a sound budget position.

Gammack to Admit

Gammack & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, will admit Harold P. Hecken to partnership on May 1.

Nielsen Partner

Nielsen & Company, 120 Broadway, New York City, members of the American Stock Exchange, have admitted Hilda Kaprow to limited partnership.

Continued from page 16

What New Administration Means to Banking

finds that they are becoming inadequate, then the answer is clear: he should go out and get more capital.

This is not always an easy thing to do. But the fact is that hundreds of banks have raised additional capital in recent years. Any bank that needs more capital now and does not obtain it is a source of weakness not only to its own community but to the entire banking system.

(2) All banks should guard against laxity in their lending policies. Now is the time to weed out those loans which may not be paid when due and which you might not wish to carry through a period of adversity. Now is the time to reappraise your lending policies to make sure they are as conservative as they should be.

During previous booms, lax lending policies frequently added to the inflation and thereby accentuated the subsequent decline. Probably the greatest contribution that banks can make to the future stability of the economy is to adhere to conservative lending policies.

(3) We must avoid unsound competition among credit institutions. Some forms of competition are, of course, healthy and desirable. However, experience has proven that certain forms of competition among credit institutions are unhealthy and even dangerous.

All of these are lessons which we have learned the hard way, at great cost to the banks and to the public. If banks are to continue at all times to serve their communities well, we must apply these lessons well, now and in the future. Only thus can we be sure that American banking will always remain strong and contribute to the economic well-being of the nation.

Reducing Government Controls

Another major plank in the economic platform of the Eisenhower Administration is that direct governmental interference with the economic life of the nation should be reduced to a minimum, consistent with the public welfare. This, too, has important implications for banking.

Let us first be clear as to what this shift in policy does *not* mean. It does *not* mean a return to a *laissez faire* philosophy. Midway in the twentieth century, *laissez faire* is as outmoded as the feudalism it replaced.

Thomas Jefferson once remarked that the best government is that which governs least. There is truth in this maxim still; but in our highly complex world of today, public policy is bound to exert considerable influence upon our economic activities. Perhaps the copybook should be revised: "The best government is that which governs neither too little nor too much."

One of the basic differences between Jefferson's time and ours is that the government, in response to strong public demands, has now assumed responsibility for trying to maintain a high level of economic activity. The avoidance of mass unemployment has become the overriding imperative of public economic policy.

The Eisenhower Administration has explicitly accepted the responsibility. It could not possibly disavow it.

The problem, therefore, is how government can foster stable prosperity with the least interference with individual freedom. So far as possible, it should try to make maximum use of individual initiative, voluntary cooperation, and the self-adjusting tendences of competitive markets.

If governmental intervention is to be reduced, the practical problem is to decide which controls are the most useful and the least objectionable. Only by utilizing these controls effectively can we hope to avoid and eliminate the pressure for other types of controls which are more objectionable.

Emphasis on Fiscal and Monetary Measures

Specifically, this means that the Eisenhower Administration will place its greatest reliance upon fiscal and monetary measures to maintain economic stability. This is already clearly apparent in the news from the nation's capital.

This situation imposes special obligations upon American banking. Bankers, more than most groups, understand and appreciate the importance of these measures. It is their peculiar duty, therefore, to give their full support and cooperation to the development of sound fiscal and monetary policies.

In the field of monetary and credit regulation, this responsibility is not always easy. Monetary policies must be based upon the requirements of the national economy, not of the banking business. From the standpoint of bankers, public regulation of credit may seem at times to interfere too much with banking operations.

Yet, bankers recognize that monetary management is a useful and desirable type of control. It is impartial and impersonal. It does not depend upon the arbitrary decisions of droves of governmental agents. It is a conditioning, rather than a coercive factor. It infringes hardly at all upon the free choices of individual citizens. It does not suspend the interplay of the factors of supply and demand in competitive markets.

In short, monetary regulation is the least objectionable and most needed type of control in a private enterprise economy.

This puts bankers in an unusual position. The banker relishes regulation no more than the next man. Yet, in the public interest, bankers are called upon to exert more self-discipline and support more regulation of their own business than are other economic groups. They must display greater restraint and more public-spiritedness than is required of others.

Avoiding Excessive Regulation of Credit

Fortunately, it does not follow that just because some regulation of credit is necessary, the more there is of it, the better. Excessive regulation of credit could become a menace to our free economy. The duty of bankers, therefore, is not only to support sound monetary regulation, but also to do what they can to avoid the dangers of excessive regulation.

As a practical matter, the most effective way that bankers can do this is so to conduct their banking operations that the need or excuse for additional regulation is reduced to a minimum. In this respect, the record of American banking in recent years has been impressive. For more than a decade, despite booming business and rising prices, the banks have adhered to generally conservative lending policies. Also, witness the efforts of the American Bankers Association in 1948 to restrict the use of bank credit to essential purposes. Witness the nationwide cooperation of bankers with the Voluntary Credit Restraint Program of 1951-2. And only recently the American Bankers Association has announced new plans for trying to keep the extension of consumer credit on a sound basis.

But it is clear that voluntary efforts alone, important though they are, cannot do the whole job. When our economy is operating at full capacity, as at present, any substantial expansion of bank credit, even for productive purposes, turns out to be inflationary from the standpoint of the economy as a whole. That is why monetary management is both necessary and desirable, and deserves the full support of the banking community.

The Dangers of Group Conflict

There is yet a third aspect of the Eisenhower victory which has special import for American banking. This stems from the fact that for the next four years, at least, bankers will have a greater opportunity to contribute to the formulation of public policies than formerly.

I think it would be difficult to overestimate the significance of this opportunity and of the responsibilities it entails. In a democracy such as ours, public policies are determined to a very large extent by the attitudes of various economic groups. Some of these groups are motivated chiefly by prejudices and irresponsible self-interest, rather than by the requirements of a sound social structure.

The dangers of this situation are obvious. We are beset today, not by the simple two-sided class warfare envisioned by Karl Marx, but by a welter of pressure groups representing many varied economic interests. The aggressive conflict of these groups could tear our economy to shreds.

To prevent this kind of chaos, group conflict must somehow be replaced by group cooperation. The problem is one of mutual survival. Economic groups must learn to work together for the common good.

Need for Social Responsibility

New codes of social conduct are needed. Individuals and groups must develop a sense of social responsibility. This is not Sunday school stuff; it is the first law of modern technology.

The quality of responsibility is to some extent a matter of long range, enlightened self-interest; a realization of the imperative necessity of working together. We live in an age of economic interdependence. The welfare of every group depends upon the continued well-being of the whole economy.

But social responsibility is more than intelligent self-interest. It implies a conscience, a citizen's concern for the public welfare, a recognition of the moral obligations of all individuals and groups to contribute to the common enterprise.

This kind of responsibility is a quality which our society, turbulent though it is, can seek to develop. One could easily cite encouraging instances of it in the actions and policies of several economic groups in recent years. After all, our whole civilization has been built upon the strength of moral values. This is not naive optimism; it is simply a recognition that honesty and decency abound in the world and that these qualities can be cultivated and effectively mobilized.

Here is the great opportunity and responsibility for bankers. If they will, bankers can exert constructive leadership in public affairs. In order to do so, they must maintain a responsible, objective approach to public problems. Thereby, they can also provide an example for other groups to emulate.

So, there is much that remains for us to do in the years that lie ahead if independent banking and private enterprise are to survive and prosper. Certainly the future holds plenty of challenge for all of us in the banking business. The fateful question is whether we will have the intelligence, the vision, and the courage— in short, the statesmanship— to live up to these responsibilities.

NSTA Notes

BOND CLUB OF DENVER

The IBA Rocky Mountain Group-Bond Club of Denver annual Summer Frolic will be held in Denver on Aug. 20-21.

On Aug. 20 the Calcutta Buffet will be held at the Albany Hotel starting about 4:00 o'clock p.m. and on Aug. 21 the Field Day will be held at the Park Hill Country Club.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League standing as of April 16, 1953 is as follows:

Team—	Points
Bean (Capt.), Frankel, Strauss, Nieman, Bass, Krassowich	38
Hunter (Capt.), Klein, Weissman, Murphy, Searight	37
Meyer (Capt.), Kaiser, Swenson, Frankel, Wechsler, Barker	36½
Burian (Capt.), G. Montanye, Voccoli, Siegel, Reid	36
Krisam (Capt.), Ghegan, Jacobs, Gannon, Cohen	29
Goodman (Capt.), Smith, Valentine, Meyers, Farrell, Brown	29
Growney (Capt.), Craig, Fredericks, Bies, McGovern	28½
Serlen (Capt.), Gersten, Krumholz, Rogers, Gold	28
Murphy (Capt.), Manson, D. Montanye, O'Mara, Pollack, Gavin	28
Donadio (Capt.), Demaye, Whiting, O'Connor, Rappa, Seijas	25
Mewing (Capt.), Bradley, Weseman, Hunt, Gronick, Huff	22½
Leone (Capt.), Greenberg, Tisch, Werkmeister, Leinhard Corby	22

200 Point Club

Herb Seijas	234
Sam Gronick	221
Richy Goodman	225
Hank Gersten	208
Tom Greenberg	202
Walt Bradley	200

5 Point Club

Duke Hunter
Walt Mewing
Joe Donadio
Julie Bean

Continued from first page

'As We See It

Karl Marx nor Lenin, neither Stalin nor Trotsky, neither communism nor socialism, is in any way responsible for many of the conditions and the issues which must now be faced and which may well prove real stumbling blocks in the paths of all dealings or understandings with either the Kremlin or any of the major Eastern powers. It is of the utmost importance that our own diplomatists should bear this elementary and basic fact always in mind. Otherwise we are all but certain to fail to obtain end results which otherwise might be within our reach.

Russia has always been ruled by single individuals or a small group of individuals. The people have no background in, no knowledge of, and no experience with what we think of as democracy or liberty—and probably very little interest in it. The nation has always been suspicious of outside peoples, always uneasy about what foreigners might do to it. It is apparently very nearly second nature for those who manage the affairs of the country to be secretive and "withdrawn." There is apparently among those who run the affairs of the country a deep-seated "inferiority complex," a sort of resentment against the Western world growing out of a feeling that they are not freely accepted as equals. And Russia has always been imperialist. It, too, has (at least in its own eyes) a "manifest destiny," and always has had one.

Historical Exploitation

In the Far East there is a history of exploitation running far beyond the recollections of presently living generations. Not only is there the animosity and the resentment stemming from the fact that the West has taken a great deal of the good things of life without full compensation, but also a large measure of that rankling which comes to a proud race from having been denied equal standing with their Western brethren. For these and other reasons there has grown up through the years, and even the centuries, a profound resentment against the West which will not be easy to put down. Now add to all this the effects upon the rank and file of all the propaganda which has been dinned into their ears in recent years, and we obviously have a situation which will lend itself reluctantly to elimination or even control.

But for the propaganda of very recent years, the United States would stand in a preferred position in leading to some sort of workable rapprochement between East and West. We, of course, did ourselves no good in the minds of Far Eastern peoples by our discriminatory immigration attitudes, but by and large there has been a deep bond of friendship between the rank and file of Americans and the Chinese. We have never been seriously involved in exploitation either in China or in any of the other areas of the Orient. We have not earned much good will with the present rulers of China by the part we played in the internecine strife in that stricken country, and we still have the remnant of the regime which we supported there and which was not able to save the day for those who did not wish communism to reign. But these matters though puzzling and difficult, need not be insoluble. It may well be doubted whether there is much real suspicion among the informed in any of these countries that this country harbors imperialistic designs against them.

Those Island Bases

The fact remains, of course, that we have now under our control a long string of islands, island bases and island fortifications stretching across the Pacific to the very doorsteps of all these Eastern peoples, and more recently we have been following an analogous procedure in the northern approaches to Russia. Even with all this it is difficult for us to see how any one with reason can suspect that we have aggressive designs on the peoples of Asia, or anywhere else in distant lands. The facts, however, may have a different look to the peoples on the other side of these installations. Their experience of the centuries is such that things of this sort can only with difficulty be interpreted as anything other than the trappings of imperialism.

Nor can it be denied that at times in recent years our attitudes have come perilously close to interference with the internal affairs of other countries. For our own part, we have no sympathy with or any confidence in the communistic regime in China. We find it anything but to our liking. Yet any effort on our part to prevent the Chinese from establishing and maintaining whatever kind of government they want is hardly in keeping with American tradition. Our position as conqueror of Japan leaves us in a trying role in connection with all this, and our close association with the arch imperialists of the past is in one sense, perhaps, embarrassing.

Yet all these complications combined (which mostly are not a product of Stalinism) or any others which arise out of the more recent machinations of the Kremlin, cannot, of course, be permitted to stand in the way of our own security in this modern world of ours. Obviously the President has no easy task ahead of him.

Continued from page 11

Problems of International Investment

the close mesh between the economic interests of our two countries is clearly expressed. On our market place are traded the shares of your mining, railway and distilling industries. On the Toronto Exchange you have United States chemical, shipbuilding, automotive and food shares, to mention only a few.

At a recent date United States issues listed on the Toronto Exchange had a market value of $7.6 billion, or 17.6% of the market value of all the 1,012 issues listed here. The market value of all Canadian issues listed on the New York Stock Exchange totaled $2.2 billion.

Actually, and this may sound paradoxical, when an investor in my country buys a share in a United States industrial corporation, the chances are about one out of three that the company he selects is also engaged in a Canadian operation. In other words, out of the 800 or so industrial companies listed on the New York Stock Exchange, some 330 are an immediate part of the Canadian economy. And over 445 of those 800-odd companies, or 54%, have investments somewhere outside of the United States, in Canada or the rest of the world.

It is no accident that capitalism flourishes in the United States and Canada to a degree unknown elsewhere in the world; for it is in our two countries that the importance of the freedom of capital to work where it pleases is understood and respected. Nor is it an accident that Canada and the United States present a solid ideological front to the menace of world communism. Each of us has a deep and abiding respect for the rights and sanctity of the individual, a concept which has flourished in our North American capitalistic society.

Importance of Capital Mobility

Our mobility of capital has produced a condition of daily life which is abhorrent to Russian theorists still obsessed with the outworn theory that capitalism inevitably produces a disenfranchised proletariat. In the United States we have some 6,500,000 people who have a direct ownership interest in publicly owned corporations and another 2,000,000 people who own shares only in privately held corporations.

I would like to see the number of owners in the United States doubled—and then doubled again and again until every family has an ownership interest in our productive wealth. That is my idea of a democratic capitalism.

Perhaps the best way to emphasize the need for spreading share ownership is to point out that our industries, just as yours, need billions of dollars to make further growth possible. We cannot depend, as we did decades ago, on the wealthy to supply these funds; in the United States, for example, 100,000 millionaires, if there were that fantastic number, could not buy our publicly owned businesses. Nor do we want our businesses to borrow themselves into oblivion. We know that we can rely only to a limited degree on the reinvested earnings of our prosperous corporations. The only answer, the answer on which the vitality of our productive capitalism depends, is a wider stream of equity capital, the constructive employment of the mass savings of our peoples.

I think you might be interested in a recent series of articles in the London "Economist," a publication not given to airy dreaming. The first article, intriguingly titled "Corpse in the Capital Market" presented statistical evidence to support the argument that in England the private investor, as we used to know him, is dead—"crushed to death by high taxation and rising prices."

"In the next few years," the "Economist" said, "the plight of the market for risk capital must be expected to grow at once more serious and more obvious."

The writer said there appeared to be only one realistic answer, "unless indeed the capitalist system as it has been known is to wither and die. . . ."

"If private industry and the Stock Exchange are to revive," the article concluded, "they must devise between them new ways of inducing broader masses of the population to come down and play their part in Throgmorton Street."

That is England's problem, that is your problem, that is our problem—employment of the mass savings of the people.

The next "Economist" article, "Shares for Sale," was just as incisive in its observations.

"The City and the Stock Exchange," the writer said, "have sat uncomfortably on the defensive and have done nothing to explain to a wide public that the dearth of investment in risk capital is a major threat to Britain's industrial future—and hence to the nation's standard of life.

"If a new generation is to be induced to invest in industry, a program of active publicity will be the first need. It will have to set men arguing over their pints, and women over their teacups, whether they are concerned with the disappearance of savings and the imminent disappearance of a dynamic industry in Britain. It must demonstrate that an active stock exchange is the indispensable pipeline through which savings must flow to secure the replenishment of industry."

I know there's no need for me to tell you of the work that D'Arcy Doherty, A. J. Trebilcock and Jack Rattray are doing here in Toronto on that score. Perhaps, however, you might be interested in a thumbnail sketch of what we are trying to do at the New York Stock Exchange to tell people about the risks and benefits of share ownership and to spread share ownership over as wide an area as possible.

Our Basic Policy

Our basic policy revolves around this objective: Public ownership of the means of production. I'm sure I don't have to clarify that statement by saying that public ownership does not mean government ownership.

We have made good progress in recent years. In three recent postwar years, to illustrate, some 1,300,000 people became share owners for the first time. But our final goal is still far, far in the future.

Last year, to help us reach our objective, we undertook a number of studies and surveys to get fundamental information about our industry. The Brookings Institution Survey of Share Ownership in the United States was such a document, for it has filled a deep gap in our knowledge of the economy.

Only recently we finished a broad analysis of the efficiency of our operations in terms of Federal tax policy and securities regulations. In addition we have dissected our costs of operation, the prices we charge, our methods of selling. We have in progress the most intensive survey of our merchandising problems ever undertaken. We have tried to find out all we can about the people who own securities — and, above all, the people who don't own securities. This extensive search for facts to serve as the basis for action is grounded on the simple premise that we can't wait for the public to beat a path to our doors —we've got to tell them why it's to their advantage to see what investment offers them, and to point out how easy it is to become a shareowner.

Our stock exchanges, of course, have a concurrent responsibility to insure that the investor, whether he is a citizen of Canada or the United States, is given the most honest and efficient service possible. A striking example of international cooperation with this objective in mind was provided last year when our two governments acted in concert to protect investors against the so-called moose pasture salesman, the salesman whose main aim in life appears to be to sell worthless securities to the gullible.

It seems to me that even closer cooperation between our two countries is inevitable as the tide of growth surges here in the North. I have in mind such projects as the $63 million expansion program of Steel Company of Canada at Hamilton; Consolidated Mining's $60 million expansion at Trail; the $41 million development of Sherritt-Gordon Mines at Lynn Lake; the $200 million operation of Iron Ore Company of Canada on the Labrador-Quebec border; Canadian Chemical Company's $55 million petrochemical plant near Edmonton; the vast half a billion dollar power-aluminum project of Aluminum Company of Canada at Kittimat.

I mention the amount of money involved in each of these projects not only because the investments themselves are huge but also because they must fade away before the even larger investments which these projects will create. They are merely the start in a dynamic cycle of growth. In each of our countries today there are whole industries which were undreamed of a generation ago—television, antibiotics, third-dimension motion pictures, jet planes, atomic submarines, and synthetic fabrics. These are exciting words today. But how long will it be before they are part of the past, the page of progress having turned to make way for industries which have not yet been conceived.

From 1946 through 1952 inclusive, industry in the United States has spent $151 billion on new plant and equipment. This year it is estimated that $27 billion will be spent for this purpose.

A great part of the billions of dollars the industries of our two nations will need must come from individual investors. Obviously it is our obligation and responsibility to do everything possible to create a healthy investment atmosphere so that the needed sums will be forthcoming.

Our problem today is not only to improve our present way of doing business. We must fight, and fight desperately, to preserve the gains we have achieved. Our societies, our economies, are under constant and diabolically skillful attack from the totalitarian states; and even from misguided or misinformed groups within our own ranks.

You in Canada, we in the United States, and other free nations of the world must do more than merely resist these attacks. We must be aggressive and carry the fight to the others. We must take the initiative at home and abroad.

The Resoration of Private Overseas Investment

One of the most important and pressing tasks before us is the restoration of private overseas investment to its traditional, its essential, position in world affairs.

Since World War II the United States has exported through governmental channels some $38 billion in the form of military and economic aid. In contrast private foreign investments during the same period totaled around $7.7 billion.

Canada's contribution to world recovery and mutual defense since the war amounts to around $2.5 billion. Canada's private investment abroad during these years comes to about one-quarter billion dollars.

These governmental grants and loans have been vital to world recovery but admittedly they were stop-gaps, not too much admired by the giver or by the receiver. It is high time, in my opinion, that government back out of the foreign investment scene and high time that the private investor step in.

But the private investor cannot be just tolerated—he must be invited and welcomed.

To encourage the international flow of private capital, three things are necessary, therefore.

First, governments of those nations seeking capital must take a fresh, hard look at such deterrents to investment as export or import quotas, limitation on remittance of profits, control of capital movements, multiple exchange rates, fear of nationalization or expropriation, special taxation of foreign enterprises, undeveloped banking facilities, inability to deal with responsible government officials, required local participation, discriminatory enforcement of tax laws, and requirements for the reinvestment of earnings.

It is encouraging to note from frequent references in the daily press that the governments of free nations are studying these questions intensely. It is to be hoped that some tangible results will soon follow.

I'd like to mention in passing an unfortunate example of international action which must be corrected. The General Assembly of the United Nations last December passed the so-called Nationalization Resolution by a vote of 36 to 4, with 20 absentions. The Resolution purported to be a declaration aimed at asserting the sovereign rights of nations but at the same time speeding and safeguarding international investment. The Resolution recognized the right of a nation to nationalize its resources, then topped off this announcement of the obvious by strangely failing to mention prompt compensation in the event of expropriation.

Curiously, too, many capital-poor nations—nations which claim they are anxious to encourage foreign investment in their countries—joined the Soviet bloc in approving the Resolution. Only the United States, the Union of South Africa, New Zealand, and the United Kingdom of Great Britain and Northern Ireland opposed this travesty.

Among the nations who declined to vote yes or no was Canada—for reasons which I suppose were defensible but which, nevertheless, negated an opportunity to go down the line for private investment. I do believe, though, that the business communities of our two countries regret the damage that has been done by an international body to the revival of private international investment — and that we shall make clear our views to our representatives in the United Nations organization.

Second, our two governments and those of other capital exporting nations have their own job to do to facilitate the flow of capital. In the United States, for example, we must modify the capital gains tax and double taxation of dividends. We must work towards the elimination of international double taxation; extension of reciprocal tax treaties; the establishment of uniform securities legislation and reciprocal securities treaties.

Your own government has been a leader in this area—you do not have a capital gains tax and you have made a start toward the eventual elimination of double taxation of dividends, to mention two points. And I have reason to believe that our present Administration in Washington is aware of the importance of private investment overseas and is actively studying ways and means of encouraging its flow.

President Eisenhower has named Lewis W. Douglas, our former Ambassador to Great Britain and at one time Chancellor of McGill University, to head a group to study our foreign economic policies with a view to recommending changes designed to strengthen the free world.

Thirdly, our stock exchanges, our industries, our busines organizations, and our financial communities should establish closer working relations with each other to speed a return to normalcy in international finance. Stock exchanges and financial communities can do a great deal themselves to facilitate two-way international investment by developing more uniform methods, terminology and technical procedures for securities transactions to bridge the gaps of language and custom that exist between our countries and the rest of the world. For example, investors in the United States and Canada are accustomed to stock certificates in registered form and to receive their dividends, proxies, and other rights directly from the company, whereas in many foreign countries shares are transferred in the form of bearer certificates, with coupons which must be deposited for dividends or other benefits. North American stockholders expect full disclosure of the financial condition and results of operations of their companies. They also expect full voting rights. Many foreign concerns still have far to go to meet the standard which our North American stock exchanges have developed and which our investors expect as a matter of course. We must also work together to create a better public understanding of the function of free enterprise and the private investor.

I would like to see the investor of tomorrow offered the same international investment fare which he enjoyed before the Doctrine of State Control strangulated the arteries of trade, commerce and investment. The North American investor today has that freedom and range of choice—he can invest his funds in the industries of Canada or the United States with equal ease. But I would like to see traded on your Exchanges and mine the securities of enterprises in all the nations of the world—just so long as those nations welcome the flow of international capital and respect the rights of the investor.

But while we are holding up this bright future and striving towards its realization, we must continue to work together to improve even more the magnificent cooperative relationships and undertakings which Canada and the United States have already achieved. To such expanding business and financial cooperation with Canada, I pledge you the continuing interest and support of the New York Stock Exchange.

Continued from page 13

Eisenhower Urges Russia Prove She Wants World Peace

from World War II—would be impressive signs of sincere intent. They would carry a power of persuasion not to be matched by any amount of oratory.

This we do know: a world that begins to witness the rebirth of trust among nations can find its way to a peace that is neither partial nor punitive.

With all who will work in good faith toward such a peace, we are ready—with renewed resolve—to strive to redeem the near-lost hopes of our day.

The first great step along this way must be the conclusion of an honorable armistice in Korea.

This means the immediate cessation of hostilities and the prompt initiation of political discussions leading to the holding of free elections in a united Korea.

It should mean—no less importantly—an end to the direct and indirect attacks upon the security of Indo-China and Malaya. For any armistice in Korea that merely released aggressive armies to attack elsewhere would be a fraud.

We seek, throughout Asia as throughout the world, a peace that is true and total.

Out of this can grow a still wider task—the achieving of just political settlements for the other serious and specific issues between the free world and the Soviet Union.

None of these issues, great or small, is insoluble—given only the will to respect the rights of all nations.

Again we say: The United States is ready to assume its just part.

We have already done all within our power to speed conclusion of a treaty with Austria which will free that country from economic exploitation and from occupation by foreign troops.

We are ready not only to press forward with the present plans for closer unity of the nations of Western Europe but also, upon that foundation, to strive to foster a broader European community, conducive to the free movement of persons, of trade and of ideas.

This community would include a free and united Germany, with a government based upon free and secret elections.

This free community and the full independence of the East European nations could mean the end of the present unnatural division of Europe.

A Program of Arms Reduction

As progress in all these areas strengthens world trust, we could proceed concurrently with the next great work—the reduction of the burden of armaments now weighing upon the world. To this end, we would welcome and enter into the most solemn agreements. These could properly include:

(1) The limitation, by absolute numbers or by an agreed international ratio, of the sizes of the military and security forces of all nations;

(2) A commitment by all nations to set an agreed limit upon that proportion of total production of certain strategic materials to be devoted to military purposes;

(3) International control of atomic energy to promote its use for peaceful purposes only and to insure the prohibition of atomic weapons;

(4) A limitation or prohibition of other categories of weapons of great destructiveness;

(5) The enforcement of all these agreed limitations and prohibitions by adequate safeguards, including a practical system of inspection under the United Nations.

The details of such disarmament programs are manifestly critical and complex. Neither the United States nor any other nation can properly claim to possess a perfect, immutable formula. But the formula matters less than the faith—the good faith without which no formula can work justly and effectively.

Armament Funds Can Be Applied To End Human Misery

The fruit of success in all these tasks would present the world with the greatest task—and the greatest opportunity—or all. It is this: The dedication of the energies, the resources and the imaginations of all peaceful nations to a new kind of war. This would be a declared, total war, not upon any human enemy, but upon the brute force of poverty and need.

The peace we seek, founded upon decent trust and cooperative effort among nations, can be fortified—not by weapons of war—but by wheat and by cotton; by milk and by wool; by meat and by timber and by rice.

These are words that translate into every language on earth.

These are needs that challenge this world in arms.

This idea of a just and peaceful world is not new or strange to us. It inspired the people of the United States to initiate the European Recovery Program in 1947. That program was prepared to treat, with like and equal concern, the needs of Eastern and Western Europe.

We are prepared to reaffirm, with the most concrete evidence, our readiness to help build a world in which all peoples can be productive and prosperous.

This government is ready to ask its people to join with all nations in devoting a substantial percentage of the savings achieved by disarming to a fund for world aid and reconstruction. The purposes of this great work would be: To help other peoples to develop the undeveloped areas of the world, to stimulate profitable and fair world trade, to assist all peoples to know the blessings of productive freedom.

The monuments to this new kind of war would be these: roads and schools, hospitals and homes, food and health.

We are ready, in short, to dedicate our strength to serving the needs, rather than the fears, of the world.

I know of nothing I can add to make plainer the sincere purpose of the United States.

I know of no course, other than that marked by these and similar actions, that can be called the highway of peace.

I know of only one question upon which progress waits. It is this: What is the Soviet Union ready to do?

Whatever the answer be, let it be plainly spoken.

Again we say: The hunger for peace is too great, the hour in history too late, for any government to mock men's hopes with mere words and promises and gestures.

No Persuasion Other Than by Deeds

The test of truth is simple. There can be no persuasion but by deeds.

Is the new leadership of the Soviet Union prepared to use its decisive influence in the Communist world — including control of the flow of arms—to bring not merely an expedient truce in Korea but genuine peace in Asia?

Is it prepared to allow other nations, including those of Eastern Europe, the free choice of their own forms of government.

Is it prepared to act in concert with others upon serious disarmament proposals.

If not—where then is the concrete evidence of the Soviet Union's concern for peace?

The test is clear.

There is, before all peoples, a precious chance to turn the black tide of events.

If we failed to strive to seize this chance, the judgment of future ages would be harsh and just.

If we strive but fail, and the world remains armed against itself, it at least need be divided no longer in its clear knowledge of who has condemned humankind to this fate.

The purpose of the United States, in stating these proposals, is simple.

These proposals spring—without ulterior purpose of political passion—from our calm conviction that the hunger for just peace is in the hearts of all peoples—those of Russia and of China no less than of our own country.

They conform to our firm faith that God created men to enjoy, not destroy, the fruits of the earth and of their own toil.

They aspire to this: The lifting, from the backs and from the hearts of men, of their burden of arms and of fears so that they may find before them a golden age of freedom and of peace.

Marie Moore Joins Broderick-Coleman

Marie J. Moore

Marie J. Moore, formerly manager of operations, news department of Doremus & Company, has become associated with John P. Broderick and Robert S. Coleman, public relations and advertising consultants, at 52 Broadway, New York City.

Joins Brown, Madeira

(Special to THE FINANCIAL CHRONICLE)

FAYETTEVILLE, N. C.—John N. Hauser has become associated with Brown, Madeira & Co. of New York City. He was previously with Courts & Co.

Continued from page 12

What Can We Do About Taxes?

ment per worker will amount to $80,000.

Assuming an annual increase of 3% per year in gross national product, and capital formation of 15% of gross national product, it is estimated that in the year 1960 approximately $60 billion in gross private capital formation will be required.[1]

Where will this capital come from? Retained earnings, including depreciation, will presumably supply a major portion of it, as it has in the past. However, retention of such earnings for plowing back into the business is becoming increasingly more difficult because of the heavy tax burden which removes a major portion of gross income, and because of stockholders' rightful insistence that dividends be paid.

Taxes have also restricted equity investment by the high and middle income groups, who have found, for the most part, that the earnings they might otherwise invest in equities are taken by the government, and that investment in dividend paying common stocks is increasingly less attractive since a major portion of the dividends paid is taxed out of their hands. Those in the high tax brackets, especially, have found investments in low yield tax-exempt securities far safer and more profitable after taxes than high yield corporate equities.

In the years 1946 through 1949, for example, non-financial corporations obtained, on the average, 64% of their capital from retained earnings, only 6% from new equity financing and 30% from debt. But mark the trend—in 1951, such capital was derived, 43% from retained earnings, 6% from new equity financing, and 51% from debt.[2]

New equity capital from the issue of stock has amounted to less than $2 billion annually since the Second World War—on the other hand, corporate debt has grown in the same period from $85 billion to $156 billion.

This great increase in corporate indebtedness, caused in large measure by the shortage of adequate venture capital, presents a danger not only to the corporations thus forced to saddle themselves with such loans, but to the entire national economy as well.

While the danger is not immediate, because of the existence of inflation, it is nonetheless a real and threatening cloud overhanging us. Such excessive reliance upon debt as a source of fresh financing is both abnormal and unhealthy.

Making Equity Investment Attractive

To make equity investment both feasible and attractive several steps may be taken by the Congress in the future:

(1) Reduction of individual taxes;

(2) Abolition of the excess profits tax;

(3) Reduction of the capital gains period and the amount of the tax on capital gains;

(4) Abolition of the double tax on dividends;

(5) Increase of the capital loss offset.

While it is extremely doubtful that any alleviation of individual taxes will occur before December 31 this year, I believe that, in the interests of our economy generally, some steps should be taken to relieve corporations and stockholders from the inequitable tax burden they have been bearing.

The Excess Profits Tax, for example, should not, and I believe, will not be raised from the grave that fondly awaits it on June 30. This is a prize example of an unjust and discriminatory tax—one that has clearly proved itself to be a deterrent to business growth and initiative, and extremely difficult to administer on an equitable basis. Chairman Reed of the House Ways and Means Committee has characterized this tax as a "great obstacle to a balanced budget" and has said also that "the upsurge in tax dollars resulting from the removal of the Excess Profits Tax will more than offset any paper losses which can be ascribed to its repeal."

So far as the capital gains tax, double taxation of dividends and the capital loss offset proposals are concerned, bills have already been introduced in the Congress by Congressman Richard M. Simpson of Pennsylvania and Congressman Hale Boggs of Louisiana, both of whom are members of the House Ways and Means Committee.

Mr. Simpson's bill, H. R. 3099, would reduce the capital gains period from six to three months—would allow individuals to exclude from gross income not more than $200 of dividends received from domestic corporations, and would increase the allowable capital loss offset from $1,000 to $2,000 a year, with a five-year carry-over of unused losses. Mr. Boggs bill, H.R. 3686, would go further—it would cut the capital gains tax rate in half, by including only 25% of long-term gains; would allow individuals and fiduciaries a tax credit equal to 10% of dividends received, and would increase the capital loss offset from $1,000 to $5,000.

Both of these bills are praiseworthy as far as they go. But my objection to them is that they do not go far enough.

So far as the double tax on dividends is concerned, my belief is that it should be abolished altogether and that a percentage or partial dollar credit toward dividends received is not adequate to rectify existing inequities. Under present tax laws a shareholder is taxed not only on the income of the corporation in which he holds his shares, but, again, when a portion of that income is distributed to him as a dividend. No other form of individual income, whether it be rents, royalties, or interest, is subject to such a dual assessment. To my mind this double tax is one of the prime impediments to equity investment. Probably no greater stimulus could be given to our free enterprise system, and no greater inducement given to corporations to slow their rapid accumulation of dangerous debt obligations, than the abolition of this ill conceived and unfortunately perpetuated double tax.

I favor as well reduction in the capital gains period from six months to three months or less, and in addition reduction of the rate of the tax itself well below the present 26% figure. Adoption of such a proposal would be beneficial not only to the Treasury, by reason of the resulting increased volume of long-term transactions, but beneficial as well to investors, the securities business and corporate enterprises generally.

So far as the credit for capital losses is concerned, in my mind, there is no real justification at the present time for continuing a limitation on the amount of such losses that may be credited to income. If a man suffers a capital loss in any year, he should be permitted to offset the entire amount of the loss against income and to carry any balance remaining over into succeeding years until the loss is completely offset.

A Case in Point

Let me read a brief story written by Mr. Henry Hazlitt in "Newsweek" magazine under the heading "A Tale About Taxes." I believe it points up the impact of the present onerous tax load very well.

"The other day I met a friend who is a large stockholder in General Motors and he told me a story. A few weeks before, his son had used somewhat excess strength on the mixing valve in his bathroom and broke the handle off. The local plumber couldn't repair it, so he ordered and installed a new valve. The valve turned out to cost $22.50. The installation, at $4 an hour, brought the total up to $100.

"That sounded steep enough. But it was not until my friend had made some mental calculations that he realized how steep it really was. His income falls into the 90% tax bracket. So he figured that in order to acquire the $100 with which to pay this plumber's bill, he had to receive $1,000 in dividends from General Motors. (For the benefit of the non-mathematical, $1,000 in dividends minus $900 in taxes on them leaves $100 to pay a plumber's bill.)

"But this is only the beginning. In order to pay $1,000 in dividends, General Motors last year had to earn $4,149 before taxes. But in order to earn $4,149 before taxes, General Motors had to sell $21,570 worth of cars—say 18 Chevrolets—to its dealers. To sum up, because of cost and tax erosion, in order for my stockholding friend to replace a bathroom valve, "GM" had to make and sell 18 Chevrolets."

On this note, I shall sign off.

[1] NYSE study of selected aspects of Federal Tax Policy.

[2] U. S. Dept. of Commerce, Survey of Current Business—Feb. 1952.

Morris Mather Jr. With Blyth & Co., Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Morris Mather, Jr. has rejoined Blyth & Co., Inc., 135 South La Salle Street. Mr. Mather has recently been Vice-President of Knickerbocker Shares, Inc. and Prior thereto was a partner in Morris Mather & Co.

James Ebert, Others With Davies & Co. Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — James Ebert, Richard O. Atkinson and Charles E. Kenealey have become associated with Davies & Co., 425 Montgomery Street, members of the New York and San Francisco Stock Exchanges. Mr. Ebert was formerly head of his own investment firm in Bakersfield, with which Mr. Atkinson and Mr. Kenealey were also associated.

With Taylor & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — R. Glen Brewer has become associated with Taylor & Company, 364 North Camden Drive. He was formerly with Dean Witter & Co. and prior thereto was a partner in Danford, Brewer & Co.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Frank M. Millburn has been added to the staff of Waddell & Reed, Inc., 8943 Wilshire Boulevard.

Joins S. B. Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Morris M. Blumenthal has joined the staff of Samuel B. Franklin & Company, 215 West Seventh Street.

Continued from page 3

The Road Ahead

mounting inverted pyramid of consumer debt.

Let us dispose at once of the specious and fallacious arguments which purport to prove that today's mountain of private debt presents no element of danger. The simple fact that it has more than doubled from 1945 to 1952, and today is much greater instead of much less than the sum total of Federal, state and local debt should be a cause for concern, all by itself.

But corporate wealth and corporate earnings, even though they are shrinking, may justify the $165 billion of corporate debt. The value of our homes and farms and the earnings of our citizens may warrant the total of farm and non-farm debt, which has grown from $53 billion to $131 billion in seven years. Both the corporate and non-corporate debt totals involve long-term debt, for the most part, amortized or otherwise reducible over periods of from 20 to 40 years.

But it is no more true that per capita wealth justifies per capita short-term debt than it was ever true that "The size of the national debt is unimportant because we owe it to ourselves."

When the government bond market broke wide open it was discovered that the debt was owed by all of us but was owned by each of us. That was an important lesson in the fallacy usually to be found in any glittering generality.

A most prominent retail merchant is quoted by the New York "Times" as stating that consumer credit is not too high and that one reason for this conclusion is the fact that it is spread out among more families than was the case before the war. According to this gentleman, 13 million families in 1935 owed most of the $1.5 billion of installment debt. Today 26 million families owe the largest share of the $16.5 billion of installment debt. I would not question these figures but to me they are not reassuring. Restated, they disclose that twice as many families are in debt today as were in debt in 1935 and that the average installment debt per family today is $635 and not $115. That isn't good. It is bad.

Discussions of per capita wealth by comparison with per capita debt are not at all conclusive, for the simple reason that Jim will not pay Joe's debts—and there are a lot of Joes. William Green, formerly President of the AFL, stated at one time that all it would require to throw this country into a tailspin would be to have two million men hungry. Are those of us who are concerned about today's situation unduly apprehensive when we cite the possibility that less than 10% of the families who today owe nearly $1,000 apiece of consumer debt might get into difficulty because they owe considerably more than the $1,000 average?

Nor is it any valid argument to cite the favorable experience of installment debt in the big depression of 1929 to 1933. The Critical debt pyramid of that period was based on security speculation and was never larger than $8.5 billion in brokers' loans. This time the patient is ill, or at least threatened, with pneumonia. That time he had gallstones. Of course, there was no pulmonary congestion before. There is now—and it is serious.

We can pull ourselves out of this difficulty but not unless and until it is recognized as an element of danger. There lies the greatest cause for concern. It is not so recognized, at present. Therefore, it is likely to grow worse, because almost no one believes it to be bad.

Bankers need be told but one simple fact which our history discloses. Every recession or depression we have ever experienced has been precipitated or accompanied by the collapse of an inverted pyramid of debt somewhere in our economy.

We have one staring us in the face right now. It is short-term consumer debt and it is dangerous. Its growth to date has been fostered by bankers. It can be arrested by bankers. If it is not so arrested its collapse, like the collapse of all the others, could hurt the bankers as well as the borrowers.

There are two ways in which the bankers can be hurt by this collapse. If the borrowers are also savers, their savings are bound to be withdrawn and although this money will find its way back into the banking system, the chances are better than even that it will do so by an entirely different route. The principal element of danger for the banker, however, is traceable to something else. Over 10% of today's volume of trade is due to credit extension and yet trade volume promises to be less instead of more than today's production. Here are a few statistics obtained from reliable sources and as a result of extensive surveys:

This year's automobile output, at present rates, will be 6.6 million cars and trucks. The estimated demand is for 5.8 million. Television sets are coming out at the rate of 8.4 million. Sales are estimated at 6.5 million. Radios are being manufactured at the rate of 13.4 million. Sales are not likely to exceed 12 million. Electric refrigerator production is at the rate of 4.2 million against projected sales of only 4 million. And 4 million washing machines are being produced to meet a probable demand for 3.5 million.

If we are facing overproduction of about 12% in automobiles and household appliances, in spite of excessive credit extension, what will be the overproduction picture when, if and as credit is curtailed? I leave that answer to the bankers, themselves.

Bankers are sometimes so preoccupied that they cannot see the forest for the trees. Sometimes it is the other way 'round. But bankers are not ignorant. And this discussion is intended only as the proverbial "Word to the wise."

With Rex Merrick

(Special to THE FINANCIAL CHRONICLE)

SAN MATEO, Calif.—R. Rex Landrum is now with Rex Merrick, 22 Second Avenue.

Two With Inv. Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Raymond J. Carroll and Kenneth H. Sullivan have joined the staff of Investment Service Corporation, 444 Sherman Street. Mr. Sullivan was previously with Renyx, Field & Co.

Barham & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CORAL GABLES, Fla.—Kelton R. Seward is now with Barham and Company, 2207 Ponce de Leon Boulevard.

With Cruttenden & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Wilford L. Buxton has become connected with Crutenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Continued from page 14

Powerful Forces Leading Us Toward Ruinous Inflation

—are around $1 billion a week. Compare this with our military budget for the whole year of 1939. That year it amounted to $1,070,-000,000.

The increase is over 50 times—5,000%.

Our Air Force is the biggest business in the world. It spends more money buying materials annually than General Motors, U. S. Steel, Standard Oil of New Jersey, Dupont, and American Telephone and Telegraph combined. Think that over. And in the Air Force there are no competitors to reveal inefficiency and incompetence, and no automatic forces operating to reward economy and penalize waste.

Our Navy is larger than that of the rest of the world all put together.

Then there is our ground Army, competing with the other two for a bigger piece of the taxpayers' hide.

On top of all these is the atomic energy agency, plus a couple of others, that also spend $50 million a week or so.

Military spending has become virtually the sole route to profits for many businesses. It has become the magic prosperity formula for reelection for many politicians.

Can it be stopped?

Not so long as we try to be world cop. Not so long as we try to settle every quarrel everywhere.

Unusual proof of the military dominance of America was seen recently in the response to Russion peace overtures. The stock market had the worst jolt in two years. The Washington brass started screaming "foul"!

How will we cut this spending down—when such efforts will be smeared as unpatriotic—economy advocates called penny-pinchers, willing to sacrifice the safety of the nation for a few small savings. Powerful propaganda will be rolled out by both the military brass and the pocketbook patriots in industry, whose profits depend on military orders. Under these conditions the conscientious officeholder who fights for restraint and economy is not in a pleasant spot.

Inflation Force No. 3—The Strength of Labor Bosses

A few weeks ago you saw a decline in cattle prices amounting to 30% or 40%. Even the cattlemen themselves said that this adjustment was sound, and had to come. Their wisdom and courage should excite our admiration.

Now assuming other primary producers also get lower prices, do we have any assurance that labor costs will come down commensurately, so that the price adjustment will be spread evenly throughout our economy?

Aside from minute changes in a few labor escalator contracts like the CIO-GM agreement, the signs seem to be in the opposite direction. Here we must remember this fact — labor bosses are still riding high. These bosses generally will resist downward adjustments in wage rates, no matter how desirable such changes might be for the workers in the long run.

Let's consider a little-understood truth. For labor union bosses, inflation is quite satisfactory. It gives them a constant grievance with which to solidify their power.

Yes, inflation has supplied these bosses with a perfect excuse for making new wage demands regularly. By achieving their demands, the labor bosses have so far kept union worker wages rising faster tnan prices. And so since 1939 American organized labor has been better off, despite the deterioration in the dollar. The result is that the organized worker is somewhat like a youngster stuffing himself on cake. He never had it so good at the moment, but trouble is ahead.

Ultimately this wage-price spiral turns into a rat-race that ends in disaster for workers. But it will take honest and brilliant statesmen, or a period of disaster and suffering, to sell that truth to them.

Meanwhile the political and economic power of labor bosses is another force driving us towards a worthless dollar.

Inflation Force No. 4—The Delusion of Governmental Handouts

The American people have had for 20 years an effective demonstration of what government can do for special groups by political interference. This has created the delusion that government can prevent depression, end unemployment, and nullify the penalties that follows the violation of natural economic laws.

For 12 years we have been going into debt, either public or private, at the rate of $100 million a day for every working day in the year. This inflation has been promoted by government, using printing press financial procedures. Because this operation has been handled carefully to prevent public understanding and alarm, great numbers of people still do not visualize our peril. They accept the politician's claim that government schemes promising them something for nothing, will work.

And so we have full employment laws, statutes that promise financial security without saving, well-being without industry, and Utopia to our people, all without regard to the natural economic and moral laws.

It would take too long to detail the fallacies and downright crookedness that permeates this propaganda and deceit. But it can be summed up in a few words.

Any proposal that promises the citizen unearned rewards, is a swindle. Such rewards can be paid only if the government legally steals the fruits of another's labor to pay the person who gets something for nothing. The practical meaning of this is that government handouts, like embezzling in business, can bring temporary rewards. Such thievery can continue over a period of years but only if it is concealed. Other nations have done so frequently by skillful debauchery of their currency.

Here is a surer road to communism than any other—and we are on it. But this deadly danger moves slowly and quietly, and sounds no alarm to the people, like atom bomb explosions in Nevada, which have tidal waves of publicity.

Inflation Force No. 5—The End Of the Gold Standard

When the U. S. Government repudiated the gold standard in 1933, it abandoned the only effective braking mechanism thus far devised to prevent monetary inflation.

The right of the citizen to exchange paper currency for gold had historically enabled Americans to control their government's financial policies. Today the politicians can in effect, write checks against every bank balance in the land, individual or corporate, by the simple devise of issuing printing press money or bonds. That tney set up an impressive array of requirements and apparent safeguards in this operation does not change the act. And no individual with dollar savings can prevent this dilution of his savings.

Here is a simple illustration of how this factor operates.

Suppose you have a church supper. Food is ready for 100 people. Tickets are sold to 100 people. But somehow 50 additional tickets are passed out. The amount of food per person is reduced to two-thirds, automatically, isn't it? And the food value of the tickets sold for cash is likewise reduced, isn't it? There in a very elementary way is the story of government printing press money and bonds.

With the gold standard, the citizen could obtain gold and prevent governmental dilution of his dollar savings. Today he cannot.

Inflation Force No. 6—The Breakdown of Political Integrity

This cause for galloping inflation may be the most potent of all—yet it is in some respects a result rather than a cause.

Is there in government today the courage, ability and will to stop inflation and the destruction of the dollar? This is the all-important question on which our national future depends.

For 20 years the high road to political success has been to create inflation.

Now I don't mean that those in office desire inflation. Mostly they do not. But they do want to be re-elected. A genuine fight against inflation may be political suicide and they know it.

So what happens?

Vocally they all oppose inflation. But in too many cases it is just simply campaign oratory. Inflation has created a sense of prosperity, which helps them get re-elected. Perhaps the most interesting continuous tussle in Washington is the effort of both parties to avoid being hooked with the blame for any down-turn in the inflationary boom. Yes, the $100 million a day borrowing that I spoke about earlier enabled one party to stay in power for 20 years. Politicians respect that success record.

In detailing these six major inflationary forces, I have skipped others, for lack of time. It would be easy to list probably a dozen legislative economic narcotics fueling the inflation boom, and which are today politically untouchable. But my time is too short to do them justice.

If Inflation Continues, What Can You Do to Protect Yourself And Your Customers?

First, let me record my conclusion that there is no satisfactory protection against inflation. The only true way to beat inflation is to halt it. Meanwhile you and your customers can act to keep as strong as possible. This means that you will turn a deaf ear to political chatter on the subject, and instead study the realities and act accordingly.

First you may decide that probably the worst place to have your investment savings during inflation is in dollars and dollar obligations. The investor in dollars and dollar obligations has lost half his principal during the last 10 years. He will continue to lose, perhaps faster, in the next 10 years, if inflation continues. On the other hand, the person who has owned actual property, either land, good common stocks, or other productive property has seen their value double or more.

No two inflations are just alike. But generally those individuals who have come out best in other countries — and in America thus far, are those who owned land, other tangibles, and selected common stocks. All these items are wealth, or constitute title to such wealth, and to a large degree automatically increase in dollar value as the purchasing power of the dollar goes down.

I won't go further into this, much as I would like to—or my remarks would become a commercial for the investment business.

In this situation, it is a patriotic duty to preserve your economic strength. Only citizens who are economically independent can take part in the fight to save this Republic. I would like to spell this out at length, but time prevents.

Let me leave this subject with an injunction—you best protect yourselves, your customers and your country by vigilant action based on the realities of inflation and not on soothing syrup that may come from Washington.

What Can Be Done to Prevent Galloping, Ruinous Inflation?

I have outlined six major forces of inflation. On the other side, many cures are offered. For 20 years I have explored anti-inflation proposals, seeking to find the effective remedy.

About six years ago, after always discovering vital defects in other remedies, I found the one answer to inflation that seems to have historical validity. In my knowledge it is the only way inflation has even been permanently halted. It is the restoration of currency redeemable in gold. History supports that conclusion.

Possibly today there is some other cure. Possibly inflation could be ended by some new method of currency redemption, in a fixed quantity of some other article or articles of permanent intrinsic value.

In mentioning the possibility of some other standard besides gold, I do not visualize any such system. It helps make my case clear: (1) that the redeemability of paper money into a fixed quantity of an article of intrinsic and durable value is vital (2) that most of us who favor the gold standard have no especial love for the gold standard simply because it is the gold standard. Instead it is because we want inflation stopped, and don't believe anything else will do it.

If there were devised a better way, we would be for it.

The 1952 Republican platform recognized the effectiveness of gold when it set out the aim of a "dollar on a fully convertible gold basis."

By putting this pledge into their platform, the Republican party confirmed the importance of the goal. But all signs indicate that no party will restore gold redeemable money, unless the people force them to do so.

However, if enough Americans understand the situation, they will force government to restore redeemable currency. Otherwise we continue on the primrose path pointed out by General Douglas MacArthur. Speaking to the Mississippi state legislature a year ago, he declared,

"And as we continue these wastrel policies without promise or hope of regaining normalcy . . . it becomes increasingly clear that the pattern of American fiscal policy is being brought into consonance with the Karl Marx Communist theory. . . . Such policy . . . is leading us toward a Communist state with as dreadful certainty as though the leaders of the Kremlin themselves were charting our course."

Gentlemen, will we accept the challenge of MacArthur's warning!

Rejoins H. M. Byllesby

(Special to The Financial Chronicle)

CHICAGO, Ill.—Ralph M. Sommers has rejoined H. M. Byllesby and Company, Incorporated, 135 South La Salle Street, members of the Midwest Stock Exchange. Mr. Sommers has recently been with Mitchell, Hutchins & Co.

Continued from page 2

The Security I Like Best

in 1949 as a merger of a Delaware company of the same name and Maxson Food Systems, Inc. The Delaware company was incorporated in 1931. The record of yearly sales which I have before me goes back to the year 1936 when net sales totaled $2,153,000, after a decrease from net sales of $2,516,-000 in 1937 to $2,397,000 in 1938, they have increased in every year since to and including 1952. Sales and net income for the 10 years 1943 to 1952 inclusive, with consolidated figures for the latest four years are tabulated below:

	Net Sales	Net Income
1952	$87,044,618	$1,948,415
1951	58,538,075	1,508,493
1950	48,160,059	1,248,886
1949	42,011,579	1,245,031
1948	33,040,151	798,168
1947	29,067,447	626,268
1946	26,383,646	966,575
1945	12,829,296	529,881
1944	10,421,678	279,694
1943	8,734,235	463,387

The per share earnings, of course, have not kept pace with the increase in net income, as there were 999,598 shares outstanding Dec. 31, 1952, compared with 317,579 shares at the end of 1943. Most of this increase was for the purpose of acquisition, though some 200,000 shares were the result of a 50% stock dividend in 1950.

Profits before taxes for the year 1952 amounted to $4,434,305 vs. $2,969,093 in 1951. The gain in net income was achieved despite a 70% rise in Federal Income and excess profits tax—provision for which rose to $2,485,890 in 1952, from $1,460,600 in 1951.

Per share earnings, after payment of preferred dividends, amounted to $2.02 for 1952, based on the average number of shares outstanding during the year. Paul E. Reinhold, President at the time, but now Chairman, expressed the opinion that it seemed appropriate to use the average number of shares outstanding "because major acquisitions made primarily through the exchange of stock were consummated so late in the year that the shares involved received only limited benefit from the earnings of the newly acquired companies." Additional properties acquired since the first of the year have increased the outstanding shares to 1,047,331.

Paul E. Reinhold as Chairman now reports sales of $27,500,000 for the first quarter of 1953, an increase of 40% over the volume in the same 1952 period. He estimated earnings for the quarter of $1,400,000 before taxes.

G. D. Turnbow who succeeds Mr. Reinhold as President comes to the company from one of the acquired enterprises. I have been told that his successful business record even exceeds that of Mr. Reinhold.

Cash dividends have been conservative. The current cash disbursements are 25 cents quarterly. The same cash rate prevailed in 1952 and was supplemented by a 5% stock dividend on Oct. 15 of that year.

The stock is traded in the unlisted market, and as this is being written is quoted 20½-22. I consider Foremost Dairies common as a suitable investment for a businessman, although because of the character of the business, it might be included in somewhat more conservative accounts.

Waddell & Reed Add

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Hazel M. Deveney is with Waddell & Reed, Inc., 8943 Wilshire Boulevard.

Joins Davies Staff

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif. — Wing Kai Fat has joined the staff of Davies & Co., 919 Tenth Street.

With Mutual Fund Assoc.

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif.—Charles E. Ebbersol is with Mutual Fund Associates, 1903 Capitol Avenue.

Mutual Funds

By ROBERT R. RICH

GEORGE A. SLOAN, President of Blue Ridge Mutual Fund, Inc., announced that the stockholders at their Annual Meeting have approved contracts for distribution of company's shares and investment advisory service.

Under the new arrangement, Harriman Ripley & Co., Inc. will be the national distributors and will furnish certain operating services and facilities. John P. Chase, Inc., investment counsel of Boston, will provide advice on portfolio securities to the officers and directors. Stockholders also re-elected existing directors and officers and added Harding C. Woodall, Vice-President and director of Harriman Ripley & Co., Inc., and John P. Chase of Boston to the board.

STOCKHOLDERS of Wellington Fund in annual meeting last week were given a preview of the newly-made picture—"The Story of Wellington Fund"—told in color with slides and a coordinated sound track.

The picture was produced under the direction of A. J. Wilkins, Vice-President of Wellington Company. It is for use jointly with another visual presentation just completed by Wellington Company called "The Story of Mutual Funds."

Mr. Wilkins said the two pictures complement each other. They were made, he added, for presentation before social and civic groups of various kinds. "Never before has there been so widespread a public interest in mutual funds," the Wellington executive went on. "These pictures have been designed to satisfy that need by presenting in arresting fashion the story of the industry generally and of Wellington Fund in particular."

Mr. Wilkins said that while the pictures have not yet been released for use by dealers, Wellington Company already has received requests from dealers all over the country for showings.

A total of 7,466,271 shares or 78% of the outstanding stock was voted affirmatively either in person or by proxy for reelection of directors at the annual meeting. The vote, both in total number and percentage, was the largest ever cast at a stockholder meeting in the Fund's 25-year history. There were no dissenting votes.

STOCK DISTRIBUTIONS (having the effect of split-ups) were declared Monday on three industry Funds of Group Securities, Inc. Directors voted a 200% distribution—equal to a 3-for-1 split—on Electrical Equipment (and Electronics) Shares, and a 100% distribution — equal to a 2-for-1 split—on Investing Company Shares and Petroleum Shares. The distribution will be made on or about May 15, 1953 to holders of record at the close of business on April 30, 1953.

This action reduces the price per share on these Funds to figures more nearly consistent with their initial offering prices, thereby making their purchase more convenient, both for lump sum transactions and under the Group Securities Periodic Investment Plan.

Each of these three mutual funds was initially offered at the equivalent of $5.50 per share, two in 1934 and one in early 1935. Closing prices as of April 17, 1953 were $16.26 for Electrical Equipment (and Electronics) Shares, $14.20 for Investing Company Shares, and $14.41 for Petroleum Shares. Since their initial offering capital gain distributions per share have totaled $3.06, $3.12 and $2.01 respectively.

No exchange of certificates is required by present shareholders as additional certificates representing the stock distributions will be mailed to shareholders, or shares credited to their Dividend Reinvestment or Periodic Investment Accounts, on or before May 15, 1953.

PUTNAM FUND, Boston, increased its holdings of common stocks during the first quarter of 1953 to 66% of the total Fund, compared with 63% at the year-end, according to the quarterly report to shareholders.

In commenting on the current situation, George Putnam, Chairman of the Trustees, said, "We foresee continued readjustments and uncertainties . . . but we do not believe that this country is dependent for its prosperity upon a war economy or upon a continuous emergency spending program. It is the carefully considered judgment of your trustees that recent events do not call for a major change in policies."

New common stock additions to the portfolio during the first quarter were as follows:

2,500 American Re-Insurance Co.
5,000 Atlantic Coast Line RR. Co.
6,000 Bethlehem Steel Corp.
10,000 Climax Molybdenum Co.
*15,000 Family Finance Corp.
10,000 Food Fair Stores, Inc.
10,000 General Motors Corp.
5,000 Nat'l City Bank (Cleveland, Ohio)
2,200 Sharp & Dohme, Inc.
1,000 Spencer Chemical Co.
10,000 Transamerica Corp.
10,000 United Fruit Co.
7,000 United States Steel Corp.
5,000 Westinghouse Electric Corp.
6,000 Western Pacific RR. Co.

*Through conversion of preference stock.

The following major holdings were eliminated from the Fund during the quarter:

12,300 Pacific Western Oil Corp. 4% cum. pfd.
10,000 Great Northern Ry. Co. $6 non-cum. pfd.
20,000 Missouri Public Service Corp.
4,500 Ohio Edison Co.
12,000 Allied Stores Corp.

NATIONAL INVESTORS Corporation's 64th quarterly report made public Wednesday by Francis F. Randolph, Chairman of the Board and President of this growth stock mutual fund, lists net assets of $30,331,876 on March 31, 1953, to show a gain of 5.8% over the net asset figure of $28,657,681 reported for the same date in 1952. Growth in assets reflected an increase in the number of shares of capital stock outstanding to 2,583,304 from 2,282,390 a year earlier. On March 31, National Investors had 11,378 shareholders as compared with 9,568 last year.

According to the report, March 31 net assets were equivalent to $11.74 per share. This compares with $12.23 at the beginning of 1953. Adding back the distribution from realized gain on investments of 41 cents per share made in 1952, the March 31, 1953, asset value was equivalent to $12.15 as compared with $12.55 a year earlier.

In an analysis of who owns National Investors, the report shows that individuals, half of whom are women, hold 80.2% of the outstanding shares, fiduciaries 6%, financial and other business concerns 4%, colleges, hospital and fraternal organizations 2% with the remaining 7.8% spread over a variety of shareholders including union, pension and employee funds, churches and other religious organizations, security dealers, etc.

During the first quarter National Investors continued, for all practical purposes, to be 100% invested in common stocks. Oil stocks, representing 22.14% of assets, made up the largest single industry holding followed by Chemical stocks at 13.67% and public utility stocks at 11%.

New holdings during the first quarter included 30,000 shares of Canada Dry Ginger Ale, 9,000 Carrier Corporation and 6,300 Wisconsin Electric Power. Portfolio additions included 500 Amerada Petroleum, 5,000 Columbia Broadcasting, 7,600 du Pont, 2,700 Emhart and 4,000 Victor Chemical. National Investors holding of Celanese was reduced by 8,500 shares and positions were eliminated with the sale of 15,000 Affiliated Gas Equipment, 4,300 Grand Union, 12,000 Rayonier and 18,000 York Corporation.

TOTAL NET assets of Chemical Fund, Inc. on March 31, 1953 were $52,989,406 with 2,702.594 shares outstanding, against $51,781,818 with 2,393,357 shares outstanding on March 31, 1952. Net asset value was $19.60 per share at the end of March compared with $21.63 at March 31, 1952.

A sharp rise in the demand for most chemicals during the latter part of 1952 that carried over into the first quarter of this year was cited in the 59th quarterly report of the fund as being responsible for an average increase in portfolio company sales of 5% over 1951, although average net earnings per common share decreased 8% compared with 1951. Higher labor and material costs, plus increased depreciation and amortization charges were responsible for the decline in earnings. The Federal Reserve Board index of industrial chemical production recorded successive new highs in October, November and December. Since then, volume has been maintained.

The report states that the constantly increasing emphasis on research in the chemical industry should result in significant contributions to future growth, provided the tax and economic climate are favorable for industrial progress. The elimination of the present Federal excess profits tax, which expires at the end of June. "should restore incentives for efficiency and industrial progress, and should enable the growth of the chemical industry to be reflected in net earnings and dividends," the report concluded.

TRUSTEES of New England Fund made public on Wednesday their 86th report — covering operations for the first three months of 1953. Shares had a liquidating value of $18.48 on March 31, compared with $18.62 three months earlier and $18.16 a year earlier. Adding back the 35 cents per share payment from capital gains in December, 1952, the per-share value showed a gain of 4% for the year. The 86th consecutive quarterly dividend from net investment income, payable on May 1 to some 2,350 shareholders, was 15 cents per share.

Net profits realized from the sale of securities during the first three months of 1953 totaled $107,912; and unrealized profits amounted to $908,519. Total assets at the end of the first quarter of 1953 were $6,542,530, a 22% growth in the size of the Fund since the end of March last year, largely due to the increase in the number of shares outstanding —to 354,034 from 295,509. Total assets at the 1952 year-end were $6,434,039, and there were 345,498 shares outstanding.

During the March quarter, high-grade defensive holdings were increased by about 4% and common stock holdings were decreased by approximately the same amount. At the end of the quarter, 27% was in short-term U. S. Government securities, corporate notes and cash; 11% in corporate bonds and preferred stocks; and 62% in common stocks.

There was a slight reduction in the proportionate holdings of public utility stocks during the first quarter, but at 21% of total assets these issues were still the largest group represented in the portfolio. The second largest industrial concentration was 10% in oils, and the third largest was 5% in rubber stocks.

Major portfolio changes in the first quarter were:

Purchases

4,300 shs. Robertshaw Fulton Controls Co.
4,000 shs. Central Maine Power Co.
1,300 shs. Kansas Power & Light Co.
$100,000 U. S. Treasury 2¼, 2-15-54

Eliminations

2,100 shs. General Refractories Co.
5,000 shs. Middle South Utilities, Inc.
4,400 shs. Virginia Electric & Power Co.
$100,000 American Tel. & Tel. 2¾, 1961

BROAD STREET Investing's net assets increased to a new high of $31,912,720 on March 31, 1953, according to the 93rd quarterly report of this diversified mutual fund made public Wednesday. This level represents a gain of 19.7% over that reported on the same date last year.

The asset value of Broad Street Investing shares was $22.31 on March 31 this year and after adding back the distribution from realized gain on investments of 45 cents per share made in 1952, was slightly greater than a year earlier.

According to Francis F. Randolph, Chairman of the Board and President, Broad Street also established a new record in the first quarter in the payment of a dividend from investment income of 25 cents per share. This payment was increased from 23 cents paid in the same period in 1952. Mr. Randolph pointed out, however, that the dividend was increased to approximate more closely the corporation's first quarter investment income and the action does not indicate an increase in dividends for 1953 in full over the $1.10 per share paid last year.

According to the report, 8,406 shareholders owned 1,429,922 shares of Broad Street Investing stock on March 31, 1953, as compared with 6,419 shareholders owning 1,182,536 a year earlier. An analysis of shareholders given in the report reveals that 82.4% are owned by individuals, of which more than half are owned by women. In other categories, fiduciaries at 4.6%, financial and other business concerns at 2.9% and colleges, churches, hospitals and other institutions at 2.4%, were the largest.

Broad Street Investing ended the first quarter with 89.22% of its assets invested in common stocks. Oils at 18.75%, public utilities at 17.86% and chemicals at 7.74% represented the largest industry holdings.

During the quarter 10,000 American Can, 2,600 Arizona Public Service and 10,000 du Pont were introduced into the portfolio. Holdings increased included 1,000 American Natural Gas. 2,000 Maytag, 1,000 Newport News Shipbuilding and 4,100 Wisconsin Electric Power. The Fund's holding of 15,000 shares of West Kentucky Coal was eliminated and Celanese and Chrysler were reduced by 4,000 shares each.

DELAWARE Fund has come up with something new in prospectuses. It's a "Fact Book." That's the title the Fund has given its currently revised prospectus, which it thinks may set a precedent in the industry.

The "Fact Book," as the name implies, gives facts about Delaware Fund in down-to-earth prose with an elaborate use of color and illustration, telling the story of Delaware Fund and its operations completely and in interesting fashion.

The "Fact Book" was described by W. Linton Nelson, President, as a return to the function originally assigned the prospectus. He recalled that under investment company legislation the prospectus was to be a sales piece that would tell the story of the offering in full. "However," Mr. Nelson went on, "the introduction of legalistic prose eventually led to the development of what is known in the industry today as supplemental literature. Delaware Fund's 'Fact Book' marks a return in its simplicity, completeness and attractive presentation to the original design, and function of the prospectus.

"We have tried," the mutual fund executive explained, "to produce a prospectus that an American investor can read and understand, rather than one that would require a Philadelphia lawyer to interpret. And we began right with the title. That's why it's called a 'Fact Book'."

CLOSED-END NEWS

GROSS ASSETS of Tri-Continental Corporation totaled $177,029,786 on April 8, 1953, according to the first quarterly report, to give effect to the merger of Capital Administration Company, Limited.

After deducting liabilities and reserves, net assets were equivalent to $24.68 per share of common stock. Earlier reported figures are not strictly comparable because of the merger, but Tri-Continental's common stock had an asset value of $25.69 per share on Dec. 31, 1952 and $23.98 on March 31, 1952.

The report shows asset coverages for the enlarged senior capital structure of the expanded company of $8,952 per $1,000 principal amount of debentures outstanding and $354.29 per share on 405,370 shares of $6 preferred stock.

Net investment income for Tri-Continental, exclusive of Capital Administration's income, which is not consolidated in the report, totaled $1,650,298 for the period to April 8, 1953. Investment income was reported at $1,487,065 for the first quarter of 1952. Earlier this year, the corporation increased the first quarter dividend on its common stock to 20 cents per share from the 15 cents paid in the same period last year. Francis F. Randolph, Chairman of the Board and President, states in the report, however, that the first quarter dividend was increased to approximate more closely the corporation's investment income for the period and is not necessarily an indication that payments for the year 1953 in full will be more than or equal to the $1.04 per share paid last year.

Common stocks made up 79.65% of Tri-Continental's investment portfolio on April 8, 1953. Oil stocks, valued at $26,692,639 or 15.30% of investment assets, continued to represent a major holding but lost first position in the portfolio to public utility stocks with a value of $27,312,139, equal to 15.65% of assets. Chemical stocks representing a holding of $13,952,550 remained in third position and Tri-Continental's $12,536,000 interest in its wholly-owned securities underwriting and distributing subsidiary, Union Securities Corp., ranked fourth.

During the first quarter Tri-Continental established new investment positions with 11,000 shares of Carrier Corporation common stock and 9,400 shares of Kansas Power & Light. Principal increases in common stockholdings were 20,000 du Pont, 30,600 Reynolds Tobacco, 14,000 American Tobacco, 13,000 Wisconsin Electric Power, 4,500 Nickel Plate Railroad, 8,900 Maytag, 4,000 Pacific Gas & Electric, 3,900 Kansas Gas & Electric and 4,000 American Natural Gas. During the period Tri-Continental eliminated portfolio positions by the sale of 60,900 York Corporation common, 25,000 West Kentucky Coal, 8,000 Chrysler, 16,000 Phelps Dodge, 6,500 Best and 2,500 Hercules Powder. Reductions included 26,000 Sinclair Oil, 13,300 Standard Oil of Indiana, 7,000 Kennecott Copper, 8,300 Continental Oil, 15,000 Celanese, 6,000 Humble Oil, 10,900 United Gas, 2,000 Seaboard Air Line Railroad, 2,000 Minneapolis-Honeywell and 5,000 Merck.

FIRST quarter reports of United States & Foreign Securities Corp. and its affiliate United States & International Securities Corp. show a combined net asset value of $122,263,043 as of March 31, 1953 compared with $134,061,262 on March 31, 1952. These figures are after a deduction of $37,465,188, representing U. S. & Foreign's investment in its affiliate covering the latest period and a similar deduction of $41,586,325 for the corresponding period last year.

Net assets of U. S. & Foreign itself as of March 31, 1953 amounted to $96,766,691, equivalent to $967.67 per share of first preferred stock outstanding and, after deducting the value in liquidation of the first and second preferred stocks in the total amount of $15,000,000, to $83.01 per share of common stock outstanding. This compares with net asset value on March 31, 1952 of $107,557,497, or $1,075.57 of first preferred stock and $93.97 per share of common stock.

U. S. & International's net assets at March 31, 1953 were $62,961,540, equivalent to $314.81 per share of first preferred stock outstanding and, after deducting the value in liquidation of the first and second preferred stocks in the total amount of $35,825,000, to $10.92 per share of common stock outstanding. This compares with net asset value on March 31, 1952 of $68,090,090, or $340.45 per share of first preferred stock and $12.60 per share of common stock.

U. S. & Foreign owns 99% of the second preferred stock and 80% of the common stock of U. S. & International.

The reports state that no allowance has been made for capital gain tax on unrealized appreciation as the corporations have elected to be taxed as "regulated" investment companies and under existing law are relieved of that tax on realized investment profits distributed as capital gain dividends.

Micro-Moisture Stock Offered by McGrath Securities Corp.

McGrath Securities Corp., New York, is offering an issue of 299,000 shares of common stock (par one cent) of Micro-Moisture Controls, Inc. of Miami, Fla., at $1 per share "as a speculation."

The net proceeds are to be used for expansion of the company's facilities and for working capital. Micro-Moisture, organized in Delaware on Jan. 16, 1953, manufactures a product known as "Weather Guard" based upon micro-moisture grid controls. The product is now ready for national distribution.

The company now is marketing only one product, the Weather Guard for raising hydraulically and electrically operated car windows and convertible tops.

Boston Investment Club To Hold Dinner Meeting

BOSTON, Mass. — The next dinner meeting of the Boston Investment Club will be held at the Boston Yacht Club on Tuesday, April 28, at 5 p.m.

Principal speaker will be E. Frederic Uhrbrock, one of the country's leading rail analysts and head of the Research Department of Vilas & Hickey, New York. His subject will be "Outlook for Railroad Security Prices for 1953."

Kenneth S. Adams

Kenneth S. Adams passed away at the age of 73 on April 20. Mr. Adams was a former President of the Hartford (Connecticut) Stock Exchange. He was a founder of Adams, Merrill & Co., investment brokers, from which he retired in 1941.

A. M. Kidder Opens Branch Under Nowell

ORLANDO, Fla.—A. M. Kidder & Co., members New York Stock Exchange, have opened their fourteenth year-round Florida office in Orlando, under the management of Robert E. Nowell. Mr. Nowell was formerly with Thomson & McKinnon.

Fusz-Schmelzle Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Glennon J. Martin is now with Fusz-Schmelzle & Co., Boatmen's Bank Building, members of the Midwest Stock Exchange. He was previously with Waddell & Reed, Inc.

Hess Inv. Co. Adds

(Special to THE FINANCIAL CHRONICLE)

QUINCY, Ill. — Kenneth M. James has become affiliated with Hess Investment Company, Illinois National Bank Building. He was previously with Slayton & Company, Inc.

Two With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Andrew M. Masur and Oliver B. Polk have become affiliated with Waddell & Reed, Inc., 1012 Baltimore Avenue.

Continued from page 5

The Market . . . And You

narrowing of profit margins and a recession in retail trade —all these seem so logical that the realist naturally adopts a pessimistic attitude.

The Picture's Bright Side

An idealist can visualize the bright side of the picture. It requires imagination to appreciate what might be done for mankind by devoting billions of dollars (now funneled into ammunition and similar war materials) to useful products. In his address before the American Society of Newspaper Editors last week, President Eisenhower referred briefly to that Utopia untouched by war—a brighter world in which sums formerly spent on national defense could be utilized for improvement of living standards in underdeveloped countries. What benefits could be gained by manufacturing motor cars, household appliances, etc., instead of aircraft, guided missiles and atomic weapons!

When one stops to consider that the United States spends $40 billion or more annually for military purposes and for arming our allies in Europe, it is not difficult to imagine what might be accomplished in a program of world betterment. As an example, our automobile plants produced and sold last year almost 4.4 million cars with a factory value of something less than $7 billion; in 1951 slightly more than 5.3 million vehicles were manufactured and sold for about $7.3 billion. About 5 million television sets with a wholesale value of half a billion dollars or more were turned out by American plants last year. A great many refrigerators, washing machines, vacuum cleaners, electric irons and other household appliances were distributed to American consumers. The total value of the country's output of motor cars, trucks and desirable appliances must have been well below our expenditures on military preparations. In other words, we have the potential of doubling our output. But the realist intervenes with a harsh question, "Who would pay for them?"

Time Unpropitious for Discounting World Peace

The world moves slowly toward the millennium of world peace. One may wish for an era of universal brotherhood, but the time for discounting such a state of affairs in the stock market is not yet. There is encouragement, however, in thinking that cessation of hostilities in Korea and other signs of a lessening in the cold war may mean progress. Undoubtedly the nation's economy has been weakened by huge expenditures of labor and materials on wasteful armament. Too great a proportion of the national income — earnings of our gainfully employed—has been poured down the drain. Wealth is created only through production of useful goods.

If peaceful settlements can be negotiated in Washington and in Moscow looking toward retrenchment in defense expenditures which hold promise of reducing burdensome taxes and of enlarging our country's disposable income, then there will be reason for viewing the future more optimistically, for the nation's workers then would be able to increase their spending for desirable merchandise—better homes, automobiles, television sets and hundreds of other attractive items in consumer goods.

The Bearish Analysts

Realism held sway as economists and technicians debated the future of business and market prices at the sixth annual convention of the National Federation of Financial Analysts Societies in Philadelphia. Sentiment leaned heavily to the bearish side in reflecting a conviction that the tempo of industrial production was destined to hit a slower pace.

With the thesis of a business slump so widely accepted, one might wonder whether the market had not taken into account this adverse psychological factor. Many investors probably are prepared to wait out a mild recession in expectation of a recovery in response to more liberal spending of savings or as a consequence of other stimulating influences. In any event, precedent suggests that a high percentage of the experts seldom guess correctly.

The manner in which liquidation tended to lose momentum on the recent decline suggested that holders were not likely to become panicky over a Korean truse agreement and that at least a moderate recovery might take place before resumption of emotional selling.

[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 Ames, Emerich Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Allan F. Smith has become associated with Ames, Emerich & Co., Inc., 105 South La Salle Street, members of the Midwest Stock Exchange. He was formerly with Dempsey & Co. for many years.

Continued from first page

Tongue in the Cheek!

ties field constitute itself an auxiliary to employee unions?

The Commission assigns a number of reasons for its so-called projected simplification of the instant registration requirements. Among these are the following: "Employees' stock purchase plans are being adopted by more and more companies not only as a savings program for the employee but also as a means of stimulating his interest in the employer, thus fostering improved employee relations."

"The Commission has had under consideration for some time the question whether its rule-making powers under the statute might properly be employed to simplify its registration requirements. . . ."

"The increasing interest on the part of many corporations in thrift savings or stock purchase plans involving the accumulation of funds of employees and the employer, for investment in securities of the employer, has prompted the Commission to give special attention to the registration and prospectus requirements applicable to such plans."

Here is a demonstration of paternalism on the part of a government agency which we just don't go for.

As we view it, the matter of acquiring a proprietary stock interest in a business by its employees is one of a contractual relationship between those employees and their employer and should require no supervisory direction or control from an administrative agency.

The Securities Act of 1933 specifically exempts transactions by an issuer not involving a public offering and here in our opinion is an outstanding instance where this provision should be invoked so that a plan providing for the acquisition of a proprietary interest by employees be not construed as a public offering.

But let us proceed to examine some of the intricacies of this **"simplified"** proposal.

It is limited to stock purchase plans under which the companies make periodic contribution in cash or securities for the benefit of participating employees who deposit cash or authorize payroll deductions in connection with their stock purchases.

It is also limited to companies which file annual reports with the Commission.

The stock must be purchased mainly in the open market.

The general instructions covering the operation of and conformance with this proposed Form S-8 are so simple that they occupy nine closely-typewritten pages.

Space will not permit giving all of these in detail, but the complexity of the whole will be readily understood from a summary which will not be all-inclusive by any means.

A plan must conform to the following conditions as a condition precedent to its registration under the SEC requirements:

The plan must permit all employees in a designated category to participate. Periodic cash payments and payroll deductions may not exceed a specified percentage of the employee's pay. [Editor's Note: How about telling the employee how much he may spend for cigarettes?] All this must be done pursuant to a specified formula. The proceeds must be deposited in a bank or trust company which will keep an individual record of each participant. The employee under certain given conditions may withdraw all of his contributions without forfeiture.

There are other requirements, many of them.

Then follows a lot of hoopla about the application of general rules and regulations.

This is enlightening: "The registration statement shall consist of the facing sheet of the form, the prospectus, the required undertakings, signatures, consents of experts and exhibits and any other information or documents filed as a part of the registration statement."

Do you think this is becoming involved? Well, please hold on, for it is only the beginning. When it comes to making the regulated walk a treadmill, the SEC is a real champion.

Witness a whole list of complicated instructions and directions under the heading "General Information Regarding the Plan, Who May Participate in the Plan, Contributions Under the Plan, Withdrawal from the Plan, Assignment of Interest, Default under the Plan, Administration of the Plan, Investment of Funds, etc., etc., etc."

Still the end is nowhere in sight. There are prospectus requirements, summaries of earnings, directions with reference to annual reports, etc., etc., etc.

Conformity with these proposals requires lawyers, accountants, experts and money, lots of it; and if these are the products of simplification, then heaven help us, for we are the public who in the end pay prices that reflect the costs of the present registration requirements which, sans the projected simplification, are very expensive indeed.

When the SEC dubs the proposal a **simplification** there is implicit in that appellation an admission of existing complexity, again of its own doing, especially where the simplification is itself so complex as to require a Philadelphia lawyer to unravel it.

In the absence of the abolition of the Securities and Exchange Commission, we have called for amelioratory legislation which would amend the existing Federal securities laws.

Questioned by a reporter in a recent press conference on the possibility or advisability of amendment to existing SEC legislation, Donald C. Cook, the Chairman of the Commission, gave it as his opinion that such legislation is "remote and most unlikely." He added that "the kind of action we are taking here"—meaning Form S-8—"makes unnecessary such amendment. There is no important problem under any of our statutes that couldn't be handled by administrative action."

We wonder whether the implications contained in Mr. Cook's remarks are generally understood. These can have no other reference than to the rule-making power of the Commission, the setup of which we believe to be one of the most pernicious factors in the whole of our administrative system.

Even though he may not have intended it, what Mr. Cook in effect said was that the SEC can legislate and replace our Congress by exercising its rule-making powers.

The circumscription of those powers is essential to our well-being and until this is done we may expect further invasion of our rights such as in this instance, partially supplanting the principals, that is, the employer and the employee, and substituting contract provisions between them which are those insisted upon by the Commission.

If the Commission enjoys this wide power that Mr. Cook implies, then in the interest of wisdom and its own preservation it would do well to keep its nose entirely out of employer-employee relationships and not attempt to write contracts for these parties. It would do well not to have any registration requirements for employees' stock purchase and savings plans. In that event we would really have a simplification.

As it now stands, interested persons are given until May 12 to submit their views on the proposal. We suggest those views be that all registration requirements relating to the matter under discussion be completely abolished.

Holding a press conference in connection with this release seems silly. The attempt to create an impression that the SEC was rendering some signal public service is completely unwarranted by the facts. It all amounts to but another administrative smoke screen intended to obscure valid criticism of SEC activities.

There is a field in which simplification is vital to the pubic welfare, and that is with respect to the registration requirements, complex and burdensome as these are, set forth in the Commission's rules relating to primary public offerings. Why doesn't the Commission focus its attention here and give much needed relief, instead of injecting itself with piddling action into the employee-employer relationship?

In the press conference of which we speak, Chairman Cook indicated that the Commission's budget for 1954 will be slightly larger than the $5½ million of 1953, but will not quite equal $6 million.

Well, we have a new and understanding Administration, one which is divorced from two decades of paternalism; one that is pledged to shear the powers which have been exercised by administrative agencies, especially by the Securities and Exchange Commission. Under the circumstances it is not too much to hope that the SEC budget for next year will be measurably cut by Congress.

Through such action will come some respite from oppressive administrative action.

The CHRONICLE would appreciate receiving comments on the views expressed in the above editorial, or on any related phases of the subject under discussion. Communications should be addressed to Editor, Commercial and Financial Chronicle, 25 Park Place, New York 7, N. Y. Those who are desirous of having the SEC shackles removed should also write their Senators and Congressmen and send copies of their letters to Senator Prescott Bush of Connecticut (Chairman of the Senate SEC Subcommittee) and to Congressman Charles A. Wolverton of New Jersey (Chairman of the House Interstate and Foreign Commerce Committee that deals with the SEC).

Halsey, Stuart Group Offer Equip. Tr. Ctfs.

Halsey, Stuart & Co., Inc., and associates are offering today (April 23) $10,000,000 of Southern Pacific Co., series II 3⅛% equipment trust certificates, maturing annually May 1, 1954 to 1963, inclusive. Subject to authorization by the Interstate Commerce Commission, the certificates are priced to yield from 2.60% to 3.25%, depending on maturity.

These certificates are to be secured by the following new standard-gauge railroad equipment estimated to cost not less than $15,000,000: two diesel passenger locomotives; 39 diesel freight locomotives; seven diesel switching locomotives; 222 box cars; 263 gondola cars; 19 flat cars with end racks, and 42 ballast cars.

Included in the offering group are: R. W. Pressprich & Co.; L. F. Rothschild & Co.; Blair, Rollins & Co. Inc.; Baxter, Williams & Co.; Freeman & Co.; Gregory & Son Inc.; Ira Haupt & Co.; Wm. E. Pollock & Co., Inc.; The Illinois Co.; McMaster Hutchinson & Co.; First of Michigan Corp.; McCormick & Co.; Mullaney, Wells & Co., and F. S. Yantis & Co., Inc.

S. E. Fleischmann With Merrill Lynch Firm

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Samuel E. Fleischmann has become associated with Merrill Lynch, Pierce, Fenner & Beane, 511 Locust Street. He was formerly a partner in Friedman, Brokaw & Co.

D. E. Reilly Joins Doremus & Co. NY

David Emerson Reilly has joined the New York public relations department of Doremus & Company, 120 Broadway, New York City, advertising and public relations firm, it is announced.

Mr. Reilly was most recently promotion director of Standard Research Consultants, Inc., and as a former Steve Hannigan associate, worked on the initial Parade of Stars Automobile Show of Electric Auto-Lite. He has been account executive and board member of the former J. M. Reilly Company of Boston, now Reilly, Brown & Willard; new business director of the American Institute of Finance; and a member of the editorial staffs of the McGraw-Hill Publishing Company, the McGraw-Hill Book Company and the "Christian Science Monitor."

With McDonald, Evans

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Cameron J. Hemphill is now with McDonald, Evans & Company, 1009 Baltimore Avenue.

Continued from page 16

How Sound Is Our Farm Credit?

riod of declining markets. Now, most of you would admit that this might happen once in a lifetime, but to repeat the same mistakes as soon again as 1928 and 1929 seems almost too much to believe. In many cases, it did not happen to the same borrower, or to the same banker, for many of them were definitely out of business and, incidentally, many of them had died of a broken heart, but it did happen in many cases in the very same area.

I feel it is unnecessary to review with you Indiana bankers the hardships of agriculture during the depression and drouth years from 1930 to 1936. Even you younger men have some memories of those days when, for many a farm family, school books, shoes and blue jeans were almost a luxury and the family car (and only one car) was a worn-out jalopy.

Since 1935, financing agriculture has become quite a simple matter in most localities. Yes, it is true some areas have been devastated by floods. Other locations have lost a wheat crop and still others have suffered from drouth, but the country as a whole has enjoyed prosperous conditions, when viewed from the standpoint of livestock and agriculture and their bank loans have been liquidated in excellent fashion. Our own losses in this period on a large volume of livestock and agricultural loans have been nil.

Now, what is the formula for keeping out of trouble in the future? How can we continue to serve our customers and not only keep out of trouble ourselves, but, beyond this, keep our customers out of difficulty? Keep in mind that a "broke farmer" is no asset to your bank or to your community and when you are dealing with an honest borrower, remember that when you take even a modest loss, your producer is out of business.

Essentials in Agricultural Credit

I do not regard it essential at this time to go into a lot of details with you men of experience in this business of financing livestock and agriculture. I am going to clarify a number of very important things in one paragraph; namely, the honesty and integrity of the borrower—his "know-how" and resourcefulness and experience, of necessity, must be a foregone conclusion. If your man meets these qualifications, what is a practical approach?

First, know your customer. By this I do not mean a casual acquaintance, nor do I mean that you knew his father or his uncle. Get to know him and his family. Visit his farm or feed lot and become his friend. Have him realize that you are human, that neither eye is glass. Have him understand that you have a responsibility to your depositor—to your stockholder. Have him understand that "yes" is not always the best answer—for him. To do this most effectively, you must be friendly. You must have his confidence — you must have sound reasons and you must know his operation thoroughly—thoroughly enough to point out the risk and ~~all the hazards of his undertaking~~ and still be optimistic enough to recognize where success could be attained in spite of some adverse conditions.

(2) Have good information in your files — don't have a sloppy, incomplete credit file. Before you make the loan, have him sit down and give you complete information and keep it complete. Compare **with him** his financial statement from year to year. Keep all these statements in the file for years, also copies of all documents, all letters—everything pertaining to the loan in **his file**. Point out to him his progress, also show him his lack of progress, if this be the case.

(3) Do not half finance your customer. If $18,000 is required to do a good job, don't tell him he will have to get along on $14,000. It just will not work. (I would not give you a nickel for a steamship ticket to within five miles of Liverpool, if I had to swim that last five miles.) What do you suppose a Cadillac would sell for if the company were to say "we do not have sufficient funds on hand to paint it"? Be realistic when you are working out his loan requirements and his budget for the period. Insist that he put in the things that are essential and see to it that your projections are ample. When you have to go back to your Executive Committee in two, three or four months and rearrange an increased line of credit, two things occur to them. No. 1 — your customer doesn't know what he is doing. No. 2 — you do not know for sure what you are doing. So have your program adequate. Make a memorandum of your budget and hand your customer a copy so that he will realize full well that that trip to Florida was not included in his operating budget.

(4) Discuss fully and frankly your loans with your Board of Directors. Get their advice and counsel. Present not only the bank's point of view, but the borrower's problems. This is especially important where you have Board Members who know and understand the activities of agriculture. Give them complete facts and if you do not know the facts, for heaven's sake, get them before you attempt to present your customer's request.

(5) Do not hesitate to talk to your Bank Examiner when he visits your place. Keep in mind that he is a good American, visiting your bank in the discharge of a duty and responsibility and that he is there not only to do a job, but he is there to be helpful in the matter of analyzing your problems and to give you the benefit of his advice and counsel as to how you can do a better job for your bank and for your customers. In this respect, the greatest associate you can have is a good complete credit file and a thorough personal knowledge of your borrower's condition. Many a good loan is criticized because the banker himself has failed to portray many of the favorable factors and your examiner, with all his wisdom, is, after all, not a mind reader. Give him the information he needs to arrive at an honest and reasonable decision.

(6) Where you take security, insist on all proceeds of sale being applied. Don't ever weaken. The minute you become a little sloppy or a little careless in this respect, your borrower will become just twice as sloppy and careless, and when this happens, you may as well tear up that chattel mortgage and, far better, take an unsecured note. I don't care how big they are or what their family connections. When you make a chattel mortgage loan on cattle, on sheep, on crops, or any other commodity, demand that all proceeds be applied and if advances are necessary for legitimate purposes, consider those advances on their merits. Do not release the proceeds.

(7) Do not be a 90-day bank. Arrange a maturity on your loan when the customer will normally have production to sell either to fully repay, or substantially reduce the debt. This eliminates past due paper. It eliminates a lot of work. Yes, I'll grant it deprives you of a little interest, but if you will spend the time saved in making up renewals in the development of new business, your earnings will reflect favorably.

(8) In most all cases some thought should be given the customer's life insurance program. Let's not overdo this end of it, but, in many a case, a reasonable amount of insurance payable to the bank serves a fine purpose in case of emergency.

(9) Do not become avaricious and try to collect the last cent of interest that your customer will pay to anyone. Remember, you are running a bank. Let the life insurance companies and the long-term credit agencies finance the long-term credit. Encourage your customer and help him to carefully arrange a well planned long-term credit, even though it means his having idle funds in your bank through certain periods of the year. (After all, you need depositors also and the safety factor, from his point of view, is well worth the interest it costs him.) In some cases this is a hard program to sell, but it is so extremely important from your customer's point of view.

Long-Term Loans Least Dangerous

I can tell you honestly that in my years of experience, dealing with more than 45,000 individual borrowers, I have seldom, if ever, observed a case where a heavy long-term debt got the borrower into trouble where he owed little or nothing on a short-term basis on his livestock, his equipment or his farming operations. When his short-term credit is in excellent shape, he can always arrange to pay interest, taxes and a modest amortization payment, and even in the darkest days in the depression of the thirties, I never did know of a farm or ranch being foreclosed where the interest was being paid promptly and the taxes being paid, even though the principal payments were deferred. The many hazards of agriculture just make long-term credit a "must" for the average operator, and in this day of high taxes it is more essential than ever.

(10) Where the loan deals primarily with livestock security, insist that your borrower be an extravagant feeder. Never was it known that a profit was starved into an animal. Recognize that it is cheaper to retain that flesh than to put it back on. Recognize that his production is increased substantially by his breeding herd being in excellent condition. If your margin is so thin that you cannot justify a good feeding program throughout the term of your loan, for heaven's sake, reduce the numbers and take good care of the remaining livestock. Keep in mind that the livestock operator of today, with his high cost of operation, must get good production—he must get a big calf crop—he must get a fine lamb crop and he must increase their weights at marketing time. Don't try to economize on his feed budget. If he must forego that winter vacation to California or to Hawaii, well and good, but furnish ample feed to safeguard against loss and low production.

(11) Try to regard every applicant as a close friend and deal accordingly. In banking, in public life, in government, there is no substitute for honest, frank, and honorable dealings with every man that sits across the desk from you. Do not hesitate to say what you think. A truthful statement may hurt, but your borrower will respect you for the saying.

We, as bankers, like many American businessmen, are great advocates of private enterprise. Now, if we are to reap the benefits of private enterprise, we must in turn be willing to assume the responsibilities of private enterprise. It is a well-known saying that an army travels on its stomach. It is also well-known to all of you that America, in reality thrives and prospers on a full stomach. We thank God that we are the best-fed nation in the world and it is well understood by all of you that the first step towards a communistic state is hunger, and this, followed by want and deprivation, leads to an unhappy population.

In our glorious history we have been fortunate in being the most outstanding and best fed nation in the world and, in the final analysis, a well-fed nation is a happy nation. Now, if the American bankers cannot find within their combined resources a formula to finance agriculture on a proper basis, then they have no right to criticize government intervention. American business does not prosper for any prolonged period, unless American agriculture is prosperous.

Declines in Farm Product Prices

I need not point out to you that the prices of many farm commodities, including wool, beef and mutton products, have suffered a serious decline. Will we, during this period, stick our head in the sand or close our eyes to the responsibility the banking industry must carry? These clouds have appeared on the horizon during several periods and yet, through it all, the American farmer is able to hold his head high when we count noses on the substantial credit risk that banks deal with from day to day.

It is my humble opinion that we, as bankers in America, are now at a point where we must either fish or cut bait. Many of our large and small livestock and farm operators are temporarily suffering the results of adverse whether conditions or price declines. Are we going to curse government help on one hand and, on the other hand, send honest and honorable producers to agencies of government for financial assistance? Are we going to refuse to finance the young experienced farm boy or farm girl who has been trained under the leadership of the 4-H or FHA and expel him or her to the factory because we are unable or unwilling to take some moderate risk in financing a good, honest young person who has youth and "know-how" and ambition and health, but lacks only one factor—reasonably liberal financing? Remember, gentlemen, this is what we talk of when we talk of free enterprise.

I claim we have the resources in our banks to meet this responsibility without calling on government assistance. It will take longer hours. It will take experience and "know-how" on the part of the banker. It will take a thorough understanding of the problem in each case, but I think the ultimate objective justifies the individual sacrifice and I think the time has arrived when we should talk out of the same side of our mouth on all subjects. Let's not talk about free enterprise and curse government interference in July and advocate it the following April. Let's make up our minds to actually finance the soundest industry in any nation —agriculture. Let's be realistic enough to recognize that losses of a modest degree will occur. Let's be willing to absorb and forget these losses and look with optimism to the hundreds of cases where losses do not and will not occur.

Instead of cursing surplus, let's get on our knees every night of the year and thank Almighty God that we are the one and only nation on earth that is blessed with abundance. Without an abundance of food, what would be the prospects for our fast-growing population? Let's continue to have a well-fed and happy people. I don't subscribe to the theory that we have too many cattle. We just have too many people who can't afford to buy high-priced beef, when beef is high priced, but today everyone in America who works and is willing to spend his hard-earned dollars for food can afford beef.

I have just completed, during the month of March, a 24-day tour of the West and the Southwest. In many sections our range men have been hurt by dry weather. In many sections our feeders have been hurt, as has been the case with your feeders, but their spirit is good. Their faith and confidence in themselves, in the industry and in the nation as a whole are excellent.

You Indiana bankers, by working together with the great agricultural industry in your State, can make a great contribution in this matter of stabilizing agricultural credit. I have faith and confidence that your great institutions will meet this challenge.

With King Merritt

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Perry J. Bollinger has joined the staff of King Merritt & Co., Inc.

Joins Waddell & Reed

(Special to The Financial Chronicle)

ELGIN, Ill.—J. Willis Langdale has joined the staff of Waddell & Reed, Inc. He was previously with Cruttenden & Co.

With Merrill Lynch

(Special to The Financial Chronicle)

SHREVEPORT, La. — Kenneth W. Robertson is with Merrill Lynch, Pierce, Fenner & Beane, 608 Edwards Street.

Joins Waddell & Reed

(Special to The Financial Chronicle)

DETROIT, Mich.—Bertland W. Fast is now connected with Waddell & Reed, Inc., 15315 West McNichols Road.

Keenan & Clarey Add

(Special to The Financial Chronicle)

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

With Waddell & Reed

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn.—Joseph B. Erdman is now connected with Waddell & Reed, Inc.

Imperial Secs. Co.

BROOKLYN, N. Y. — Sam Belofsky has formed Imperial Securities Co., with offices at 1600 Lincoln Place to engage in a securities business.

V. T. Smith Opens

ROME, N. Y.—V. T. Smith is engaging in a securities business from offices here.

Chicago Analysts to Hear

CHICAGO, Ill.—S. A. Swensrud, President of the Gulf Oil Corporation, will address the April 23 luncheon meeting of the Investment Analysts Society of Chicago.

With Waddell & Reed

(Special to The Financial Chronicle)

PEORIA, Ill.—Robert E. Gault is now with Waddell & Reed, Inc. of Kansas City.

Joins Gross, Rogers Staff

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Keith L. Rumph has joined the staff of Gross, Rogers, Barbour, Smith & Co., 559 South Figueroa Street, members of the Los Angeles Stock Exchange.

Continued from page 5

The State of Trade and Industry

Another current development in the industry is the fast easing of once-tight labor supply in the auto-dominated Detroit area. "Ward's" said the "cancellation and re-phasing of defense contracts" is releasing more workers for auto production. Last Thursday the Navy canceled a $154,000,000 contract of Ford's Lincoln-Mercury Division to make J-40 jet aircraft engines.

General Motors Corp. division and most independent producers, except Kaiser-Frazer Corp., continued to produce at high rates last week. Studebaker, after a slow start early this year because of model changeover troubles, is now leading all independent makers and is approaching a 6,000 weekly rate.

Tax collections are lagging and the Government's deficit for fiscal year ending June 30 will be "somewhat larger" than the $5,900,000,000 predicted by former President Truman, Treasury Under Secretary Folsom, reports. He estimated that tax cuts provided by existing law would slash revenues by $8,000,000,000 yearly. "You cannot expect all these reductions to come as scheduled," Mr. Folsom pointed out, "unless there is a sharp reduction in spending."

Activity in the building construction industry displayed a sharp seasonal rise in March, according to Dun & Bradstreet, Inc. This was evidenced by the volume of building permits for 215 cities which reached a total of $468,133,028, the highest for any previous month in over two years, or since October, 1950, which had a permit aggregate of over $500,000,000. The March figure was 39.2% above February with $336,391,002, and 33.6% more than the comparable 1952 month with $350,270,591.

For New York City alone building plans for March were valued at $42,546,378, up 55.3% over the February sum of $27,394,212, and 34.9% above the $31,535,059 for March a year ago.

Regional comparisons disclosed marked gains over February in all groups, while all but the New England region showed an increase over March a year ago. Permit volume in the Pacific region was more than double that of last year, with sharp advances reported by the Mountain group, up 59.7%; the South Atlantic, up 50.7%, and the West Central, up 47.3%.

Steel Output Scheduled at 99.3% of Capacity This Week

Pressure for higher steel prices is mounting, says "Steel," the weekly magazine of metalworking, the current week.

In a talk at an industrial convention Benjamin F. Fairless, Chairman of U. S. Steel Corp., the nation's largest steel producer, lamented the "financial malnutrition" of the steel industry and pointed out that since 1940 his company's employment costs have soared 155%, the cost of goods and services has risen 138%, but that the price of steel has gone up only 87%.

Coincidentally, Ernest T. Weir, Chairman of National Steel Corp., the countrys fifth largest steel producer, this trade journal states, expressed concern in a press conference at Pittsburgh that the steel industry's earnings are too low for the safety of the industry, and asserted that steel prices are and have been too low.

Further, early this month, Republic Steel Corp., the nation's third largest producer of steel, said in its annual report that the price increase permitted by the government after the steelworkers' strike last summer was inadequate.

Helping to inspire steel executives to speak out on prices are steel companies' annual reports for 1952. A compilation of salient statistics from these reports, "Steel's" 28th Annual Financial Aanalysis of the Steel Industry' in its current issue shows that 30 steel producers representing 94% of the country's steelmaking capacity made in 1952 a net profit of only 4.91 cents per dollar of sales, compared with 5.71 cents in 1951. The 1952 rate is the lowest since the 5.46 figure of 1946, and, as everyone knows, a cent is worth less today than it was in '46.

Responsible partly for the decline in earnings in 1952 was the steelworkers' strike, states this trade publication, with the largest loser from the strike being Uncle Sam. His take in federal income and excess profits taxes from the steel companies was $1 billion less than it would have been had there been no strike, it declares.

Even though steel companies are dissatisfied with their earnings, they will be cautious, perhaps even reluctant, in considering a general increase in prices. The steelworkers' union plans to ask the companies in a few weeks for a wage increase. Even though a steel price increase is justified on the basis of present conditions, the union would use it as additional leverage in their wage demands, says "Steel."

Although over-all demand for steel exceeds supply, this trade magazine observes, the industry was unable to operate at quite as high a rate in the week ended April 18 as in some of the weeks earlier this year.

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at an average of 99.3% of capacity for the week beginning April 20, 1953, equivalent to 2,238,000 tons of ingots and steel for castings. In the week starting April 13, output totaled 2,228,000 tons with the operating rate at an average of 98.8% of capacity. For the like week a month ago the rate was 103.1% and production 2,324,000 tons. A year ago when the capacity was smaller actual output was 2,087,000 tons, or 100.5%.

Electric Output Advances Above Preceding Week And Year Ago

The amount of electric energy distributed by the electric light and power industry for the week ended April 18, 1953, was estimated at 8,112,969,000 kwh., according to the Edison Electric Institute.

The current total was 111,804,000 kwh. above that of the preceding week when output totaled 8,001,165,000 kwh. It was 1,008,714,000 kwh., or 14.2% above the total output for the week ended April 19, 1952, and 1,382,505,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Rise 2.4% Above Preceding Week

Loadings of revenue freight for the week ended April 11, 1953, totaled 721,139 cars, according to the Association of American Railroads, representing an increase of 16,622 cars or 2.4% above the preceding week.

The week's total represented an increase of 30,387 cars, or 4.4% above the corresponding week a year ago, when loadings were reduced by labor difficulties in the steel industry, but a decrease of 56,850 cars, or 7.3% below the corresponding week in 1951.

U. S. Auto Output Cut by Strikes in Latest Week But Holds Above Year Ago

Passenger car production in the United States last week declined about 11% below the previous week but was still 25% higher than corresponding period last year, according to "Ward's Automotive Reports."

It aggravated 120,038 cars compared with 135,754 cars (revised) in the previous week, and 96,084 cars turned out in the year ago week.

Total output for the past week was made up of 120,038 cars and 25,514 trucks built in the United States, against 135,754 cars and 29,178 trucks the previous week and 96,084 cars and 25,084 trucks in the comparable 1952 week.

Canadian factories turned out 8,317 cars and 3,320 trucks last week, against 8,598 cars and 3,252 trucks in the preceding week and 6,692 cars and 3,160 trucks in the comparable 1952 week.

Business Failures Rise Moderately

Commercial and industrial failures rose to 165 in the week ended April 16 from 140 in the preceding week, Dun & Bradstreet, Inc., reports. Despite this rise, casualties were not as high as a year ago when 188 occurred although they exceeded the 151 in the comparable week of 1951. Continuing far below the prewar level, failures were only one-half as numerous as in 1939 when 316 were recorded.

Casualties involving liabilities of $5,000 or more increased to 136 from 121 last week but did not reach the 152 of this size which occurred a year ago. There was also a rise among small failures, those with liabilities of less than $5,000; they were up 29 from 19 and compared with 36 in 1952. Of the week's total failures, 13 had liabilities in excess of $100,000.

Mortality was heavier in all industry and trade groups except construction where casualties declined. Mild increases occurred in manufacturing and retailing, while wholesaling failures climbed more sharply to 22 from 9 and commercial service to 12 from 6. More businesses failed than last year in the commercial services; wholesaling casualties were about even with 1952, but moderate declines from last year's level prevailed in three other lines.

Wholesale Food Price Index Gains Moderately in Week

Following the leveling off movement of last week, the Dun & Bradstreet wholesale food price index rose moderately to stand at $6.35 on April 14, from $6.32 a week earlier. This narrowed the gain over the year-ago level of $6.37 to only 0.3%.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Closes Week Slightly Lower

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., was fairly steady during most of the past week but moved slightly lower toward the close. The index finished at 297.37 on April 14, as against 280.05 a week earlier, and 300.61 on the like date a year ago.

Grain markets strengthened last week and recovered most of the ground lost in the preceding week.

There was a noticeable lack of selling pressure as traders took to the sidelines to await the Government crop report, which was issued after trading closed on Friday. Concern over the 1953 wheat crop prospects largely superseded Korean peace developments as a market factor. The Department of Agriculture forecast placed this year's Winter wheat yield at 714,154,000 bushels. Although this was considerably larger than the 611,000,000 forecast last December, it was sharply below last year's harvest of 1,052,801,000 bushels—the second largest of record.

The rise in corn was influenced by more favorable feeding ratios, a shrinkage of visible stocks, and heavy impounding of farm supplies.

The amount of 1952-crop corn under Government loan as of March 15 was reported at 270,400,000 bushels, of which 40,000,000 bushels were placed since Feb. 15.

Although demand remained on the cautious side, there was a moderate pickup in bookings of hard wheat bakery flours the past week, aided by a strike which closed down a number of mills in the West and Southwest. Shipping directions also showed some improvement. Export flour business remained dull. Cocoa prices continued to advance under buying influenced by a growing tightness in spot Accra supplies and high asking prices for that grade by the British Cocoa Marketing Board.

The lard market developed a stronger tone, aided by steadily rising live hog values as the result of aggressive packer demand.

Cotton prices were steady with daily fluctuations holding within a very narrow range.

Inquiries and offerings were limited and trading was comparatively quiet.

Sales in the ten spot markets were reported at 74,500 bales, against 68,400 the previous week, and 98,100 in the corresponding week last year. Demand from mills continued to lag and inquiries from foreign sources were light. The market received some support from moderate mill price-fixing and hedging operations. Government loan entries continued to exceed withdrawals. Entries for the week ended April 3 totaled 21,473 bales, against 29,263 a week earlier. Withdrawals amounted to 10,800 bales, against 15,600 the week before. Loans reported for the season through April 3 totaled 2,109,000 bales. Aggregate repayments for the current season were 194,400 bales, leaving loans outstanding of about 1,914,600 bales.

Trade Volume Shows No Perceptible Change From Week Ago

Shoppers in most parts of the nation in the period ended on Wednesday of last week spent about as much as during the prior week and slightly more than in the similar week in 1952. Attractive reduced price promotions of seasonal merchandise helped to bolster shoppers' interest.

While many merchants relied rather heavily on relaxed credit terms to attract sales, there was growing reluctance to grant extended credit; repossessions and delinquent accounts were up noticeably in some sections.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 1 to 5% higher than the level of a year ago. Regional estimates varied from the year-ago levels by the following percentages: New England and East 0 to +4; Midwest and Northwest +1 to +5; South and Southwest +3 to +7; Pacific Coast +2 to +6.

Consumers were attracted by price reductions in some foods the past week. Super-markets continued to emphasize the reduced prices of beef and many fresh vegetables. The buying of margarine topped the level of a year ago; the per capita consumption of butter was about half that in the prewar years. Most food stores had larger sales receipts than they did a year ago.

With the help of many aggressive promotions, retailers of household goods generally sold more than in the similar 1952 week.

Shoppers continued to spend a larger share of their incomes for durables than they did a year before.

Trading activity in many of the nation's wholesale markets the past week recovered perceptibly from the reduced level of the prior week. As during the past several months, the dollar volume of wholesale orders continued to exceed the level of a year earlier. While many buyers were chary of extending their commitments beyond the near future, there appeared to be less apprehension than in recent weeks. Wholesalers' inventories remained very slightly above the year-ago level; stocks of durable goods were larger while soft goods were down slightly from 1952 level.

Department stores sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended April 11, 1953, decreased 13% from the level of the preceding week. In the previous week an increase of 8% was reported from that of the similar week of 1952. For the four weeks ended April 11, 1953, an increase of 5% was reported. For the period Jan. 1 to April 11, 1953, department store sales registered an increase of 4% above 1952.

Retail trade in New York the past week showed a slight falling off from the like period in 1952. Heavy rains experienced in the area on several days were largely responsible for the week's showing.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended April 11, 1953, registered a drop of 18% from the like period of last year. In the preceding week no change was reported from that of the similar week of 1952, while for the four weeks ended April 11, 1953, a decrease of 2% was recorded. For the period Jan. 1 to April 11, 1953, volume declined 2% under that of 1952.

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)	Apr. 26	§99.3	*98.8	103.1	100.5
Equivalent to—					
Steel ingots and castings (net tons)	Apr. 26	§2,238,000	*2,228,000	2,324,000	2,087,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Apr. 11	6,267,750	6,341,250	6,449,950	6,366,300
Crude runs to stills—daily average (bbls.)	Apr. 11	¶6,705,000	6,965,000	7,060,000	6,315,000
Gasoline output (bbls.)	Apr. 11	22,503,000	22,401,000	23,147,000	21,542,000
Kerosene output (bbls.)	Apr. 11	2,678,000	2,605,000	2,425,000	2,720,000
Distillate fuel oil output (bbls.)	Apr. 11	9,790,000	*10,169,000	10,544,000	9,412,000
Residual fuel oil output (bbls.)	Apr. 11	8,723,000	8,593,000	9,318,000	8,746,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Apr. 11	161,207,000	162,249,000	160,869,000	157,781,000
Kerosene (bbls.) at	Apr. 11	19,075,000	18,760,000	18,640,000	17,017,000
Distillate fuel oil (bbls.) at	Apr. 11	60,972,000	59,723,000	62,545,000	48,494,000
Residual fuel oil (bbls.) at	Apr. 11	40,663,000	39,998,000	42,284,000	35,880,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Apr. 11	721,139	704,517	700,108	690,752
Revenue freight received from connections (no. of cars)	Apr. 11	646,149	661,649	668,949	628,655
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Apr. 16	$275,001,000	$195,113,000	$316,089,000	$235,105,000
Private construction	Apr. 16	148,335,000	101,479,000	231,750,000	120,896,000
Public construction	Apr. 16	126,666,000	93,634,000	84,339,000	114,209,000
State and municipal	Apr. 16	95,002,000	63,088,000	74,586,000	93,441,000
Federal	Apr. 16	31,664,000	30,546,000	9,753,000	20,768,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Apr. 11	8,425,000	7,070,000	8,460,000	8,055,000
Pennsylvania anthracite (tons)	Apr. 11	448,000	311,000	662,000	632,000
Beehive coke (tons)	Apr. 11	122,100	113,300	128,600	60,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Apr. 11	97	118	100	111
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Apr. 18	8,112,969	8,001,165	8,077,706	7,104,255
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Apr. 16	165	140	160	188
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Apr. 14	4.376c	4.376c	4.376c	4.131c
Pig iron (per gross ton)	Apr. 14	$55.26	$55.26	$55.26	$52.72
Scrap steel (per gross ton)	Apr. 14	$42.75	$43.92	$44.08	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Apr. 15	30.400c	30.425c	29.150c	24.200c
Export refinery at	Apr. 15	33.675c	34.200c	33.975c	27.425c
Straits tin (New York) at	Apr. 15	95.000c	111.500c	121.500c	121.500c
Lead (New York) at	Apr. 15	12.500c	13.000c	13.500c	19.000c
Lead (St. Louis) at	Apr. 15	12.300c	12.800c	13.300c	18.800c
Zinc (East St. Louis) at	Apr. 15	11.000c	11.000c	11.000c	19.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Apr. 21	93.20	93.65	94.30	98.23
Average corporate	Apr. 21	105.52	106.04	107.44	110.15
Aaa	Apr. 21	108.52	109.24	110.70	114.46
Aa	Apr. 21	107.27	107.98	109.60	113.12
A	Apr. 21	104.83	105.34	106.56	109.60
Baa	Apr. 21	101.64	101.97	102.96	104.14
Railroad Group	Apr. 21	103.80	104.31	105.17	107.27
Public Utilities Group	Apr. 21	104.66	105.52	106.92	109.60
Industrials Group	Apr. 21	108.16	108.52	109.97	113.70
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Apr. 21	2.99	2.96	2.91	2.62
Average corporate	Apr. 21	3.42	3.39	3.31	3.16
Aaa	Apr. 21	3.25	3.21	3.13	2.93
Aa	Apr. 21	3.32	3.28	3.19	3.00
A	Apr. 21	3.46	3.43	3.36	3.19
Baa	Apr. 21	3.65	3.63	3.57	3.50
Railroad Group	Apr. 21	3.52	3.49	3.44	3.32
Public Utilities Group	Apr. 21	3.47	3.42	3.34	3.19
Industrials Group	Apr. 21	3.27	3.25	3.17	2.97
MOODY'S COMMODITY INDEX	Apr. 21	416.7	413.9	419.5	431.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Apr. 11	223,165	364,392	226,218	173,738
Production (tons)	Apr. 11	235,635	251,974	242,903	198,938
Percentage of activity	Apr. 11	90	95	94	81
Unfilled orders (tons) at end of period	Apr. 11	554,127	567,535	517,597	423,844
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Apr. 17	107.10	*107.06	107.49	109.82
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	Apr. 4	32,698	30,121	29,803	32,270
Number of shares	Apr. 4	927,029	879,588	850,274	920,179
Dollar value	Apr. 4	$40,150,266	$39,530,066	$37,963,466	$41,508,247
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Apr. 4	31,172	29,754	28,961	27,614
Customers' short sales	Apr. 4	229	237	201	172
Customers' other sales	Apr. 4	30,943	29,517	28,760	27,442
Number of shares—Total sales	Apr. 4	910,364	835,151	803,112	772,858
Customers' short sales	Apr. 4	7,517	6,742	7,131	5,858
Customers' other sales	Apr. 4	902,847	828,409	795,981	767,000
Dollar value	Apr. 4	$36,563,744	$32,488,279	$32,203,188	$33,126,961
Round-lot sales by dealers—					
Number of shares—Total sales	Apr. 4	279,970	281,920	258,950	216,990
Short sales	Apr. 4				
Other sales	Apr. 4	279,970	281,920	258,950	216,990
Round-lot purchases by dealers—					
Number of shares	Apr. 4	278,550	308,160	318,550	348,760
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	Mar. 28	385,390	332,590	422,140	238,890
Other sales	Mar. 28	9,731,330	9,567,570	8,984,260	7,003,580
Total sales	Mar. 28	10,116,720	9,900,160	8,406,400	7,242,470
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Mar. 28	1,010,130	925,920	929,330	754,160
Short sales	Mar. 28	179,880	165,480	213,700	108,910
Other sales	Mar. 28	860,170	787,890	800,720	570,270
Total sales	Mar. 28	1,040,050	953,370	1,014,420	679,180
Other transactions initiated on the floor—					
Total purchases	Mar. 28	335,360	316,760	267,390	197,800
Short sales	Mar. 28	32,900	12,000	34,600	10,100
Other sales	Mar. 28	290,230	302,230	245,480	203,610
Total sales	Mar. 28	323,130	314,230	280,080	213,710
Other transactions initiated off the floor—					
Total purchases	Mar. 28	431,865	351,025	295,586	268,185
Short sales	Mar. 28	74,090	69,170	65,740	43,310
Other sales	Mar. 28	425,760	367,795	461,564	352,871
Total sales	Mar. 28	499,850	436,965	527,304	396,181
Total round-lot transactions for account of members—					
Total purchases	Mar. 28	1,777,355	1,593,705	1,492,306	1,220,145
Short sales	Mar. 28	286,870	246,650	314,040	162,320
Other sales	Mar. 28	1,576,160	1,457,915	1,507,764	1,126,751
Total sales	Mar. 28	1,863,030	1,704,565	1,821,804	1,289,071
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Apr. 14	109.5	*109.6	110.3	111.5
Farm products	Apr. 14	98.0	*98.6	100.1	107.2
Processed foods	Apr. 14	103.4	*103.6	104.9	107.2
Meats	Apr. 14	88.2	*88.6	94.4	110.7
All commodities other than farm and foods	Apr. 14	113.3	*113.2	113.4	113.2

*Revised figure. ¶Includes 575,000 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
BANK DEBITS — BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—			
Month of March (in thousands)	$153,511,000	$131,524,000	$136,312,000
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of March 31:			
Imports	$237,426,000	$233,509,000	$228,004,000
Exports	110,412,000	114,321,000	137,664,000
Domestic shipments	8,914,000	8,749,000	8,211,000
Domestic warehouse credits	39,942,000	44,205,000	27,556,000
Dollar exchange	38,600,000	57,000,000	6,214,000
Based on goods stored and shipped between foreign countries	32,336,000	31,772,000	50,849,000
Total	$467,630,000	$489,556,000	$458,498,000
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of March (in millions):			
Total new construction	$2,458	$2,225	$2,332
Private construction	1,733	1,578	1,617
Residential building (nonfarm)	856	761	799
New dwelling units	760	675	710
Additions and alterations	77	67	77
Nonhousekeeping	19	19	12
Nonresidential building (nonfarm)	431	425	398
Industrial	198	195	202
Commercial	114	112	74
Warehouses, office and loft buildings	49	50	33
Stores, restaurants, and garages	65	62	41
Other nonresidential building	119	118	122
Religious	34	34	29
Educational	30	31	26
Social and recreational	11	10	9
Hospital and institutional	26	26	33
Miscellaneous	18	17	25
Farm construction	122	110	123
Public utilities	316	274	292
Railroad	31	28	30
Telephone and telegraph	47	41	46
Other public utilities	238	205	216
All other private	8	8	5
Public construction	725	647	715
Residential building	46	44	55
Nonresidential building	318	295	311
Industrial	115	103	114
Educational	137	134	131
Hospital and institutional	34	32	39
Other nonresidential building	32	26	27
Military and naval facilities	102	95	100
Highways	125	95	115
Sewer and water	57	51	51
Miscellaneous public service enterprises	13	11	13
Conservation and development	58	51	65
All other public	6	5	5
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of March:			
Manufacturing number	154	132	148
Wholesale number	76	76	69
Retail number	361	348	371
Construction number	85	86	72
Commercial service number	63	49	55
Total number	739	691	715
Manufacturing liabilities	$12,213,000	$8,452,000	$13,046,000
Wholesale liabilities	3,553,000	5,124,000	2,233,000
Retail liabilities	10,423,000	9,130,000	6,905,000
Construction liabilities	3,506,000	3,378,000	2,485,000
Commercial service liabilities	1,387,000	1,180,000	4,563,000
Total liabilities	$31,082,000	$27,273,000	$29,232,000
COMMERCIAL PAPER OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—			
As of March 31 (000's omitted)	$507,000	$511,000	$534,000
COTTON AND LINTERS — DEPT. OF COMMERCE—RUNNING BALES:			
Lint—Consumed month of March	772,176	765,778	735,251
In consuming establishments as of March 28	1,940,751	1,861,629	1,639,947
In public storage as of March 28	6,402,108	6,940,360	3,812,794
Linters—Consumed month of March	137,086	109,962	108,170
Stocks March 28	1,173,976	1,091,947	660,171
Cotton spindles active as of March 28	20,221,000	20,277,000	19,886,900
FAIRCHILD PUBLICATIONS RETAIL PRICE INDEX — 1935-39 = 100 (COPYRIGHTED) —As of April 1:			
Composite index	104.7	104.8	105.8
Piece Goods	97.6	97.7	97.7
Men's apparel	105.4	105.4	106.[illegible]
Women's apparel	100.4	100.4	101.5
Infants' and children's wear	104.8	104.8	105
Home furnishings	107.6	107.7	108.6
Piece goods—			
Rayon and silks	90.6	90.6	90.7
Woolens	107.6	108.4	110.7
Cotton wash goods	95.4	95.4	94.9
Domestic—			
Sheets	102.2	102.2	103.0
Blankets and comforters	120.4	120.4	122.2
Women's apparel—			
Hosiery	94.8	94.8	95.6
Aprons and housedresses	98.1	97.9	98.5
Corsets and brassieres	107.3	107.3	107.9
Furs	91.9	92.1	96.8
Underwear	99.2	99.2	100.6
Shoes	108.6	108.6	109.2
Men's apparel—			
Hosiery	107.0	106.8	106.6
Underwear	110.0	110.0	111.7
Shirts and neckwear	102.4	102.4	102.4
Hats and caps	100.2	100.2	100.2
Clothing, including overalls	102.8	102.9	104.8
Shoes	106.7	107.0	109.0
Infants' and children's wear—			
Socks	102.9	102.9	102.9
Underwear	102.8	103.0	102.9
Shoes	110.0	109.8	112.3
Furniture	108.2	108.5	108.2
Floor coverings	118.4	118.1	118.9
Radios	101.1	101.1	103.0
Luggage	100.8	100.8	101.8
Electrical household appliances	104.4	104.6	106.4
China	101.6	101.5	100.7
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of March	£27,783,000	£11,670,000	£2,337,000
U. S. GOVT. STATUTORY DEBT LIMITATION —As of March 31 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	264,484,781	267,583,710	258,083,504
Guaranteed obligations not owned by the Treasury	51,275	50,029	40,582
Total gross public debt and guaranteed obligations	$264,536,057	$267,633,740	$258,124,087
Deduct—other outstanding public debt obligations not subject to debt limitation	607,515	610,643	651,347
Grand total outstanding	$263,928,542	$267,023,096	$257,472,739
Balance face amount of obligations, issuable under above authority	11,071,457	7,976,903	17,527,260

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Aberdeen Idaho Mining Co., Wallace, Idaho
March 30 (letter of notification) 100,000 shares of non-assessable common stock. Price — 15 cents per share. Proceeds — To develop mining claims. Underwriter — Wallace Brokerage Co., Wallace, Idaho.

★ **ACF-Brill Motors Co., Philadelphia, Pa.**
April 20 filed 215,360 shares of common stock (par $2.50) and 44,303.5 common stock subscription warrants. Price—At current market prices, plus not more than 50 cents per share of stock and 25 cents per warrant. Proceeds—To Allen & Co., New York. Underwriter—None.

Agricultural Insurance Co.
March 25 filed 100,000 shares of capital stock (par $10) being offered for subscription by stockholders of record April 14 at the rate of one new share for each three shares held; rights to expire on April 29. Price—$30 per share. Proceeds—For general corporate purposes. Office—Watertown, N. Y. Underwriter—Blyth & Co., Inc., New York.

Alabama Power Co. (5/12)
April 10 filed $18,000,000 first mortgage bonds due May 1, 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. Bids—To be received up to 11 a.m. (EDT) on May 12 at office of Southern Services, Inc., 20 Pine St., New York 5, N. Y.

★ **Algemene Kunstzijde Unie N. V. (United Rayon Mfg. Corp.), Arnheim, The Netherlands**
April 17 filed "A. K. U." American depositary receipts for American shares representing ordinary shares of Algemene at the rate of one American share for each 50 Florins par value of ordinary shares. Depositary—The Chase National Bank of the City of New York. Underwriter—None, no financing being involved.

• **Aluminium Ltd. (4/24)**
March 30 filed 818,657 shares of capital stock (no par) to be offered for subscription by stockholders of record on April 24 at rate of one new share for each 10 shares held; rights to expire on May 15. Price—$33.50 Canadian dollars; or $34 U. S. dollars. Proceeds—For expansion program. Dealer Managers—The First Boston Corp. and White, Weld & Co. to head group in United States; and A. E. Ames & Co., Ltd. to head group in Canada. Statement effective April 20.

★ **American Discount Co. of Georgia (5/6)**
April 16 filed $2,000,000 of 5.90% capital debentures due May 1, 1973. Price—At par (in denominations of $1,000 each. Proceeds—To repay short-term notes and for working capital. Underwriters—A. M. Law & Co., Spartanburg, S. C.; Johnson, Lane, Space & Co., Savannah, Ga.; and Interstate Securities Corp., Charlotte, N. C.

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. Offering—Date indefinite.

American Reenforced Paper Co., Attleboro, Mass.
March 18 (letter of notification) 1,960 shares of common stock (par $5). Price—$15.25 per share. Proceeds—To P. T. Jackson, the selling stockholder. Underwriter—Paine, Webber, Jackson & Curtis, Boston, Mass.

Arcturus Electronics, Inc., Newark, N. J.
March 27 (letter of notification) 40,000 shares of class A common stock (par one cent). Price — 50 cents per share. Proceeds—To Delbert E. Replogle, President. Underwriter—Gearhart & Otis, Inc., New York.

Arkansas-Missouri Power Co. (4/27)
April 6 filed 40,000 shares of 5½% cumulative preferred stock. Price—At par ($25 per share). Proceeds—To reimburse the company, in part, for property additions and improvements. Underwriter—Edward D. Jones & Co., St. Louis, Mo.

• **Arkansas-Missouri Power Co. (4/24)**
April 6 filed 47,413 shares of common stock (par $5) to be offered for subscription by common stockholders of record March 31 at the rate of one new share for each eight shares held (with an oversubscription privilege); rights to expire May 5. Price—To be supplied by amendment. Proceeds—To repay bank loans. Underwriter—None, but soliciting dealers will be paid a commission.

Armstrong Rubber Co.
March 31 filed $4,000,000 of 5% convertible subordinated debentures due May 1, 1973. Price—To be supplied by amendment. Proceeds—For working capital. Business—Manufacturer of tires and tubes. Underwriter—Reynolds & Co., New York.

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.

★ **Athabasca Uranium Mines, Ltd. (formerly American-Canadian Uranium Co., Ltd.)**
April 17 filed 500,000 shares of common stock (par 10 cents). Price—$1.25 per share. Proceeds—For engineering, development and mining expenses. Underwriter—George D. Clarke, Ltd., 50 Broad Street, New York.

Atomic Uranium Corp., Denver, Colo.
March 23 (letter of notification) 232,000 shares of common stock (par 10 cents). Price—$1.25 per share. Proceeds—For exploration. Office—Interstate Trust Bldg., Denver, Colo. Underwriter—Luckhurst & Co., Inc., New York.

★ **Aviation Equipment Corp., Wilmington, Del.**
April 17 filed $1,000,000 of 6% subordinated debentures due 1964; 8,000 shares of 6% preferred stock (par $50); and depositary receipts representing 8,000 shares of common stock (par $1) to be offered in units of a $1,000 debenture, eight shares of preferred stock and depositary receipts representing eight shares of common stock. Price—To be supplied by amendment. Proceeds—From sale of securities, together with $4,000,000 to be borrowed from bank, to acquire airplanes and equipment and for working capital. Underwriter—Union Securities Corp., New York.

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—Jamieson & Co., Minneapolis, Minn.

Baukol-Noonan, Inc., Noonan, N. D.
March 16 (letter of notification) 15,000 shares of common stock (par $1). Price—At market (from $2.50 to $3.50 per share). Proceeds—To C. E. Kempel, the selling stockholder. Underwriter — Jamieson & Co., Minneapolis, Minn.

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.

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, Tex.; Carl M. Loeb, Rhoades & Co., New York; and Straus, Blosser & McDowell, Chicago, Ill. Offering—Postponed.

C.I.T. Financial Corp., New York
April 2 filed 374,500 shares of common stock (no par) to be offered under "Restricted Stock Option Plan for Key Employees" to certain employees of the corporation and its subsidiaries.

California-Pacific Utilities Co. (5/5)
April 15 filed 50,000 shares of cumulative convertible preferred stock. Price—At par ($20 per share). Proceeds—To repay bank loans and for new construction. Underwriter—First California Co., Inc., Los Angeles, Calif.

California Tungsten Corp., Salt Lake City, Utah
March 30 (letter of notification) 1,999,000 shares of common stock. Price—15 cents per share. Proceeds—For working capital, etc. Underwriter—Tellier & Co., New York.

Carver Oil & Gas Co., Inc.
March 23 (letter of notification) 2,042,051 shares of common stock (par one cent). Price—12½ cents per share. Proceeds—For development of properties, etc. Office—c/o Ralph T. Masters, 163 Remsen St., Brooklyn, N. Y. Underwriter—Securities National Corp., Newark, N. J.

• **Cascade Natural Gas Corp., Seattle, Wash.**
March 30 (letter of notification) 60,720 shares of common stock (no par) to be offered in exchange for 11,400 shares of 8% cumulative convertible preferred stock (par $5) and common stock (par $5) of Northwest Cities Gas Co. on a 1-for-5½ basis, plus 25 cents in cash. Price—$25 per share. Proceeds — To acquire aforementioned stocks. Underwriter—Sheridan Bogan Paul & Co., Philadelphia, Pa.

Central City Milling & Mining Corp.
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 Fibre Products Co., Inc., Quincy, Ill.
March 23 (letter of notification) 2,400 shares of common stock (par $5). Price—At market (approximately $39.50 per share). Proceeds — To E. Carey, Jr., and W. D. P. Carey, the two selling stockholders. Underwriters—Bosworth, Sullivan & Co., Denver, Colo.

★ **Central Power & Light Co. (5/15)**
April 20 filed $8,000,000 first mortgage bonds, series E, due May 1, 1983. Proceeds—For construction program. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Harriman Ripley & Co. Inc., and Stone & Webster Securities Corp. (jointly); Union Securities Corp.; Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Lehman Brothers and Glore, Forgan & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly); The First Boston Corp. Bids—Tentatively expected to be received up to noon (CDT) on May 15 at 20 No. Wacker Drive, Chicago 6, Ill.

Columbia Gas System, Inc. (5/12)
April 9 filed 1,700,000 shares of common stock (no par). Proceeds—To repay bank loans and for construction program. Underwriters—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co. and R. W. Pressprich & Co. (jointly); Morgan Stanley & Co. Bids—Tentatively scheduled to be received up to 11 a.m. (EDT) on May 12.

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.

★ **Computer Manufacturing Corp., N. Y. (4/27)**
April 13 (letter of notification) 150,000 shares of common stock (par 10 cents). Price—$1 per share. Proceeds—Principally for working capital and for general corporate purposes. Underwriter — R. V. Klein Co. New York.

• **Consolidated Gas Co., Atlanta, Ga. (4/27)**
March 27 filed 50,000 shares of common stock (par $5). Price—$8.50 per share. Proceeds—To repay bank loans, to retire $34,700 of debentures of Consolidated Gas Co. of Albany, and for working capital. Underwriter—Courts & Co., Atlanta, Ga., and New York, N. Y.

★ **Consolidated Natural Gas Co. (5/26)**
April 17 filed $40,000,000 of debentures due 1978. Proceeds—To purchase securities of operating subsidiaries to finance their construction expenditures, estimated at $49,000,000 for 1953. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and The First Boston Corp. (jointly); White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly). Bids—Expected to be received at 11:30 a.m. (EDT) on May 26.

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.

• **Copeland Refrigeration Corp. (5/6-7)**
April 14 filed 150,000 shares of common stock (par $1), of which 75,000 shares will be for account of company and the rest for account of selling stockholders. Price—To be supplied by amendment. Proceeds — For working capital. Underwriter—Baker, Simonds & Co., Detroit, Mich.

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. Letter to be withdrawn.

Detroit Edison Co. (4/28)
March 26 filed $40,000,000 of general and refunding mortgage bonds, series M, due May 1, 1988 (to carry interest at not to exceed 4%). Proceeds—For construction program. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Coffin & Burr, Inc. and Spencer Trask & Co. (jointly). Bids—To be received up to 11 a.m. (EDT) on April 28 at 60 Broadway, New York 4, N. Y.

Detroit Testing Laboratory, Inc., Detroit, Mich.
April 2 (letter of notification) 150,000 shares of common stock (par $1). Price—$2 per share. Proceeds—For working capital. Underwriter—S. R. Livingstone, Crouse & Co., Detroit, Mich.

★ **Dixie Fire & Casualty Co., Greer, S. C.**
April 9 (letter of notification) 8,000 shares of common stock (par $10). Price—$25 per share. Proceeds—For working capital. Underwriter—None.

East Tennessee Natural Gas Co.
March 20 filed $2,144,520 of 5% convertible debentures due May 1, 1968 (convertible into common stock at rate of one share for each $10 of debentures), being offered for subscription by common stockholders of record April 10 at rate of $10 of debentures for each five shares of common stock held; rights expire April 27. Price—At principal amount. Proceeds — For property additions. Underwriters — White, Weld & Co., New York; F. S.

Moseley & Co., Boston, Mass.; Equitable Securities Corp., Nashville, Tenn. and Elder & Co., Chattanooga, Tenn.

Econo Products Co., Inc.
Jan. 8 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expansion and working capital. **Office** — 17 State St., New York. **Underwriter**—James T. DeWitt & Co., Inc., Washington, D. C.

Ekco Oil Co., Philadelphia, Pa.
Dec. 4 (letter of notification) 99,000 shares of common stock (par one cent). **Price**—$3 per share. **Proceeds**—To acquire leases and drill wells. **Underwriter**—Hopper, Soliday & Co., Philadelphia, Pa.

● **Emerson Electric Manufacturing Co.**
March 18 filed 37,230 shares of common stock (par $4) being offered for subscription by stockholders of record April 16 at rate of one new share for each 12½ shares held (with an oversubscription privilege); rights to expire on May 1. **Price**—$14 per share. **Proceeds**—For general corporate purposes, including acquisition of certain assets of United States Electric Tool Co. **Underwriter**—None.

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.

Federal Electric Products Co. (5/4-7)
March 31 filed 220,000 shares of common stock (par $1) and $2,000,000 of 6% subordinated income debentures due 1968 (with warrants attached to purchase an additional 120,000 shares at prices ranging from $7.50 to $17.50 per share. **Price**—For common stock, $7 per share, and for debentures, at 100% of principal amount. **Proceeds**—To repay loans. **Business**—Manufacture of devices for control of low voltage electrical energy. **Underwriter**—H. M. Byllesby & Co., Inc., Chicago, Ill.

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.

Flock Gas & Oil Corp., Ltd., Calgary, Can. (4/27)
March 19 filed 800,000 shares of common stock (par 20 cents). **Price**—$2 per share. **Proceeds**—For development of properties now held by it, for acquiring and holding reservations and leases or participating therein, for exploration and drilling expenses, etc. **Underwriter**—Peter Morgan & Co., New York.

NEW ISSUE CALENDAR

April 23, 1953
Chicago Great Western Ry.______________Bonds
(Bids 1 p.m. EST)

April 24, 1953
Aluminium Ltd. ______________Common
(Probably First Boston Corp. and A. E. Ames & Co., Ltd.)
Arkansas-Missouri Power Co.__________Common
(Offering to stockholders—no underwriting)
Maremont Automotive Products, Inc._____Common
(Hallgarten & Co.; Straus, Blosser & McDowell; and McCormick & Co.)
Western Safflower Corp.______________Common
(E. I. Shelley Co.)

April 27, 1953
Arkansas-Missouri Power Co.__________Preferred
(Edward D. Jones & Co.)
Computer Manufacturing Corp.__________Common
(R. V. Klein Co.)
Consolidated Gas Co.________________Common
(Courts & Co.)
Flock Gas & Oil Corp., Ltd.____________Common
(Peter Morgan & Co.)
Mechanical Handling Systems, Inc._______Common
(Kidder, Peabody & Co.)

April 28, 1953
Detroit Edison Co.____________________Bonds
(Bids 11 a.m. EDT)
Merrill Petroleums Ltd._______________Common
(White, Weld & Co.; and Wood, Gundy & Co., Ltd)
Schlafly Nolan Oil Co., Inc.____________Common
(L. H. Rothchild & Co.)
Southwestern States Telephone Co._______Preferred
(Central Republic Co., Inc.)
Washington Gas Light Co._____________Common
(Offering to stockholders—underwritten by The First Boston Corp. and Johnston, Lemon & Co.)
Wisconsin Public Service Corp.__________Preferred
(Bids 10:30 a.m. CDT)

April 29, 1953
Mount Holly Water Co.________________Common
(Offering to stockholders—no underwriting)

April 30, 1953
Central Foundry Co.__________________Common
(Offering to stockholders—underwriter to be named)
Jasco, Inc. _________________________Common
(Bids 3 p.m. EDT)
Mansfield Tire & Rubber Co.___________Common
(A. G. Becker & Co., Inc.)
National Ceramic Co.__________________Common
(Bids 2 p.m. EDT)
St. Anne's Oil Co.____________________Common
(Sills, Fairman & Co. and H. M. Byllesby & Co., Inc.)
St. Louis-San Francisco Ry._______Equip. Trust Ctfs.
(Bids noon EDT)

May 4, 1953
Federal Electric Products Co.____Debs. & Common
(H. M. Byllesby & Co., Inc.)
Hickok Manufacturing Co., Inc.__________Debentures
(George D. B. Bonbright & Co.)
Montana Power Co.___________________Debentures
(Bids 11:30 a.m. EDT)

May 5, 1953
California-Pacific Utilities Co.__________Preferred
(First California Co., Inc.)
Montana-Dakota Utilities Co.___________Common
(Offering to stockholders—underwritten by Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane)
Northern Natural Gas Co.______________Common
(Blyth & Co., Inc.)
Southern Bell Telephone & Telegraph Co.______Debs.
(Bids to be invited)
Tennessee Gas Transmission Co._________Common
(Stone & Webster Securities Corp. and White, Weld & Co.)
Union Tank Car Co.__________________Debentures
(Smith, Barney & Co.)
Wisconsin Public Service Corp.__________Bonds
(Bids 11 a.m. CDT)

May 6, 1953
American Discount Co. of Georgia_____Debentures
(A. M. Law & Co.; Johnson, Lane, Space & Co.; and Interstate Securities Corp.)
Copeland Refrigeration Corp.___________Common
(Baker, Simonds & Co.)
Long Island Lighting Co.______________Preferred
(W. C. Langley & Co.; Blyth & Co., Inc.; and The First Boston Corp.)

May 7, 1953
Seaboard Finance Co.__________________Preferred
(The First Boston Corp.)

May 11, 1953
Foote Bros. Gear & Machine Corp.______Preferred
(A. C. Allyn & Co., Inc.)
General Contract Corp.________________Preferred
(G. H. Walker & Co.)

May 12, 1953
Alabama Power Co.____________________Bonds
(Bids 11 a.m. EDT)
Columbia Gas System, Inc.______________Common
(Bids 11 a.m. EDT)
New Orleans Public Service Inc.__________Bonds
(Bids noon EST)
Woodley Petroleum Co._______________Debentures
(A. G. Becker & Co., Inc.)

May 13, 1953
Lone Star Gas Co.____________________Preferred
(Offering to common stockholders—underwritten by The First Boston Corp.)
Philadelphia Electric Co.______________Preferred
(Bids noon EDT)
Reading Co. __________________Equip. Trust Ctfs.
(Bids to be invited)

May 14, 1953
Menabi Exploration Co., Inc.__________Debentures
(Kidder, Peabody & Co.)
Peruvian Oil Concessions Co., Inc._______Common
(B. G. Phillips & Co.)
Sunray Oil Corp._____________________Common
(Eastman, Dillon & Co.)

May 15, 1953
Central Power & Light Co.______________Bonds
(Bids noon CDT)

May 18, 1953
Southern Natural Gas Co._____________Debentures
(Bids to be invited)
Texas Power & Light Co.__________Bonds & Preferred
(Bids 11:30 a.m. EDT)

May 19, 1953
Metropolitan Edison Co.________________Bonds
(Bids 11 a.m. EDT)
Pacific Gas & Electric Co.______________Bonds
(Bids 11 a.m. EDT)
Southern Natural Gas Co._______________Bonds
(Bids to be invited)

May 20, 1953
Philadelphia Electric Co.______________Bonds
(Bids noon EDT)

May 25, 1953
Shield Chemical Corp.__________________Common
(Peter W. Spiess & Co.)

May 26, 1953
Consolidated Natural Gas Co.__________Debentures
(Bids 11:30 a.m. EDT)
Government Employees Corp.____________Common
(Offering to stockholders—no underwriting)

June 2, 1953
Texas Utilities Co._____________________Common
(Bids to be invited)

June 4, 1953
General Public Utilities Corp.___________Common
(Offering to stockholders—no underwriting)

June 9, 1953
American Gas & Electric Co._____________Common
(Bids to be invited)
Gulf Power Co.________________________Bonds
(Bids 11 a.m. EDT)

June 10, 1953
New England Electric System____________Common
(Offering to stockholders—bids to be invited)

June 23, 1953
New York Telephone Co.________________Bonds
(Bids to be invited)
Pennsylvania Electric Co._______________Bonds
(Bids 11 a.m. EDT)

Aug. 3, 1953
Denver & Rio Grande Western RR. ___________________Equip. Trust Ctfs.
(Bids to be invited)

★ **Foote Bros. Gear & Machine Corp. (5/11-12)**
April 20 filed 100,000 shares of cumulative convertible preferred stock (par $15) to be voted upon by the stockholders on May 4. **Price**—To be supplied by amendment. **Proceeds**—To retire presently outstanding 6,500 shares of convertible preferred stock (par $10) and for working capital. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill.

★ **General Contract Corp., St. Louis, Mo. (5/11)**
April 17 filed 500,000 shares of 6% preferred stock (par $10) to be offered for subscription by common stockholders at rate of one share for each 3.3 common shares held. Unsubscribed shares to be offered in exchange for series A preferred stock (with a cash adjustment). **Price** —To be supplied by amendment (probably around $11 per share). **Proceeds**—To redeem series A preferred shares outstanding, to repay loans and for working capital. **Underwriter**—G. H. Walker & Co., New York and St. Louis.

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.

Greenfield Tap & Die Corp., Greenfield, Mass.
March 30 (letter of notification) 4,000 shares of common stock (no par). **Price**—At market (approximately $23.50 per share). **Proceeds**—To Donald G. Millar. **Underwriter** —Tucker, Anthony & Co., Boston, Mass.

H & B American Machine Co., Chicago, Ill.
March 27 (letter of notification) 30,000 shares of common stock (par 25 cents). **Price**—At market (estimated at $2.50 per share). **Proceeds**—To five selling stockholders. **Office**—122 South Michigan Ave., Chicago, Ill. **Underwriters**—May & Gannon, Boston, Mass.; and Walston & Co., San Francisco, Calif.

★ **Hickok Manufacturing Co., Inc. (5/4)**
April 20 (letter of notification) $100,000 of 6% subordinated debentures due April 1, 1973. **Price**—At $80 per $100 unit (plus accrued interest). **Proceeds**—To the underwriter for its own account. **Underwriter**—George D. B. Bonbright & Co., Rochester, N. Y.

Hilo Electric Light Co., Hilo, Hawaii
March 2 filed 25,000 shares of common stock being 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. Subscription rights will expire on April 27. **Price** — At par ($20 per share). **Proceeds** — To repay bank loans. **Underwriter**—None.

Hycon Mfg. Co., Washington, D. C.
March 17 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To Orrin W. Fox and Richard L. Fox, the selling stockholders. **Underwriter**—None, but Thomas M. Sterling of Watt & Watt, Toronto, Ont., Canada, will act as broker.

Independent Plow, Inc., Neodesha, Kan.
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.

★ **Insurance Co. of North America, Phila., Pa.**
April 16 filed 30,000 shares of capital stock (par $5) to be offered for sale to employees of company and five affiliated companies. **Underwriter**—None.

Inter-Mountain Telephone Co.
March 20 filed 142,500 shares of common stock-voting (par $10) being offered for subscription by common stockholders of record March 30 at rate of one new share for each three shares held. (Southern Bell Telephone & Telegraph Co. and Chesapeake & Potomac Telephone Co. of Virginia, own, respectively, 32.8% and 12.2% of the presently outstanding common stock of Inter-Mountain); rights expire on April 28. **Price**—$10 per share. **Proceeds**—To reduce short-term notes. **Underwriter**—For 78,336 shares—Courts & Co., Atlanta, Ga., and New York, N. Y.

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.

Interstate Fire & Casualty Co., Bloomington, Ill.
March 26 filed 28,000 shares of capital stock (par $10) to be offered for subscription by stockholders of record April 1 at the rate of 1 3/11 shares for each share held. **Price**—$16.50 per share. **Proceeds**—To increase capital and surplus. **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.

Continued on page 50

Continued from page 49

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.

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.

Liberty Fabrics of New York, Inc.
March 24 (letter of notification) 1,356 shares of 5% cumulative preferred stock (par $10). **Price** — At market (about $6.60 per share). **Proceeds**—To Maurice Goodman, Vice-President. **Underwriter**—None, but Dreyfus & Co., New York, will act as broker.

★ **Lone Star Gas Co. (5/13)**
April 22 filed 183,300 shares of cumulative convertible preferred stock to be offered to common stockholders of record May 13 at the rate of one preferred share for each 30 shares of common stock held. **Price**—At par ($100 per share). **Proceeds**—For working capital and for additions and improvements to property. **Underwriter**—The First Boston Corp., New York.

● **Long Island Lighting Co. (5/6-7)**
April 6 filed 100,000 shares of cumulative preferred stock, series C (par $100). **Price** — To be supplied by amendment. **Proceeds** — To repay bank loans and for new construction. **Underwriters**—W. C. Langley & Co., Blyth & Co., Inc. and The First Boston Corp.

Lorillard (P.) Co.
March 25 filed 356,573 shares of common stock (par $10) being offered for subscription by stockholders of record April 14 on basis of one new share for each seven shares held; rights to expire April 28. **Price**—$23.25 per share. **Proceeds**—To reduce bank loans. **Underwriters**—Lehman Brothers and Smith, Barney & Co., both of New York.

● **Mansfield Tire & Rubber Co. (4/30-5/1)**
April 10 filed 200,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To General Tire & Rubber Co. **Underwriter**—A. G. Becker & Co., Inc., Chicago, Ill.

Marathon Corp., Menasha, Wis.
March 20 filed 614,872 shares of common stock (par $6.25) to be offered in exchange for stock of Northern Paper Mills on the basis of six shares for each share of Northern common stock and five shares for each share of Northern preferred stock. **Underwriter**—None.

● **Maremont Automotive Products, Inc. (4/24)**
March 30 filed 230,000 shares of common stock (par $1), of which 20,000 shares are to be issued by the company and balance by certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriters**—Hallgarten & Co., New York; and Straus, Blosser & McDowell and McCormick & Co., both of Chicago, Ill.

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.

McQuay, Inc., Minneapolis, Minn.
March 25 (letter of notification) $200,000 of 5½% debentures due April 1, 1978, and 10,000 shares of common stock (par $1) to be offered in units of one $500 debenture and 25 shares of stock. **Price**—$600 per unit. **Proceeds**—To enlarge plant. **Office**—1600 Broadway, N. E., Minneapolis, Minn. **Underwriter**—None.

● **Mechanical Handling Systems, Inc. (4/27-30)**
March 31 filed 120,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To purchase common stock of The Louden Machinery Co. **Business**—Manufacture and sale of conveyors in industrial and commercial applications. **Office**—Detroit, Mich. **Underwriter**—Kidder, Peabody & Co., New York.

Merrill Petroleums Ltd., Alberta, Canada (4/28)
March 31 filed 1,000,000 shares of common stock (par $1), of which 400,000 shares are to be offered in the United States and 600,000 shares in Canada. **Price**—To be supplied by amendment. **Proceeds**—For drilling and exploration activities. **Underwriters**—White, Weld & Co., New York; and Wood, Gundy & Co., Ltd., Toronto, Ont., Canada.

Metropolitan Edison Co., Reading, Pa. (5/19)
April 15 filed $8,000,000 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. 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. **Bids**—Tentatively scheduled to be received up to 11 a.m. (EDT) on May 19.

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 American Oil & Gas Co., Chicago, Ill.
April 7 (letter of notification) 275,000 shares of common stock (par 10 cents). **Price**—At market (12 to 16 cents per share). **Underwriter**—Greenfield & Co., Inc., New York.

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.

Middle South Utilities, Inc.
March 20 filed 475,000 shares of common stock (no par) being offered for subscription by common stockholders of record April 8 at rate of one new share for each 14 shares held (with an oversubscription privilege); rights to expire April 28. **Price**—$23.25 per share. **Proceeds**—For investment in the common stocks of its System operating companies and to repay all or a portion of sums which have been borrowed for such investment. **Underwriter**—None.

● **Montana-Dakota Utilities Co. (5/5)**
April 15 filed 293,108 shares of common stock (par $5) to be offered for subscription by common stockholders on basis of one new share for each five shares held on or about May 5. **Price**—To be in relation to market price shortly before the offering. **Proceeds**—To repay $5,250,000 short-term loans and for new construction. **Underwriter**—Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

● **Montana Power Co. (5/4)**
April 2 filed $18,000,000 sinking fund debentures due 1978. **Proceeds**—To repay $12,000,000 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); Lehman Brothers; Union Securities Corp. **Bids**—To be received up to noon. (EDT) on May 4 at Two Rector St., New York, N. Y.

Mount Holly (N. J.) Water Co. (4/29)
April 14 (letter of notification) 5,000 shares of common stock (no par) to be offered for subscription by common stockholders of record April 29 at rate of one new share for each share held (with an oversubscription privilege); rights to expire May 29. **Price**—$22 per share. **Proceeds**—To repay bank loans, etc. and for capital additions. **Underwriter**—None.

Mountain States Tel. & Tel. Co.
March 6 filed 390,931 shares of common stock being 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 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 associates.

★ **New England Electric System (6/10)**
April 22 filed 828,516 additional shares of common stock (par $1) to be offered for subscription by common stockholders of record June 10 on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on or about June 25. Warrants are expected to be mailed on June 11. **Price**—To be set by company on June 8. **Proceeds**—For expansion program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., Lehman Brothers and Bear, Stearns & Co. (jointly); Merrill Lynch. Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—To be received on June 10.

New Orleans Public Service Inc. (5/12)
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**—To be received up to noon (EST) on May 12, at Two Rector St., New York 6, N. Y.

North American Peat Moss Co., Inc. (N. Y.)
April 10 filed 500,000 shares of common stock (par 10 cents). **Price** — $1 per share. **Proceeds** — To purchase equipment and for working capital. **Underwriter**—R. A. Keppler & Co., Inc., New York.

★ **Northern Natural Gas Co. (5/5)**
April 15 filed 598,100 shares of common stock (par $10), of which 548,100 shares are to be offered for subscription by common stockholders of record May 5 on basis of one new share for each five shares held (with an oversubscription privilege). Unsubscribed shares are to be offered to employees. **Price**—To be supplied by amendment.. **Proceeds**—From sale of stock, together with proposed sale in June of $40,000,000 of debentures, to be used to repay bank loans and for construction program. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

Northlands Oils Ltd., Canada
Nov. 21 filed 1,000,000 shares of capital stock (par 20¢ — 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.

● **Oklahoma Gas & Electric Co.**
March 19 filed 241,195 shares of common stock (par $10) being offered for subscription by common stockholders of record April 16 at rate of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on May 5. **Price**—$24.50 per share. **Proceeds** — For construction program. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York.

★ **Ores, Inc., New Plymouth, Idaho**
April 13 (letter of notification) 60,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For equipment. **Underwriter**—None.

★ **Pacific Gas & Electric Co. (5/19)**
April 21 filed $65,000,000 of first and refunding mortgage bonds, series V, due June 1, 1984. **Proceeds** — To retire short term loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. **Bids**—Tentatively scheduled to be received up to 11 a.m. (EDT) on May 19.

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.

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.

Pennant Drilling Co., Inc., Denver, Colo.
March 23 (letter of notification) 42,507 shares of common stock (par $1). **Price**—$1.30 per share. **Proceeds**—To Morris Replin, the selling stockholder. **Underwriter**—Peters, Writer & Christensen, Inc., Denver, Colo.

Peruvian Oil Concessions Co., Inc. (5/14-20)
Jan. 16 filed 9,000,000 shares of common stock (par $1) (expected to be amended about April 23 or 24 to 1,000,000 shares). **Price**—$2 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**—B. G. Phillips & Co., New York, for 1,000,000 shares.

★ **Pessin Mining Co.**
April 13 (letter of notification) 400 shares of capital stock. **Price**—At par ($250 per share). **Proceeds**—For equipment and expenses. **Underwriter**—None.

● **Philadelphia Electric Co. (5/13)**
April 10 filed 150,000 shares of cumulative preferred stock (par $100). **Proceeds**—For new construction and to repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Morgan, Stanley & Co.; W. C. Langley & Co. and Glore, Forgan & Co. (jointly); The First Boston Corp.; Union Securities Corp. **Bids**—Tentatively scheduled to be received up to noon (EDT) on May 13 at 900 Sansom St., Philadelphia, Pa.

● **Philadelphia Electric Co. (5/20)**
April 10 filed $30,000,000 of first and refunding mortgage bonds due 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Drexel & Co. and Morgan Stanley & Co. (jointly); Kuhn, Loeb & Co. and Union Securities Corp. (jointly); White, Weld & Co.; The First Boston Corp. **Bids**—Tentatively scheduled to be received up to noon (EDT) on May 20 at 900 Sansom St., Philadelphia, Pa.

Philadelphia Electric Co. (6/2)
April 10 filed 100,000 shares of common stock (no par) to be offered for subscription by employees of company and its subsidiaries. **Price**—From 85% to 95% of the then current market price. **Proceeds**—For construction program. **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.

● **Plume & Atwood Manufacturing Co., Waterbury, Conn.**
April 2 (letter of notification) 13,500 shares of common stock (no par) being offered for subscription by stockholders of record April 17 at rate of one new share for each four shares held; rights to expire May 15. **Price**—$16 per share. **Proceeds**—For plant expansion and equipment. **Office**—470 Bank St., Waterbury, Conn. **Underwriter**—None.

★ **Reedsville Supply Co., Reedsville, Ohio**
April 13 (letter of notification) 3,200 shares of common stock (no par) to be offered for subscription by present stockholders. **Price**—$10 per share. **Proceeds**—For working capital. **Underwriter**—None.

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.

● Schlafly Nolan Oil Co., Inc. (4/28)
March 25 filed 150,000 shares of common stock (par 25 cents). **Price**—$4 per share. **Proceeds**—To purchase and sell leaseholdes, royalties and producing properties, to prospect for oil and gas and to develop and operate producing properties. **Office**—Mt. Vernon, Ill. **Underwriter**—L. H. Rothchild & Co., New York.

Scil-Tone Corp., Plymouth, N. C.
March 27 (letter of notification) $150,000 of 6% contingent interest debentures due 1968 (convertible at any time at rate of 500 shares of common stock for each $1,000 debenture); and 150,000 shares of common stock (par $1). **Price**—At par or principal amount. **Proceeds**—To enlarge plant. **Underwriters**—McGinnis & Co., New York, and Stein Bros. & Boyce, Baltimore, Md.

★ Seaboard Finance Co. (5/7)
April 17 filed 50,000 shares of sinking fund preferred stock (no par—stated value $100 per share). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriter**—The First Boston Corp., New York.

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.

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.

Southern Bell Telephone & Telegraph Co. (5/5)
April 9 filed $30,000,000 of 24-year debentures due May 1, 1977. **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; The First Boston Corp. **Bids**—Tentatively expected to be received on May 5.

● Southern Co.
March 13 filed 1,004,869 shares of common stock (par $5) being 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**—$14 per share. **Proceeds**—To increase investments in subsidiaries. **Underwriter** — The First Boston Corp.

★ Southern Natural Gas Co. (5/18)
April 20 filed $34,220,100 of convertible sinking fund debentures due 1973 to be offered for subscription by common stockholders of record May 20 at rate of $100 of debentures for each 10 shares of stock held; rights to expire on June 8. **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.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Kuhn, Loeb & Co.; Equitable Securities Corp. **Bids**—Tentatively expected to be received on May 18.

★ Southern Natural Gas Co. (5/19)
April 20 filed $30.000,000 first mortgage pipeline sinking fund bonds due 1973. **Proceeds**—To repay bank loans and for expansion program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Equitable Securities Corp.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jontly). **Bids**—Tentatively scheduled to be received on May 19.

● Southwestern States Telephone Co. (4/28)
March 16 filed 60,000 shares of cumulative preferred stock (par $25). **Price**—To be supplied by amendment (expected to be at par with a yield of somewhat better than 5¼%). **Proceeds**—For construction program. **Underwriter**—Central Republic Co. (Inc.), Chicago, Ill.

Star Air Freight Lines, Inc., N. Y.
Feb. 4 (letter of notification) 149,000 shares of common stock (par $1) in units of 20 shares. **Price**—$20 per unit. **Proceeds**—To purchase Quaker City Airways, Inc. (Pa.), to purchase operating certificates and for working capital. **Office**—2 East 33rd St., New York. **Underwriter**—None.

Sun Electric Corp., Chicago, Ill.
March 27 filed 3,000 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Office**—6323 Avondale Ave., Chicago 31, Ill. **Underwriter**—None.

★ Sunray Oil Corp., Tulsa, Okla. (5/14)
April 21 filed 719,881 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To The Atlas Corp., the selling stockholder. **Underwriter** — Eastman, Dillon & Co., New York.

Taylorcraft, Inc., Conway, Pa.
April 7 (letter of notification) 80,000 shares of common stock (par $1). **Price**—$1.75 per share. **Proceeds**—For working capital. **Underwriter** — Graham & Co., Pittsburgh, Pa.

Tennessee Gas Transmission Co. (5/5)
April 10 filed 1,000,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To purchase up to 375,000 shares of capital stock of American Republics Corp., constituting a 25% stock interest. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co., both of New York.

● 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**—None.

Texas-Oklahoma Oil & Gas, Inc.
March 27 (letter of notification) 1,200,000 shares of common stock (par 10 cents), of which 1,000,000 shares are to be offered by the company and 200,000 shares by Boland Wright Williams. **Price** — 25 cents per share. **Proceeds**—To develop properties. **Office**—1605 First National Bank Bldg., Dallas, Tex. **Underwriter**—None.

Texas Power & Light Co. (5/18)
April 13 filed $5,000,000 first mortgage bonds due 1983. **Proceeds**—To reduce bank loans and 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**—To be received up to 11:30 a.m. (EDT) on May 18 at Two Rector St., New York, N. Y.

★ Texas Power & Light Co. (5/18)
April 13 filed 70,000 shares of cumulative preferred stock (no par). **Proceeds**—To retire bank loans and 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**—To be received up to 11:30 a.m. (EDT) on May 18 at Two Rector St., New York, N. Y.

Texas Western Oil Co., Inc., Houston, Tex.
March 24 (letter of notification) 250,000 shares of capital stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To drill wells. **Office** — 116A City National Bank Bldg., Houston, Texas. **Underwriter** — Walter Aronheim, 82 Beaver St., New York.

★ Towncraft Industries, Inc.
April 16 (letter of notification) $50,000 of convertible debentures (each $10 principal amount convertible into one share of Class A common stock, par $1). **Price**—At par (in denominations of $50 and $100). **Proceeds**—For general corporate purposes. **Office**—271 Church St., New York, N. Y. **Underwriter**—None.

Union Tank Car Co. (5/5)
April 15 filed $20,000,000 of sinking fund debentures to be dated April 15, 1953 and to mature April 15, 1973. **Price**—To be supplied by amendment. **Proceeds**—To retire $15,000,000 bank loans and for general corporate purposes including the construction of new tank cars. **Underwriter**—Smith, Barney & Co., New York.

● Union Wire Rope Corp.
March 30 filed 100,000 shares of capital stock (par $5), of which 50,000 shares are to be offered for subscription by stockholders of record April 20 at rate of one new share for each 10 shares held (with an oversubscription privilege); 33,300 shares will be sold to one subscriber; and the remaining 16,700 shares to be offered publicly together with any unsubscribed shares. Subscription rights will expire on May 8. **Price**—To be supplied by amendment. **Proceeds** — For expansion program and working capital. **Underwriter**—P. W. Brooks & Co., Inc., New York.

★ United Rayon Manufacturing Corp., Arnheim, The Netherlands
See under Algemene Kunstzijde Unie N. V. 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.

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.

Washington Gas Light Co. (4/28)
April 8 filed 84,734 shares of common stock (no par) to be offered for subscription by common stockholders of record April 27 at rate of one new share for each 10 shares held; rights to expire on May 14. **Price**—To be supplied by amendment. **Proceeds**—For new construction. **Underwriters**—The First Boston Corp., New York; and Johnston, Lemon & Co., Washington, D. C.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed $29,000,000 12-year 6% debentures due Dec. 15. 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price** — To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sale of $55,000,000 first mortgage bonds, to be used to build a 1,030 mile crude oil pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Expected in the Spring of 1953.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Expected in the Spring of 1953.

Western Safflower Corp. (4/24)
April 9 (letter of notification) 240,000 shares of common stock (par 25 cents). **Price**—$1.25 per share. **Proceeds**—To construct plant. **Office**—First National Bank Bldg., Colorado Springs, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

Wisconsin Public Service Corp. (4/28)
March 30 filed 30,000 shares of cumulative preferred stock (par $100). **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly). **Bids**—To be received up to 10:30 a.m. (CDT) on April 28 at 231 So. La Salle St., Chicago 4, Ill.

● Wisconsin Public Service Corp. (5/5)
March 30 filed $8,000,000 first mortgage bonds due May 1, 1983. **Proceeds**—To repay $6,300,000 bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Union Securities Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly); Harris, Hall & Co. (Inc.); Carl M. Loeb, Rhoades & Co. **Bids**—Scheduled to be received up to 11 a.m. (CDT) on May 5 at 231 So. La Salle St., Chicago 4, Ill.

★ Woodley Petroleum Co., Houston, Tex. (5/12)
April 21 filed $2,500,000 of sinking fund debentures due 1968 and 50,000 shares of cumulative convertible preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—To be applied to the activities of the company's Canadian subsidiary **Underwriter** — A. G. Becker & Co., Inc., Chicago, Ill.

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

Allis-Chalmers Mfg. Co.
April 7 it was announced stockholders on May 6 will vote on increasing authorized common stock from 3,750,000 shares (no par) to 5,000,000 shares (par $20). It is not presently planned to issue any of the additional stock. **Underwriter**—Previous financing was handled by Blyth & Co., Inc.

American Gas & Electric Co. (6/9)
April 6 it was announced company plans to issue and sell 800,000 additional shares of common stock (par $5). **Proceeds**—To be invested in operating subsidiaries. **Underwriters** — To be determined by competitive bidding. Probable bidders: First Boston Corp.; Union Securities Corp.; Blyth & Co., Inc., and Goldman, Sachs & Co. (jointly). **Registration**—Expected about middle of May. **Bids**—To be received early in June.

● Arkansas Louisiana Gas Co.
April 10 it was reported company has filed an application with Arkansas P. S. Commission for authority to issue and sell $35,000,000 of first mortgage bonds. **Proceeds**—To repay $25,000,000 bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lazard Freres & Co. (jointly); Union Securities Corp.; Smith, Barney & Co.; Equitable Securities Corp. **Bids** — Expected to be received early in May.

Continued on page 52

Continued from page 51

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).

Arkansas Power & Light Co.
March 20 it was announced that company may consider refunding the outstanding 47,609 shares of $7 preferred stock (no par) and 45,891 shares of $6 preferred stock (no par), both called at $110 per share. **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.

Atlantic Refining Co.
March 27 it was announced that proposed debenture issue later this year will be around $60,000,000. The exact nature and timing of the financing are still to be determined. Stockholders will vote May 5 on increasing authorized debt from $75,000,000 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.

● **Bangor & Aroostook RR.**
March 31 it was announced RFC plans sale of $1,675,000 of this company's collateral trust 4% bonds due July 1, 1961. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. **Offering**—Withdrawn.

★ **Basin Oil Corp., Evansville, Ind.**
April 13 it was reported company plans issuance and sale of additional common stock (up to an amount not exceeding $300,000). **Price** — Expected around 62½ cents per share. **Underwriters**—Cruttenden & Co., and Mason, Moran & Co., both of Chicago, Ill.

Central Foundry Co. (4/30)
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. Fred J. Young of F. J. Young & Co., New York is a director.

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 at the annual meeting March 24 voted to authorize 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 Illinois Public Service Co.
March 26 it was reported that the company may about mid-July sell about $6,000,000 additional common stock (first to common stockholders). **Underwriter**—The First Boston Corp., New York.

Central Louisiana Electric Co., Inc.
March 26 it was announced stockholders on April 16 will vote on authorizing a block of the authorized common stock for issuance and sale locally in the parishes in which the facilities of the company are located, such stock not to exceed $300,000 in aggregate market value. They will also vote on approving issuance of securities convertible into shares of any class of capital stock.

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. (4/23)**
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 4% first mortgage bonds due in 1988. **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. and White, Weld & Co. (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Expected at 1 p.m. (EST) on April 23.

Cincinnati Gas & Electric Co.
March 31 it was revealed the company plans to raise $35,000,000 through sale of new securities (mostly bonds). **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc., and The First Boston Corp. (jointly); Union Securities Corp.; Glore, Forgan & Co. and White, Weld & Co. (jointly); W. C. Langley & Co.; Lehman Brothers; Harriman Ripley & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane. Previous equity financing was underwritten by Morgan Stanley & Co. and W. E. Hutton & Co.

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.

★ **Colonial Trust Co. of Wilmington, Del.**
April 10 it was reported company plans to offer to its stockholders of record April 23 the right to subscribe on or before May 12 for 4,028 additional shares of capital stock (par $10) on the basis of one new share for each three shares held. **Price**—$30 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Laird, Bissell & Meeds, Wilmington, Del.

Columbia Gas System, Inc.
April 6 it was announced company plans to issue and sell later this year $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.; 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.)

● **Culver Corp., Chicago, Ill.**
April 3 common stockholders of record Jan. 13 were given the right to subscribe on or before April 24 for 23,640 shares of common stock at the rate of one new share for each $5 par common share held immediately prior to the two-for-one split up of shares effected on Jan. 13, 1953. **Price**—At par ($2 per share). **Proceeds**—For investment. **Office**—105 West Madison St., Chicago, Ill. **Underwriter**—None.

Delaware Power & Light Co.
Feb. 24 it was announced stockholders on April 21 will vote on approving a proposal to increase the authorized preferred stock from 200,000 shares to 300,000 shares (par $100). Probable bidders for any new preferred stock financing may include Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers; W. C. Langley & Co. and Union Securities Corp. (jointly); Morgan Stanley & Co. Stuart Cooper, President, said it is possible that common stock may be sold later in the year.

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.

Denver & Rio Grande Western RR. (8/3)
Bids are expected to be received by the company on or about Aug. 3 for the purchase from it of $3,300,000 equipment trust certificates due semi-annually from Nov. 1, 1953, to May 1, 1968, inclusive, and on or about Oct. 1 of a like amount of said certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

Derby Gas & Electric Corp.
April 10 it was announced corporation plans to offer to its common stockholders the right to subscribe for an additional 50,000 shares of capital stock (prior to consummation of plan of merger of company and its subsidiaries). **Underwriter**—Allen & Co., New York.

Detroit Brass & Malleable Works
April 1 it was announced that stockholders were to vote April 15 on increasing capital stock (par $10) from 200,000 to 300,000 shares and on waiving their preemptive rights to subscribe to any additional shares. The additional shares may be sold at par for working capital, or used as stock dividends at the discretion of the directors.

Detroit Edison Co.
March 24 it was announced company plans to issue an unspecified amount of convertible debenures due 1963 (about $55,000,000 to carry an interest rate not exceeding 4%) 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.

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).

El Paso Natural Gas Co.
March 25 it was announced company plans to place privately $120,000,000 of first mortgage bonds and sell publicly 200,000 shares of preferred stock (probably in May) and $25,000,000 debentures. **Underwriters** — White, Weld & Co., N. Y.

General Public Utilities Corp. (6/4)
April 6, A. F. Tegen, President, announced that the company plans to offer about $16,000,000 of common stock (approximately 568,756 shares) to its stockholders about June 4 on a 1-for-15 basis. There are 8,531,329 shares (par $5) presently outstanding. **Proceeds**—For investments in subsidiaries. **Underwriter** — None. Merrill Lynch, Pierce, Fenner & Beane, New York, acted as clearing agent in previous stock offer.

Government Employees Corp., Washington, D. C.
March 18 stockholders authorized an issue of 3,000 shares of preferred stock (par $100) to carry a cumulative dividend rate not to exceed 6% annually. The management states that, under present plans, these shares will be issued as the growth of the corporation warrants.

Government Employees Corp. (5/26)
March 18 directors authorized an offering of 12,000 shares of common stock (par $5) to stockholders of record April 28 at rate of one new share for each five shares held (not taking into account 3,000 shares to be issued as a stock dividend on May 26); rights are to expire on June 24. Subscription warrants are to be issued on the latter date. **Price**—$15 per share.

★ **Greenwich Gas Co.**
April 13 it was reported company plans to issue and sell $200,000 of first mortgage bonds and $483,000 of common stock (the latter first to stockholders). **Proceeds**—To retire bank loans. **Underwriter**—F. L. Putnam & Co., Boston, Mass.

Gulf Interstate Gas Co., Houston, Tex.
Sept. 16 company applied to the FPC for authority to construct an 860-mile pipeline extending from southern Louisiana to a point in northeastern Kentucky. This project would cost about $127,887,000. Transportation of gas is expected to commence by Nov. 1, 1954. To finance the line company plans sale of bonds and stock (75% and 25%, respectively). **Underwriter**—May be Carl M. Loeb, Rhoades & Co., New York.

Gulf Life Insurance Co., Jacksonville, Fla.
March 21 E. L. Phillips, Jr., President, and others sold about 150,000 shares of capital stock for a reported price of $17,400,000 to an investment banking group headed by Equitable Securities Corp. and R. S. Dickson & Co., who plan to offer a part thereof in two or three months.

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. (EDT) on June 9.

Gulf States Utilities Co.
March 26 it was announced company has filed an application with the FPC proposing the issuance of 781,042 shares of common stock (no par) to common stockholders as a stock distribution on the basis of one new share for each four shares held on or about May 8. [It had previously been erroneously reported that the new shares were to be offered for sale to stockholders.]

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.

★ **Iowa Electric Light & Power Co.**
April 13 it was reported company may sell in June some common and preferred stock and/or debentures. **Underwriters** — For stock: The First Boston Corp. and G. H. Walker & Co., both of New York. Previous debt financing was done privately.

★ **Iowa Public Service Co.**
April 13 it was reported company plans issuance and sale in June of $7,500,000 first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Kuhn, Loeb & Co.; Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Lehman Brothers, Bear, Stearns & Co. and L. F. Rothschild & Co. (jointly); Union Securities Corp. and Salomon Bros. & Hutzler (jointly). **Offering**—Expected in June.

Jasco, Inc. (Del.) (4/30)
Bids will be received up to 3 p.m. (EDT) on April 30 for the purchase from the office of Alien Property, 346 Broadway, New York 13, N. Y., of its 50% ownership (5 shares) in this corporation. The other 50% interest is held by Standard Oil Development Co., a subsidiary of Standard Oil Co. (New Jersey).

● **Long Island Lighting Co.**
April 21 it was announced that company this Fall plans to issue and sell in the neighborhood of 600,000 shares of new common stock to be followed in the latter part of

the year by an issue of about $25,000,000 of first mortgage bonds (this is in addition to 100,000 shares of series C preferred stock, par $100, registered with the SEC on April 6). **Proceeds**—To repay bank loans and for new construction. **Underwriters** — (1) For common stock, probably Blyth & Co., Inc. and The First Boston Corp. (jointly). (2) For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); W. C. Langley & Co.; Smith, Barney & Co.

Louisiana Power & Light Co.
March 20 it was announced company may issue and sell in June $12,000,000 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.

★ Maier Brewing Co., Los Angeles, Calif.
April 18 it was announced company will offer 400,000 additional shares of common stock to its stockholders at rate of four new shares for each share held. **Price**—$5 per share. **Proceeds** — To help finance a new bottling plant. **Underwriter**—None.

Menabi Exploration Co., Inc., Houston, Tex. (5/14)
April 8 it was announced company plans to issue and sell $1,000,000 of convertible debentures. **Proceeds**—To finance development of oil properties in Ecuador. **Underwriter**—Kidder, Peabody & Co., New York. **Meeting**—Stockholders on April 27 will vote on increasing authorized common stock by 500,000 shares.

Michigan-Wisconsin Pipe Line Co.
March 24 it was reported this company is considering permanent financing of its $20,000,000 bank loans which mature July 1, 1953. If competitive, bidders for bonds may include: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; The First Boston Corp.; Harriman Ripley & Co., Inc.

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.

Mississippi Power & Light Co.
March 20, E. H. Dixon, President of Middle South Utilities, Inc., announced that refunding of Mississippi Power & Light Co.'s $6 preferred stock (no par), of which 44,476 shares are now outstanding, may be considered. This issue is callable at $110 per share. **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.

Missouri Public Service Co.
March 31, F. J. Green, President, announced that company plans to issue and sell $1,500,000 of equity securities and about $3,500,000 of first mortgage bonds and serial debentures. **Proceeds**—To finance 1953 construction program. The latter may be placed privately.

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 one-for-five basis. **Proceeds** — For construction program. **Underwriters** — To be named later.

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.

National Ceramic Co., Trenton, N. J. (4/30)
March 29 it was announced that sealed bids will be received on or before April 30 by Surrogate of Mercer County, at Trenton, N. J., for the purchase of a majority stock interest in this company. Bids will be opened by the court at 2 p.m. (EDT) on May 1.

● New Jersey Power & Light Co.
April 15 company applied to SEC for authority to issue and sell $5,500,000 first mortgage bonds due May 1, 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; 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.

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, 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). **Offering**—Expected in June.

Northern Pennsylvania Power Co.
April 6 it was reported company may issue later this year $1,500,000 of first mortgage bonds. **Proceeds**—For expansion program. **Offering**—May be placed privately.

Northwest Natural Gas Co.
March 23 it was reported that this company plans to finance its proposed 1,300-mile pipeline from Canada to the Pacific Northwest by the issuance and sale of $66,000,000 of 4½% first mortgage pipeline bonds to insurance companies and other institutional investors and $9,000,000 of 5% debentures and 1,400,000 shares of common stock at $10 per share publicly in the United States and Canada. **Underwriter**—Morgan Stanley & Co., New York.

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.

Omaha National Bank, Omaha, Neb.
April 6 it was announced stockholders have approved an increase in authorized capitalization from $4,000,000 to $5,000,000, par $20 per share, in order to pave the way for an offering to stockholders of 20,000 new shares at $40 per share on a one-for-ten basis, following which a stock dividend of 30,000 shares will be paid on a basis of one new share for each 7⅓ shares held.

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 Mexico 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.

Pacific Telephone & Telegraph Co.
Dec. 17 Mark R. Sullivan, President, announced that company in 1953 will borrow some $125,000,000 from banks to be refinanced later in year, probably by offering of bonds and additional common stock. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co.; Lehman Brothers and Union Securities Corp. (jointly). Stock would be offered to stockholders, without underwriting. American Telephone & Telegraph Co., parent, owns 91.25% of Pacific common shares.

Pennsylvania Electric Co. (6/23)
April 1 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. **Bids**—Tentatively set for 11 a.m. (EDT) on June 23. **Registration**—Expected on May 12.

Permian Basin Pipeline Co., Chicago, Ill.
Feb. 4 company filed an amended application with FPC for authority to construct a 163-mile pipeline system at an estimated cost of $40,269,000. Probable underwriters for convertible notes and stock; Stone & Webster Securities Corp.; and Glore, Forgan & Co., both of New York. Of the stock of this company, 51% is now owned by Northern Natural Gas Co.

Pittston Co.
April 7 it was announced stockholders on May 6 will vote on approving a $20,000,000 financing program, which may involve the private placement of $2,000,000 of preferred stock and the sale, partly public and part privately of $6,000,000 of collateral trust notes and $12,000,000 of collateral trust bonds. **Underwriter**—Blair, Rollins & Co.

Public Service Co. of Indiana, Inc.
April 10 it was announced that company plans to issue and sell 600,000 shares of preferred stock (par $25) and to offer to the common stockholders on a 1-for-8 basis 472,000 shares of common stock. **Proceeds**—For expansion program. **Underwriter**—Blyth & Co., Inc., handled previous financing.

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 & 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.

Reading Co. (5/13)
Bids are expected to be received by the company up to May 13 for the purchase from it of $4,500,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

Remington Corp., Auburn, N. Y.
April 14, Herbert L. Laube, President, following approval of the increase and split-up of common and preferred stock, stated that the increased capitalization is necessary because the profit left after today's taxes is far from enough to finance this corporation's continued growth. The common was increased from 50,000 shares, par $5, to 1,000,000 shares, par $1, and split-up on a 5-for-1 basis, and the preferred stock increased from 2,500 shares, par $25, to 50,000 shares, par $10, and split-up on a 2½-for-1 basis.

● Republic National Bank of Dallas (Texas)
April 14 stockholders were offered the right to subscribe for 250,000 shares of capital stock (par $12) on basis of one new share for each seven shares held after stock split; rights expire April 30. **Price**—$30 per share. **Proceeds**—To be used to increase capital by $3,000,000 and surplus by $4,500,000. **Underwriters**—Walker, Austin & Waggener, The First Southwest Co. and Dallas Rupe & Son, all of Dallas, Texas.

St. Anne's Oil Co., Midland, Tex. (4/30)
March 28 it was reported that registration is expected about April 10 of 250,000 shares of common stock. **Price**—$5 per share. **Underwriters**—Sills, Fairman & Harris and H. M. Byllesby & Co., Inc., both of Chicago.

St. Louis-San Francisco Ry. (4/30)
Bids will be received by the company at 120 Broadway, New York 5, N. Y., up to noon (EDT) on April 30 for the purchase from it of $5,175,000 equipment trust certificates, series L, to mature in 15 equal annual installments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

San Diego Gas & Electric Co.
March 23 it was announced company plans to issue and sell additional securities to help take care of its $17,550,000 expansion program for 1953. **Underwriters**—For any preferred or common stock: Blyth & Co., Inc. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Salomon Bros. & Hutzler.

Sears, Roebuck & Co., Chicago, Ill.
April 6 it was announced company plans to raise about $50,000,000 by offering shortly to its stockholders about 1,000,000 shares of capital stock (no par). On April 27, stockholders will be asked to increase authorized capital stock to 27,500,000 shares from 25,000,000 shares (2[illegible]167,840 shares outstanding at Jan. 31, 1953, with 478,673

Continued on page 54

Continued from page 53

shares reserved for issuance to employees under a stock option plan). **Proceeds**—To be utilized for general business purposes. **Underwriter**—None.

Second National Bank of Philadelphia
April 14 stockholders of record that date received right to subscribe on or before April 24 for 25,000 additional shares (par $10) on the basis of one new share for each four shares held. **Price**—$20 per share. **Proceeds**—To increase capital and surplus.

● Shield Chemical Corp., Verona, N. J. (5/25)
March 26 it was reported company plans to issue and sell about $300,000 of common stock. **Proceeds**—For working capital. **Underwriter**—Peter W. Spiess & Co., New York.

★ Smith (Alexander), Inc.
April 16 it was announced stockholders will vote May 20 on authorizing $4,689,625 of convertible subordinated debentures, which may be first offered for subscription by common stockholders at rate of $100 of debentures for each 20 shares held, this sale to be contingent upon the sale of Sloane Blabon Corp., a wholly-owned subsidiary, on or before May 20. **Proceeds**—From sale of debentures plus $4,600,000 from insurance loan, to complete new plant at Greenville, Miss.; to make improvements at Yonkers, N. Y. plant; and for working capital. **Underwriters**—May be Morgan Stanley & Co. and Dominick & Dominick.

South Carolina Natural Gas Co.
Feb. 19 it was announced a FPC Presiding Examiner filed a decision, subject to Commission review, authorizing company to construct approximately 160 miles of pipeline at an estimated cost of $5,945,000. Securities may be sold privately through competitive sale.

South Georgia Natural Gas Co.
Feb. 19 it was announced a FPC Presiding Examiner filed a decision, subject to Commission review, authorizing the company to construct 335 miles of pipeline in Alabama, Georgia and Florida at an estimated cost of $8,141,518.

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).

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 and Paine, Webber, Jackson & Curtis (jointly); 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).

★ Strategic Materials Corp., Buffalo, N. Y.
April 14 it was reported company plans to offer for subscription by its common stockholders about $1,000,000 of additional common stock. **Underwriters**—Hamlin & Lunt, Buffalo, N. Y., and Allen & Co., New York.

Tennessee Gas Transmission Co.
March 27 it was reported company expects to do some debt financing this Fall (under $50,000,000) to replace short-term bank loans. (This is in addition to 1,000,000 shares of common stock filed with SEC on April 10—see above.) Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (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 Utilities Co. (6/2)
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 on June 2.

● Toledo Edison Co.
April 21 stockholders approved a proposal to increase the authorized common stock from 5,000,000 to 7,500,000 shares and to amend the articles of incorporation so as to provide that the limit on the amount of unsecured indebtedness that the company may create, without consent of majority of the preferred stockholders shall be 20% (instead of 10%) of the aggregate of company's secured indebtedness and capital and surplus. Charles E. Ide, President, stated that the management has no present plans to issue new common shares. The First Boston Corp. and Collin, Norton & Co. handled latest common stock financing. Probable bidders on any bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Glore, Forgan & Co. (jointly); Equitable Securities Corp.; Kidder, Peabody & Co., White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.; Smith, Barney & Co.

United Gas Corp.
Feb. 11 it was reported company may issue and sell in June approximately $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).

Utah Power & Light Co.
March 16 it was announced stockholders will vote May 18 on increasing the authorized common stock from 2,000,000 shares (1,842,500 shares outstanding) to 2,500,000 shares in order to provide additional stock for future needs. Company's construction program for the three years (1953-1955) is estimated at $42,000,000.

Walworth Co.
March 25 stockholders voted to increase authorized common stock from 1,900,000 shares to 2,500,000 shares and to grant directors right to issue all or part of increased stock without prior offering to stockholders; also to reserve 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 Gas Light Co.
April 8 it was reported company plans to issue and sell $7,000,000 of refunding mortgage bonds. **Proceeds**—For new construction. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp.; Kidder, Peabody & Co.; Union Securities Corp. **Bids**—Expected to be received in June.

Washington Water Power Co.
April 10 it was announced directors have approved the issuance and sale in May of $10,000,000 of first mortgage bonds and $18,000,000 of debentures. **Proceeds**—To repay $24,000,000 of bank loans and to redeem 35,000 shares of $6 preferred stock at $110 per share. **Underwriters**—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). However, both issues may be sold privately through Kidder, Peabody & Co.

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.

Westcoast Transmission Co.
April 10 it was stated company may issue and sell $59,000,000 of 4% first mortgage bonds to insurance companies (including Prudential Insurance Co. of America, New York Life Insurance Co.; Northwestern Mutual Life Insurance Co. and several Canadian companies); $25,000,000 of 3% to 4% short-term notes to the National City Bank of New York; and about 3,500,000 shares of common stock for about $30,000,000. **Proceeds**—To finance construction of a natural gas pipe line from the Canadian Peace River field to western Washington and Oregon. **Underwriter**—Eastman, Dillon & Co., New York.

Western Light & Telephone Co., Inc.
April 10 it was announced that stockholders voted to increase the authorized preferred stock (par $25) from 250,000 shares to 400,000 shares and the common stock to 700,000 from 500,000 shares. The sale of about $3,000,000 bonds and 80,000 shares of preferred stock is expected in June. **Proceeds**—For new construction. **Underwriter**—Harris Hall & Co., Inc., Chicago, Ill.; The First Trust Co. of Lincoln (Neb.).

Weston Electrical Instrument Corp.
April 8 it was announced stockholders will vote April 30 on increasing authorized capital stock (par $12.50) from 250,000 shares (160,583 shares outstanding) to 500,000 shares, and on approving the distribution of a 100% stock dividend. Subject to market conditions, the company also plans to offer additional stock to stockholders on a pro rata basis. **Proceeds**—To reduce bank loans of $7,750,000. **Underwriter**—May be named.

Wisconsin Public Service Corp.
March 17 it was reported that the company may, late this year or early in 1954 issue and sell some common stock to round out its financing program. **Underwriter**—May be The First Boston Corp. and Robert W. Baird & Co. (jointly).

Worcester Gas Light Co.
April 2 it was announced company has applied to the Massachusetts Department of Public Utilities for authorization to issue and sell $3,000,000 of 20-year first mortgage bonds. **Proceeds**—To retire bank loans, etc. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Blyth & Co., Inc.; Kidder, Peabody & Co.

Our Reporter's Report

The underwriting business has returned to that area where banking groups going after new issues, particularly via competitive bidding, are finding it necessary to do a good deal of real "boning" before submitting their tenders for a given undertaking.

It is no longer the situation of a year or two back when, with the Federal Reserve holding an umbrella over the government market, they had little to fear in the way of price decline. The one-way sign is down and there is literally need for a "compass" to chart a safe course.

Money rates are fluctuating and the long-term Treasury bond market shows little sign as yet of having found a new basis. In fact there are some who look for the present nervousness to prevail at least until the exchange "rights" accruing to F and G holders under the recent offering of 3¼s expire at the month-end.

Meanwhile underwriters are becoming aware, and painfully in some cases, that they must be nimble-footed in going after new business.

It has been demonstrated frequently in recent months that if you miss out on pricing at the immediate time of offering there is a strong possibility that a potentially successful deal turns into an operation that requires plenty of fortitude and real selling effort.

Irksome Practice

There is a growing tendency among underwriters who frequently head up syndicates to discourage the practice on the part of dealers to take down a larger portion of a given issue than their orders will cover.

It has been noted over a period, particularly in the case of secondary equity offerings, that dealers have a penchant to "stock up" their shelves. Momentarily this gives any particular deal a "good tone," but the ultimate reaction is considered bad.

As one underwriter, nettled a bit by the practice, put it, "you figure that a given issue has been well placed, and then comes trouble. People who have bitten off more than they can chew, start selling and naturally the complexion of the market changes."

Favor Revenue Bonds

Institutional investors still are cool to new offerings generally and it is felt, probably will continue in that frame of mind until the Treasury completely winds up its current operation.

Meanwhile, attention is turning to the municipal market with major emphasis on bonds of the revenue type, such as those of toll roads and bridge and tunnel authorities.

These issues are being picked up where the yield is 3⅞ to 4%, it is noted, in preference to corporate debt issues which are available to yield 3.5 to 3.8%

Looking Over Secondaries

Some of the insurance companies likewise are reported to be looking over frequent secondary offerings with a keen eye.

Where the stock is that of a seasoned company, and in the case of these institutions it has to be, there is strong disposition to pick up the shares.

Buyers are motivated by the opportunity to obtain a good current yield with the added attraction of possible capital appreciation.

Putting on the Screws

If reports going the rounds are well-founded, and there is no reason for serious doubt, the Treasury has really been "turning down the screws" on would-be "free-riders" in its latest operation.

One story has it that the government's monetary officials have been demanding that banks making loans to clients, for purchase of the new issue, submit a statement showing the latter's net worth.

This procedure, a severe change from recent years, has, it is said, brought considerable howling on the part of potential "quick-turn" buyers who are not keen on submitting such data.

Continued from page 5

Keep Our Economic Powder Dry!

the EPU and GATT, and the Havana Conference.

And in the recent Czech trials the main charge against Rudolph Slansky was that he promoted trade with the West.

"Trade" for Our Self-Destruction

And now as ever must we be alert to blocking the Russians' other "trade" objective; namely, acquisition of sorely needed raw materials and capital equipment; thus avoiding our national suicide ensuing from chasing a mirage of trade advantage. As Mr. Vishinsky frankly conceded in the United Nations last month, "the Soviet Union has never concealed the fact that it sold and continues to sell armaments to its ally China."

Even an armistice or cease-fire in Korea will settle very little there militarily. The Communists will have a better opportunity to build up their stockpiles behind the front; they will gain immunity from air attack behind their lines; and they could get freedom to reconstruct their airfields and ground forces in North Korea.

And similarly, a truce in Korea would increase the threat against Indo-China and Formosa; and in the absence of an overall world settlement, leave undiminished the tensions in the areas of Malaya, Indonesia, the Philippines, the Middle East, Austria and Germany.

Cannot Forget Entire Past In Wishful Thinking

In the obscurity over the significance of the Russians' "new look," hungry as we are for "the real thing," we cannot disregard the fact that it is only a manifestation of ordinary human intelligence to take into account the past as a clue to future behavior. This is particularly true in dealing with the Russians, where the evidence is so overwhelming, and where they themselves have chosen to operate in terms of an entire historical era.

Throughout the long years of Lenin and Stalin equally, have we consistently seen the Russians' frankly proclaimed dedication to the overthrow of the free nations—a 30-year-long religion that is a fact that cannot be conveniently forgotten in wishful thinking.

It is impracticable to cite here the long list of direct and specific quotations throughout the years spelling out Lenin's and Stalin's unswerving commitments to the overthrow of the capitalist countries as an operation indispensable to the advance of communism, and to the basic tenet that the capitalist and socialist economies cannot co-exist in the same world. "Whoever is not with us is against us," was the Lenin theme song. "The existence of the Soviet Republic side by side with imperialist states for a long time is unthinkable. One or the other must triumph in the end."

And one Stalin quotation bearing on the present zig-zag strategy (from Stalin's *Foundations of Leninism* (Chapter VII): "The object of our strategy is to gain time, to demoralize the enemy, and to accumulate forces in order later to assume the offensive."

And even **after** Stalin's death, the following typical line appeared in "Pravda": "The Russian people must fulfill their sacred duty of strengthening the mighty Soviet armed forces and other Soviet intelligence service." And again last week before the United Nations Vishinsky gave one of his choicest re-runs of verbal lynching of the West.

No matter how greatly we crave peace, can we with any logic assume that Stalin's own chosen successors' ruling with the carried-over Palace Guard, are suddenly going into a **permanent** reversal of the 30-year-old Stalin policies—in matters of either economics or politics?

No Longer Communists?

The realistic question is:—Can we assume that Malenkov and company, with an enormous and growing military establishment, have suddenly given up their basic credit that they cannot be safe until capitalism is destroyed—in other words, that the Soviet policy-makers suddenly have ceased to be Communists?

Surely until our long-time self-avowed enemy gives clear evidence that he has undergone a complete change of all his basic aims and philosophy, along with effective disarmament agreement, it is only the part of the most elementary common-sense prudence to keep our powder dry on the economic as well as military defense fronts!

Protests Misleading and Inaccurate Information About Canadian Life Insurance Shares

R. Leighton Foster, General Counsel of the Canadian Life Insurance Officers Association, addresses letter to investment dealers in U. S. in which he states grave misunderstanding exists regarding full implications of the Canadian insurance law

In a letter, dated April 16, and sent out to a number of investment dealers in the United States, R. Leighton Foster, General Counsel of the Canadian Life Insurance Officers Association, having headquarters in Toronto, Can., reports that he is concerned regarding what he termed misleading and inaccurate information relative to the shares of Canadian life insurance companies that is being circulated in the United States.

The text of Mr. Foster's letter follows:

"In recent months I have become concerned at the volume of what seems to me to be misleading and inaccurate information about the shares of Canadian life insurance companies that is being circulated, doubtless in good faith, in the United States. It is apparent that grave misunderstanding exists in some quarters as to the full implications of the Canadian insurance law.

"Your name has been given to me as a recognized dealer in insurance shares. May I as general counsel of the Association representing the principal insurance companies, United States and British and Canadian, carrying on business in Canada (70 in all) invite your cooperation in getting the facts before the American investing public.

"There are some features about Canadian life insurance companies that make any comparison with United States stock companies not only most misleading, but actually impossible.

"In the first place, the insurance law of Canada permits Canadian companies with share capital to write both participating and non-participating policies. The percentage varies with individual companies but by far the greater part of the business written by them is participating insurance. Participating funds of the companies are required to be segregated and the law provides, and has since 1910, that at least 90% of the earnings distributed must be paid or credited to policyholders. The percentage is based on the size of the company and in 1951 the percentage was raised to 97½% in the case of the largest companies. Again, at least one-third of the directors of a company must be non-shareholders and must be elected by the policyholders. Furthermore, the participating policyholders have the right to vote by proxy on all questions that come before any meeting of the company.

"If you have seen any of the circulars and other printed material that have been circulated in the United States in recent months I am sure you will appreciate the misleading and inaccurate character of much of it in the light of the foregoing. We are proud of our Canadian life insurance companies; they have established an enviable record over more than a century. Nevertheless, they are primarily policyholders' companies and any dealer in the United States who recommends the purchase of their shares without knowing all the facts is rendering his clients a real disservice.

"There is no mystery about the operations of Canadian life insurance companies and no lack of sources of reliable information. Doubtless the Federal Department of Insurance at Ottawa is the best one. On the other hand if you are interested in the shares of a particular company I suggest you communicate directly with the management; if you desire more general information I would be glad to hear from you at any time."

With White, Weld & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John X. Kennedy has become associated with White, Weld & Co., 231 South La Salle Street. He was formerly with Stifel, Nicolaus & Co., Inc.

E. F. Hutton Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Lillian L. Hale has been added to the staff of E. F. Hutton & Company, Board of Trade Building.

E. G. Lindberg Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Ernst G. Lindberg is engaging in a securities business from offices at 3563 Wilshire Boulevard.

MEETING NOTICES

NORFOLK AND WESTERN RAILWAY COMPANY
Roanoke, Virginia, April 6, 1953.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of Stockholders of Norfolk and Western Railway Company will be held, pursuant to the By-laws, at the principal office of the Company in Roanoke, Virginia, on Thursday, May 14, 1953, at 10 o'clock A. M., **to elect four Directors** for a term of three years.

Stockholders of record at the close of business April 16, 1953, will be entitled to vote at such meeting.

By order of the Board of Directors.
L. W. COX, *Secretary.*

Allied Chemical

NOTICE OF ANNUAL MEETING

TO THE STOCKHOLDERS:

The Annual Meeting of the Stockholders of Allied Chemical & Dye Corporation will be held at the principal office of the Company, No. 61 Broadway, Borough of Manhattan, New York, N. Y., at one o'clock p.m. (Daylight Saving Time), on Monday, April 27, 1953, for the following purposes:

(1) To elect directors for the ensuing year;

(2) To take action upon a proposal that the stockholders approve an incentive stock option plan and authorize the Company to issue 150,000 authorized but unissued shares of Common Stock of the Company for the purposes of said plan without first offering such shares to the holders of the Company's outstanding stock for subscription; and

(3) To transact such other business as may properly come before the Meeting.

Stockholders of record as of the close of business March 19, 1953, will be entitled to vote at this Meeting. The transfer books will not be closed.

W. C. KING, *Secretary.*

Dated, March 19, 1953.

DIVIDEND NOTICES

GAMEWELL

At a meeting of the Board of Directors of The Gamewell Company held on April 17, 1953, the following dividends were voted:

$.25 cents per share payable May 15, 1953 to stockholders of record at the close of business May 5, 1953.

A year end dividend of $.25 cents per share payable May 15, 1953 to stockholders of record at the close of business May 5, 1953.

W. C. Beck, Treasurer

GOULD-NATIONAL BATTERIES, INC.
SAINT PAUL, MINNESOTA
Manufacturers of Automotive and Industrial Batteries

DIVIDEND NOTICE

Preferred Dividend

The Board of Directors today declared a regular quarterly dividend of 56¼¢ per share on the Cumulative Preferred Stock, payable May 1, to shareholders of record April 21, 1953.

Common Dividend

The Board of Directors today declared a dividend of 75¢ per share on Common Stock, payable May 1 to shareholders of record April 21, 1953.

A. H. DAGGETT
President
April 10, 1953

DIVIDEND NOTICES

COLUMBIA PICTURES CORPORATION

The Board of Directors at a meeting held April 15, 1953, declared a quarterly dividend of $1.06¼ per share on the $4.25 Cumulative Preferred Stock of the company, payable May 15, 1953, to stockholders of record May 1, 1953.

A. SCHNEIDER,
Vice-Pres. and Treas.

HOOKER ELECTROCHEMICAL COMPANY

$4.25 Cumulative Preferred Stock Dividend

The Board of Directors of Hooker Electrochemical Company on April 15, 1953 declared a quarterly dividend of $1.0625 per share on its $4.25 Cumulative Preferred Stock, payable June 26, 1953 to stockholders of record as of the close of business June 2, 1953.

Cumulative Second Preferred Stock Series B Dividend

The Board of Directors of Hooker Electrochemical Company on April 15, 1953 declared a quarterly dividend of $1.05 per share on its Cumulative Second Preferred Stock, Series B, payable June 26, 1953 to stockholders of record as of the close of business June 2, 1953.

Common Stock Dividend

The Board of Directors of Hooker Electrochemical Company on April 15, 1953 declared a quarterly dividend of Fifty Cents ($.50) per share on its Common Stock, payable May 29, 1953 to stockholders of record as of the close of business May 1, 1953.

ANSLEY WILCOX, 2nd
Secretary

From the Salt of the Earth — HOOKER CHEMICALS

DIVIDEND NOTICES

SUBURBAN PROPANE GAS CORPORATION

REGULAR QUARTERLY DIVIDEND NO. 29 DECLARED

Common Stock—30¢ per share

Payable May 15, 1953 to stockholders of record May 1, 1953.

R. GOULD MOREHEAD,
Treasurer

April 21, 1953

TECHNICOLOR, Inc.

The Board of Directors has declared a dividend of fifty cents (50¢) a share on the Capital Stock of the Company, payable May 12, 1953, to stockholders of record at the close of business April 27, 1953.

L. G. CLARK, *Treasurer*
April 15, 1953.

WOODALL INDUSTRIES INC.

A regular quarterly dividend of 31¼¢ per share on the 5% Convertible Preferred Stock has been declared payable June 1, 1953, to stockholders of record May 15, 1953.

A regular quarterly dividend of 30¢ per share on the Common Stock has been declared payable May 29, 1953, to stock holders of record May 15, 1953.

M. E. GRIFFIN,
Secretary-Treasurer.

Edison

Southern California Edison Company

DIVIDENDS

CUMULATIVE PREFERRED STOCK 4.08% SERIES DIVIDEND NO. 13

CUMULATIVE PREFERRED STOCK 4.88% SERIES DIVIDEND NO. 22

The Board of Directors has authorized the payment of the following quarterly dividends:

25½ cents per share on the Cumulative Preferred Stock, 4.08% Series;

30½ cents per share on the Cumulative Preferred Stock, 4.88% Series.

The above dividends are payable May 31, 1953, to stockholders of record May 5, 1953. *Checks will be mailed from the Company's office in Los Angeles, May 31, 1953.*

P. C. HALE, *Treasurer*

April 17, 1953

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Write off tax revision, even the smallest smidgen of a start, as a prospect for the first session of the 83rd Congress. Then come next January, take another look.

This is the reaction which has greeted the formal, full-dress address last week before the National Industrial Conference Board by Marion B. Folsom, Under Secretary of the Treasury. [For full text of Mr. Folsom's address turn to page 7—Ed.] In speaking of the Treasury's unquestioned deep interest in overall revision, Mr. Folsom said as to prospects for action:

"In view of the very tight budget position, some of the reforms which are clearly desirable may have to be postponed or introduced on a limited scale. We hope to have a few things done this year; a good many may be done next year, and others will have to go over until there has been substantial reduction in expenditures."

Viewing Mr. Folsom's entire speech, the possibility of "a few things" being done this year is regarded as most optimistic. In the light of that context, there is not now the foundation for hope, as Capitol Hill interprets the speech, of a "good many" things being done next year in the way of overall revision.

For in context, Mr. Folsom builds up the case of the Eisenhower Administration against the Reed Bill, and further points out that all told some $8 billion of expiring taxes must be considered as a problem in face of what he reveals to be a greater unproductivity of tax laws than former President Truman estimated, at least for the current year.

Since budget balancing becomes first and a certain minimum of tax reduction second, overall tax revision becomes third. In the current opinion, it is rather a poor third.

Earlier this year both the Treasury and the Capitol had higher hopes for overall revision. It was planned by Dan Reed that the House Ways and Means Committee would start hearings this month. The hearings would be for the purpose of crystalizing as much as possible a broad agreement as to what were the most serious inequities in the tax system, and what priority should be given to what reforms and in what order. Then, with a figure as to how much revenue could be spared, there could be agreement on the metes and bounds of an overall revision bill.

Will Delay Hearings

It was then proposed that the House Ways and Means Committee should attempt not only to report out a bill, but that the House, if possible, should also pass it in 1953. This would push the legislation to a forward position for 1954 action in the Senate.

Most Capitol Hill observers agree heartily with Mr. Folsom's judgment that over the long period, reform of inequities will expand business, corporation and personal income, and hence the tax base. Long range, the Treasury itself will benefit from lower rates and a more equitable tax system.

Short run, however, a shortening of depreciation periods, a start toward eliminating double taxation of corporation income, and so on, would for a time curtail Treasury revenue. Hence it is agreed that substantial achievements in the way of overall revision must wait for a much lower rate of governmental spending than can now be projected.

Hence the Ways and Means Committee probably will not begin its public hearings on overall revision until June. Possibly the Committee will have a bill to report to the House this year, but it is only a possibility. Any idea that the House can adopt a tentative overall revision bill this year has now been abandoned.

Treasury Works On Regulations

Despite the outlook for a further delay in substantive legislative action, the Treasury may be expected to work hard to bring about equitable relief where this can be done through regulation, and without an immediate loss of a large volume of revenue. Mr. Folsom impresses his visitors as being a man who is firmly committed to bringing as much common sense as he can into the operation of tax laws, and so does T. Coleman Andrews, the new Commissioner of Internal Revenue.

On the other hand, some of the reports of the intentions of these officials may be misleading. It has been suggested, in particular, that the Treasury will let business "write its own ticket" on depreciation. Such a liberality is hardly to be expected, although the Treasury may be expected to listen sympathetically to depreciation schedules bearing a closer relationship than do present allowances to the realities of life.

Hints Need For Federal Sales Tax

In his Industrial Conference Board address, Mr. Folsom came closer than any Federal official in nearly two decades to endorsing the idea of a Federal sales tax.

Mr. Folsom did this only by inference. He pointed to the need for a better balance in sources of tax revenues than now prevails, with the income tax accounting for 80% of Federal revenues. A dominant reliance "on any single form of taxation is likely to lead to its breakdown," the Under Secretary observed. He pointed out that Canada derives 24.2% of its Federal revenue from all excises, whereas the U. S. obtained only 13.7% from this category.

"A diversification of sources of revenue is likely to give a better approximation to an acceptable (revenue) system than can exist when any one source is pushed to excessive levels," he said.

He further observed that a diversified tax system is especially desirable when revenue needs are very large, in order to minimize "both inequities and repressive economic pressures." As to Canada, he stated: "The greater reliance on excises in Canada has not been unrelated to the ability to reduce income taxes substantially, as was done recently in that country."

House Cuts Pose Dilemma

Superficially, it may surprise observers to see some Republicans fighting against a diminution of farm subsidies at the same time the House Appropriations Committee, as it did, proposed to cut a great deal of the spending meat out of the public housing and slum clearance programs. The Committee also would compel the sale, at a discount if necessary, of $1 billion of the mortgages of the Federal National Mortgage Association.

The explanation, of course, is that Republican Congressional standing is weak to negligible in the big urban centers of New York, Chicago, Baltimore, etc., where public housing is politically important. On the other hand, except for the rural South, Republican standing is strongest in the farm areas.

With the White House, on the other hand, there is always an interest in swiping as many votes as possible from the Democrats in the big cities. Hence, even though there is some genuine proposed economy in the House Appropriations cuts in the Independent Offices bill, this bill poses a problem for the White House.

It also raises a further problem. The Administration has hoped to try to frame an overall housing program, balancing subsidies among the various housing programs with a view to achieving as much economy as possible without too great a political sacrifice. The House Appropriations Committee attempted to foreclose the issue, and the resulting action on the Appropriations bill on both floors may tend also to force the main outlines of the Administration's housing program before the study can be made with deliberation.

See Two-Price System

Many farm observers believe that the final outcome of more than a year of stewing about the future of the farm problem, in both Congress and the Administration, will turn out in 1954 to be advocacy of what amounts to a two-price system on farm products. It will be a variation of the old McNary-Haugen export debenture scheme vetoed by President Coolidge in the late '20s.

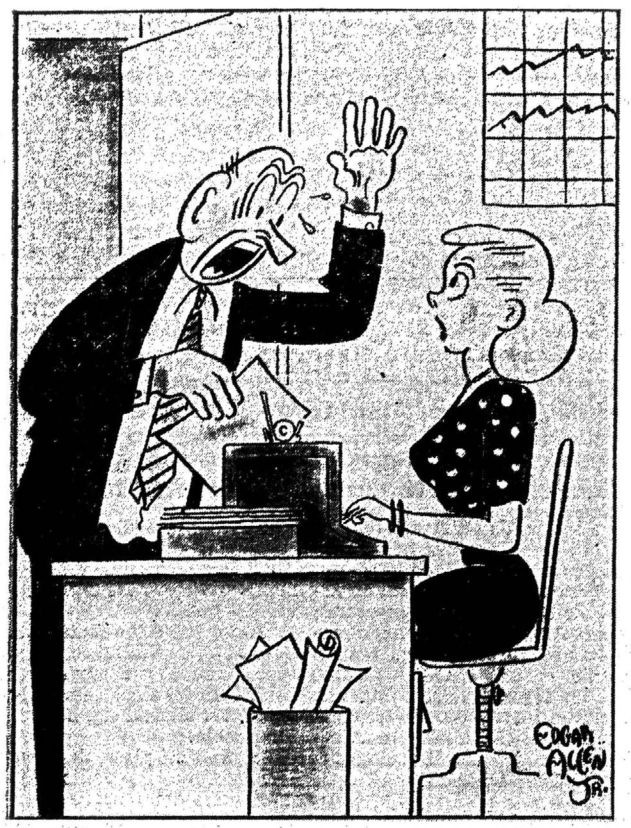
With Secretary Benson's main argument against arbitrary and high farm commodity price supports, the major farm organizations are for the most part in agreement. In fact, they backed the lower or "flexible" support idea adopted in the 80th Congress.

These farm leaders think that too high supports will simply continue to pile up surpluses which only war and donations of these surpluses under the guise of lend-lease can relieve. Without more or less permanent foreign aid on a multibillion dollar scale, there will be no way of getting rid of these surpluses.

Even though it is an old nostrum, these farm leaders, in their public appearances before Congress, are leaning more and more toward the idea of a moderate support price and a world export price, with a charge levied some where to raise funds to offset the difference between the higher (if relatively moderate) support price and the lower world market price.

(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



"Ten days off last month to have your appendix out—four days off last week for the flu!—when are you going to put business ahead of your personal pleasure?"

Neary, Purcell Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Joseph A. Harmath has been added to the staff of Neary, Purcell & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange.

Business Man's Bookshelf

Foreign Policy Without Fear—Vera Micheles Dean—McGraw-Hill Book Company, New York City—Cloth—$3.75.

How to Get Leads for Your Sales Force—Booklet discussing sources of mailing lists, form of mailing pieces, percentage return expected, costs, etc. in developing leads—Mailograph Company, Inc. (Mr. A. Kates, President), 39 Water Street, New York 4, N. Y.—On request.

Money, Men and Machines—Waddill Catchings and Charles F. Roos—Little, Brown & Company, 34 Beacon Street, Boston 6, Mass.—Cloth—$2.50.

New England's Financial Resources and Their Use—Report of the Committee of New England of the National Planning Association, 30 Pearl Street, Boston, Mass.—Paper.

Trade—and Aid—Beatrice Pitney Lamb—Public Affairs Committee, Inc., 22 East 38th Street, New York 16, N. Y.—Paper—25c.

Workers' Story, The—1913—1953—Labor Yearbook No. II—United States Department of Labor, Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.—Paper—45c.